



**House
Legislative
Analysis
Section**

Olds Plaza Building, 10th Floor
Lansing, Michigan 48909
Phone: 517/373-6466

HOTEL-MOTEL TAXES

**House Bill 5960 (Substitute H-1)
First Analysis (11-20-96)**

**Sponsor: Rep. Walter DeLange
Committee: Tourism and Recreation**

THE APPARENT PROBLEM:

The Community Convention or Tourism Marketing Act, generally speaking, allows a convention and tourist bureau in a county with a population of under 650,000 or in a city, village, or township in such a county to form a marketing organization and levy an assessment of up to two percent on hotel and motel room charges. The assessment must be approved by a majority of hotel and motel owners at a referendum conducted on a one-room-one-vote basis. However, under that act, a municipality cannot be part of a room assessment district if the county in which it is located is already collecting a room tax under Public Act 263 of 1974. Public Act 263 allows for a county excise tax on rooms and is available to any county with a population of under 600,000 that contains a city of 40,000 or more. Representatives of the Grand Rapids area are supporting legislation to remove that provision from law, so that an assessment under the Community Convention or Tourism Marketing Act, sometimes known as PA 59, can be levied, even though Kent County already levies a 5 percent room tax under Public Act 263.

The main rationale for the additional room assessment is that the Grand Rapids/Kent County Convention and Visitors Bureau is under funded and thus hampered in its mission of promoting the area as "a destination." A bureau spokesperson has said the bureau's budget ranks only sixth in size in the state. The bureau receives only 20 percent of the current county room tax, with the remainder going to the county to pay off long-term bonds for various facilities. Community leaders say that \$150 million has been invested in new tourism, convention, and sports facilities in the past five years, and tourism officials have set a goal of attracting two million visitors to the area each year.

THE CONTENT OF THE BILL:

House Bill 5960 would amend the Community Convention and Visitors or Tourism Marketing Act to remove the provision that does not allow the room assessment to be levied under that act if a room tax is already being levied under Public Act 263 of 1974.

(The bill would not affect the provision that says a municipality included in a marketing program under the act cannot be subject to the excise tax under Public Act 263 or another tax based on a room charge. It also does not affect the provision that says a municipality cannot be subject to an assessment under the act if it is subject to the room assessment under Public Act 383 of 1980, which applies to Wayne County.)

MCL 141.873

FISCAL IMPLICATIONS:

The House Fiscal Agency reports that the bill would have no fiscal impact on state or local government. (Fiscal Note dated 11-18-96)

ARGUMENTS:

For:

With this bill, the Grand Rapids Convention and Visitors Bureau would be able to seek approval of a room assessment of up to 2 percent under the Community Convention or Tourism Marketing Act to support its activities promoting the area. The bureau is currently under funded because it receives only a small proportion of the revenues from the county room tax. It receives 20 percent of the room tax, whereas in the other six counties with such a tax, from 75-95 percent goes to the local convention or tourist bureau. The new assessment could only be imposed with the majority approval of the hotels and motels in the area conducted on a one-room-one-vote basis. Currently, an assessment under the act is not allowed because of the existence of the county room tax. The bill is permissive; no bureau is required to seek imposition of the assessment. Grand Rapids area leaders say an expansion of promotion and marketing efforts by the convention bureau would benefit the area's business climate in general, not only the tourist and convention business, and will create a significant number of new jobs.

House Bill 5960 (11-20-96)

Against:

Representatives of other areas have indicated their opposition to this proposal. The two acts in question here, known as Public Act 59 and Public Act 263, are intended to be mutually exclusive. A PA 59 assessment cannot be levied where the PA 263 room tax is in place, and where a PA 59 assessment has been approved, a PA 263 county room tax cannot be imposed. This prevents duplicate assessments or taxes on hotel and motel operators and prevents the traveler from being overburdened. The imposition of high bed taxes could lead to a decrease in tourism. It is a mistake to correct a local problem -- the low share of the county room tax allocated to the convention bureau -- by amending an act that applies statewide.

POSITIONS:

Among those indicating support for the bill to the House Tourism and Recreation Committee were: The Grand Rapids/Kent County Convention and Visitors Bureau; the Grand Rapids Area Chamber of Commerce; Holly's Inc. (Operator of four Holiday Inns and one Econo Lodge); the Public Museum of Grand Rapids; the Amway Hotel Corporation; the Best Western Midway Hotel of Grand Rapids; the Calvin College Office of Conferences and Campus Events; the Grand Rapids Art Museum; the Paragon Bowling Center; the Woodland Merchant's Association; and the Michigan Hotel, Motel, and Resort Association (which support the H-1 substitute). (11-19-96)

Among those indicating opposition to the bill were representatives of the St. Clair County Convention and Visitors Bureau, the Midland County Convention and Visitors Bureau, and the Mt. Pleasant Convention and Visitors Bureau. (11-19-96)

Analyst: C. Couch

■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.