

Legislative Analysis



ALLOW LOCAL HOTEL-MOTEL TAX IN KENT COUNTY AND ALLOW INCREASED COUNTY TAX

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House Bill 5048 as enrolled
Sponsor: Rep. John Fitzgerald
Committee: Local Government and Municipal Finance
Complete to 12-1-23

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

(Enacted as Public Act 35 of 2024)

SUMMARY:

House Bill 5048 would amend 1974 PA 263, known as the accommodations tax act, to allow cities and townships in Kent County to collect a hotel-motel excise tax and to increase, from 5% to 8%, the amount that counties can charge under the act for a hotel-motel tax.

The act allows counties to enact a hotel-motel tax ordinance to levy, assess, and collect an accommodations tax of up to 5% 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.

House Bill 5048 would increase the maximum tax rate for counties to up to 8% of the total charges for accommodations. In order to levy a tax above 5%, the increased tax would need to be approved by the voters in that county in compliance with section 31 of Article IX of the state constitution.

The bill would also allow the governing body of a city or township located in a county with a population of more than 600,000 and less than 775,000¹ to enact an ordinance to levy, assess, and collect a separate excise tax of up to 2% of the total charges for accommodations. The tax would then have to be approved by a majority of the city's or township's voters. Revenue from a local excise tax would be subject to the same restrictions as county revenues. (If a city or township meets the county population requirement on the date that it enacts an ordinance, it would be able to continue to levy the tax.)

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

MCL 141.861 et seq.

¹ The only county that meets this requirement is Kent County, which has a population of 659,083 as of the 2020 census: <https://www.senate.michigan.gov/sfa/economics/michiganpopulationbycounty.pdf>.

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.²
- 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.]

BRIEF DISCUSSION:

According to committee testimony, 45 states allow for some form of a local lodging tax. Supporters of the bill argue that allowing Michigan's local governments to levy a hotel tax would give them another funding option to pursue downtown improvement projects, which would improve the quality of life for current residents, attract future residents, and catalyze further economic activity.

HOUSE FLOOR ACTION:

The H-6 substitute adopted on the House floor restricted the proposed ability for cities and villages to levy the excise tax to only those located in Kent County, increased the maximum county tax, and added sports complexes to the definition of convention and entertainment facilities.

² A county that levies a tax under the Community Convention or Tourism Marketing Act cannot levy an excise tax under the accommodations tax act.

FISCAL IMPACT:

As written, the bill would have no state fiscal impact, although to the extent that the additional three percentage points authorized under the bill for eligible counties or a 2% excise tax is approved by a local unit in Kent County, 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.