

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 521** HLS 19RS 178
 Bill Text Version: **ENGROSSED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: April 29, 2019 5:33 PM	Author: ABRAMSON
Dept./Agy.: Orleans Parish	Analyst: Benjamin Vincent
Subject: Orleans Parish: Hotel Occupancy Tax & Infrastructure Fund	

TAX/LOCAL EG SEE FISC NOTE LF RV Page 1 of 1
 Provides relative to the levy of hotel occupancy taxes and tourism assessments in Orleans Parish

Present law authorizes a tourism organization (formerly the Convention & Visitors Bureau, now New Orleans & Company) to approve a hotel assessment of up to 1.75% of the daily room charge, which must be ratified in a referendum by a vote of the assessed hotels.

Proposed law reduces the maximum authorized amount of the hotel assessment to 1.5% through December 31, 2020, and further reduces it to 1.25% beginning January 1, 2021. Proposed law authorizes a parish occupancy tax of 0.25% through December 31, 2020, and 0.5% after January 1, 2021. Proposed law provides that proceeds from the occupancy tax will be deposited in the city's infrastructure fund.

Effective July 1, 2019.

EXPENDITURES	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>	<u>5 -YEAR TOTAL</u>
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	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

REVENUES	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>	<u>5 -YEAR TOTAL</u>
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	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW
Annual Total						

EXPENDITURE EXPLANATION

Minor additional local expenditures are likely associated with the implementation, administration, collection, and enforcement of the levies in proposed law. The City anticipates continuing to collect the occupancy tax portion of the combined levy while the hotel industry group and tourism organization continues to collect the assessment portion of the combined levy.

REVENUE EXPLANATION

Current law provides for an assessment of 1.75% for member hotels, with the avails of the assessment going to the tourism organization authorized to levy the assessment. Proposed law reduces the authorized assessment rate to 1.5% in 2020, and to 1.25% in 2021 and beyond. Proposed law additionally authorizes a parish occupancy tax of 0.25% until December 31, 2020, and 0.5% in 2021 and beyond. Proposed law provides that the avails of the occupancy tax will be deposited in the city's infrastructure fund.

The combined rate of occupancy tax and hotel assessment is 1.75% in present law, in proposed law in 2019 and 2020, and in proposed law for 2021 and beyond. For the purposes of this fiscal note, LFO does not consider revenues generated by tourism organizations via the hotel assessment to be local government funds. The net effect of proposed law will be a transfer of tourism organization revenues to local governmental funds.

The most recent sales tax information provided by the City of New Orleans implies a projected taxable base of approximately \$1.2 bil, implying revenues of approximately \$20 mil generated by a 1.75% assessment.

Proposed law would divert 0.25% of the tourism organization's 1.75% assessment to the city's infrastructure fund until December 31, 2020. Beginning January 1, 2021, upon the expiration of an existing Cooperative Endeavor Agreement between the city and tourism organizations, proposed law would divert an additional 0.25% to local government funds.

Per testimony of Chief of Staff John Porciau in Ways and Means on April 23, 2019, the CEA, which expires on the same date as the authorization of the occupancy tax increase to 0.5%, currently provides for a transfer of 0.25% from hotel assessment revenues to be utilized on certain infrastructure improvements. The transfer from the expiring CEA would effectively be replaced by the additional 0.25% increase in the occupancy tax.

Thus, the apparent anticipated net impact of proposed law on local funds is a gain of approximately \$3 mil in FY20, \$4.5 mil in FY21, and \$6 mil in FY22 and beyond.

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