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House Bill 5048 (Substitute H-6 as passed by the House)
Sponsor: Representative John Fitzgerald
House Committee: Local Government and Municipal Finance
Senate Committee: Local Government

Date Completed: 11-6-23

CONTENT

The bill would amend the accommodations tax Act do the following:

- **Increase, from 5% to 8%, the maximum excise tax that a county that meets specified requirements may impose on individuals engaged in the business of providing rooms for dwelling, lodging, or sleeping purposes to transient guests.**
- **Allow a local unit of government in a county with a population of between 600,000 and 775,000 to impose an excise tax of up to 2% on individuals engaged in the business of providing rooms for dwelling, lodging, or sleeping purposes to transient guests, upon approval of a majority of electors.**
- **Specify that excise taxes levied by a local unit of government and excise taxes levied by a county under the Act would be in addition to each other.**

Increasing the Allowed County Excise Tax

Generally, the Act allows counties to impose and collect an excise tax of up to 5% on individuals engaged in the business of providing rooms for dwelling, lodging, or sleeping purposes to transient guests. A county must have a population of less than 600,000 and must have a city with a population of at least 40,000 to enact an ordinance imposing the excise tax of up to 5% of the total charge of the accommodations.

The bill would increase, from 5% to 8%, the maximum excise tax a county could impose for the total charge of accommodations. The county would be eligible to increase the excise tax if the county met the population requirements described above on the date the county board of commissioners enacted the ordinance that imposed the excise tax; however, the bill specifies that any increase in the tax rate above 5% would need to be approved by the majority of electors in individual local units of government within the eligible county in compliance with Section 31 of Article 9 of the State Constitution.¹

Allowing the Imposition of a Local Excise Tax

The bill would allow the local governing body of a local unit of government that was located in a county with a population of between 600,000 and 775,000 to enact an ordinance to impose an excise tax from all individuals engaged in the business of providing rooms for dwelling, lodging, or sleeping purposes, except in hospitals or nursing homes, to transient guests, whether or not membership was required for the use of the accommodations. The

¹ Section 31, Article 9 of the Michigan Constitution states that local units of government are prohibited from increasing the rate of an existing tax above the rate authorized by law or charter without the approval of a majority of electors within the local governmental unit.

ordinance could be amended or repealed in the same manner it was adopted. The excise tax could not exceed 2% of the total charge of the accommodations.

The local governing body of a local unit of government could not impose an excise tax unless a majority of qualified electors voted to approve the excise tax in compliance with Section 31 of Article 9 of the State Constitution.

If the local government existed in a county that met the population requirements described above on the date it imposed the excise tax, the local unit of government could continue to levy, assess, and collect the excise tax in perpetuity.

Requirements for the Deposit and Use of Revenues

Generally, a county must use the revenue from the imposed excise tax to pay for specified items, including the administration and enforcement of the tax ordinance, the financing of convention and entertainment facilities, and the promotion of tourist and convention business in the county. Under the bill, these requirements would apply to revenue from a local unit of government's imposed excise tax.

The Act defines "convention and entertainment facilities" as all, or any part, or any combination of convention halls, auditoriums, stadiums, music halls, arenas, meeting rooms, exhibit areas, and related public areas. The bill would modify this definition to include sports complexes and aquariums. The bill would define "sports complex" as a facility designed and primarily used for organized sports competitions.

Mandatory Provisions of the Ordinance

Generally, a county levying an excise tax must provide in the ordinance the effective date of the ordinance, the rate and manner of the tax imposed, the determination of abatements or refunds, and the designation of the administrator of the tax. Under the bill, these requirements would apply to a local unit of government's ordinance.

MCL 141.861 et al.

Legislative Analyst: Alex Krabill

FISCAL IMPACT

This bill would have no fiscal impact on the State. It could have a positive fiscal impact on local governmental units by an increase in the excise tax; however, voters would have to approve the tax first, making it impossible to estimate the fiscal impact on local governments.

Fiscal Analyst: Bobby Canell

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.