

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 59** HLS 161ES 54
 Bill Text Version: **REENGROSSED**
 Opp. Chamb. Action: **W/ SEN FLOOR AMD**
 Proposed Amd.:
 Sub. Bill For.:

| | |
|--|--------------------------------|
| Date: March 4, 2016 8:30 AM | Author: MORENO |
| Dept./Agy.: Revenue | Analyst: Deborah Vivien |
| Subject: Expands the definition of hotel for sales tax purposes | |

TAX/SALES-USE, STATE REF 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. The bill removes those leasing apartment or single family dwellings with month-to-month leases as a dealer and refers to guidelines to be considered in the 2016 Regular Session concerning dealers, possibly those with online business models such as Airbnb. 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 July 1, 2016.

| 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 could be certain implementation costs. The number of dealers is greatly expanded in this bill. Enforcement through audit and other measures appears to require significant resources. 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. Those with month-to-month leases are specifically excluded as dealers. 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, though the bill refers to upcoming guidelines from the 2016 Regular Session which may help clarify if adopted.

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} | |

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