

Legislative Analysis



ALLOW LOCAL HOTEL-MOTEL TAX

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House Bill 5048 (proposed substitute H-1)

Sponsor: Rep. John Fitzgerald

Committee: Local Government and Municipal Finance

Complete to 10-3-23

Analysis available at
<http://www.legislature.mi.gov>

SUMMARY:

House Bill 5048 would amend 1974 PA 263, the accommodations tax act, to allow cities and townships to collect a hotel-motel excise tax.

The act allows counties to enact a hotel-motel tax ordinance to levy, assess, and collect an accommodations tax of up to 5.0% of the total charges for accommodations if the county has a population of less than 600,000 and has a city within the county with a population of at least 40,000 at the time it enacts the ordinance. Generally speaking, revenue from the accommodations tax is to be used to support construction and maintenance costs of *convention and entertainment facilities* and activities promoting tourism and convention business within the county.

Convention and entertainment facilities means convention halls, auditoriums, stadiums, music halls, arenas, meeting rooms, exhibit areas, and related public areas, or any part of those areas.

The bill would allow the governing body of any city or township to enact an ordinance to levy, assess, and collect a separate excise tax of up to 2.0% of the total charges for accommodations. The tax would then have to be approved by a majority of the city or township's voters. Revenue from a local excise tax would be subject to the same restrictions as county revenues.

Additionally, the bill would add aquariums to the above list of convention and entertainment facilities.

MCL 141.861 et seq.

BACKGROUND:

Calhoun, Genesee, Ingham, Kalamazoo, Kent, Muskegon, Saginaw, and Washtenaw Counties levy an excise tax under 1974 PA 263.

Other statutes that allow for the imposition of room taxes include:

- The State Convention Facility Development Act (1985 PA 106; MCL 207.621 to 207.640), which allows an assessment of between 1.5% and 6%, based on the number of rooms and location of the facility, in counties with a population exceeding 700,000.
- The Convention and Tourism Promotion Act (2007 PA 25; MCL 141.1321 to 141.1328), which allows an assessment of up to 2% on rooms in facilities with 35 or more guest rooms in the greater Grand Rapids area or the greater Lansing area.

- The Regional Tourism Marketing Act (1989 PA 244; MCL 141.891 to 141.900), which allows an assessment of up to 1% on rooms in facilities with 10 or more guest rooms in the Upper Peninsula.
- The Convention and Tourism Marketing Act (1980 PA 383; MCL 141.881 to 141.889), which allows an assessment of up to 2% on rooms in facilities with 35 or more guest rooms in Wayne County or a county contiguous to Wayne County.
- The Community Convention or Tourism Marketing Act (1980 PA 395; MCL 141.871 to 141.880), which allows an assessment of up to 5% on rooms in facilities with 10 or more guest rooms. The assessment can be levied in counties with a population below 650,000 or in cities, villages, or townships within such a county, except for some areas subject to an assessment under the Convention and Tourism Marketing Act.¹
- The Regional Convention and Tourism Promotion Act (2010 PA 254; MCL 141.1431 to 141.1437), which allows an assessment of up to 5% on rooms in facilities with two or more guest rooms in Bay or Midland County.

[Note: The assessments described above are not necessarily mutually exclusive—the 1% allowed under the Regional Tourism Marketing Act, for example, may be levied in addition to a local assessment under the Community Convention or Tourism Marketing Act.]

FISCAL IMPACT:

As written, the bill would have no state fiscal impact, although to the extent that a 2% excise tax is approved by a local unit, local revenue would increase. However, because the bill is permissive in nature and requires voter approval at the local level, there is no way to estimate the potential revenue that could be generated from a local excise tax on lodgings and dwellings.

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■ This analysis was prepared by nonpartisan House Fiscal Agency staff for use by House members in their deliberations and does not constitute an official statement of legislative intent.

¹ A county that levies a tax under the Community Convention or Tourism Marketing Act cannot levy an excise tax under the accommodations tax act.