

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 59** HLS 161ES 54
 Bill Text Version: **ENROLLED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: March 9, 2016 11:02 AM	Author: MORENO
Dept./Agy.: Revenue	Analyst: Deborah Vivien
Subject: Expands the definition of hotel for sales tax purposes	

TAX/SALES-USE, STATE EN INCREASE SD RV See Note Page 1 of 1
 Provides relative to imposition of the state sales and use tax on hotels (Items #9 and 30)

Current law authorizes a 4% state sales tax on the purchase of hotel or motel rooms, which is dedicated back to the local area in which the tax was generated. Hotels are defined as a business furnishing 6 or more rooms, cottages or cabins at a single location to transient guests.

Proposed law expands the definition of a hotel to include any number of rooms and adds any residential location, including a house, condominium, camp, etc. furnished to transient guests. Any revenue derived from this bill will be remitted as hotel/motel tax and, under current law, is generally dedicated to the local area in which the tax was generated. Effective upon signature.

EXPENDITURES	2016-17	2017-18	2018-19	2019-20	2020-21	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

REVENUES	2016-17	2017-18	2018-19	2019-20	2020-21	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Annual Total						

EXPENDITURE EXPLANATION

The Department indicates that there will be significant implementation costs. The agency will be responsible for maintaining a database of all dealers remitting the hotel sales tax. The definition of hotel, and thus the number of dealers, is greatly expanded in this bill. Enforcement through audit and other measures appears to require significant resources. In addition, the bill may become effective in the middle of the month, which may further complicate compliance. The aggregate impact of all session bills may require an additional appropriation.

REVENUE EXPLANATION

The bill expands the definition of hotel to include those providing rooms of any number where the current definition only includes those with 6 or more rooms. In addition, a hotel will include any residence furnishing any number of rooms, cottages or cabins to a transient guest. This bill could subject a much larger number of locations to sales tax, including bed and breakfast establishments, home rentals for special events, possibly management companies providing leases, etc. Some licensed properties, such as bed and breakfasts, management companies, etc., will probably remit this tax due to regulatory compliance, but it is not clear how the tax will be collected from other online or private rentals, such as Airbnb or private special event rentals.

Compliance may require an extensive and on-going enforcement effort covering a large number of rentals over the entire state that were not previously overseen. The amount of sales tax generated by the expanded definition could potentially be material. However, implementation and enforcement are uncertain and, combined with an unknown tax base, results in no specific revenue estimate for this component of the bill.

Due to the current law dedication of essentially all state hotel/motel sales tax collections to local governments, any additional sales tax collections under this bill will be passed through to the local entities in the areas in which the sales tax is generated.

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| <u>Senate</u> | <u>Dual Referral Rules</u> | <u>House</u> |
| <input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H} | | <input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S} |
| <input checked="" type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H} | | <input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S} |

Gregory V. Albrecht
Chief Economist