COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0101-02
Bill No.: HCS for HB 306
Subject: Motels and Hotels; Revenue Department; Taxation and Revenue
Type: Original
Date: March 12, 2009

Bill Summary: This proposal allows the board of certain business districts to provide for the collection of hotel and motel taxes within the district.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
General Revenue	$9,000	$18,000	$18,000
Total Estimated Net Effect on General Revenue Fund	**$9,000**	**$18,000**	**$18,000**

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Total Estimated Net Effect on Other State Funds	**$0**	**$0**	**$0**

Numbers within parentheses: ( ) indicate costs or losses.
This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Total Estimated Net Effect on <u>All</u> Federal Funds	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Total Estimated Net Effect on FTE	**0**	**0**	**0**

☐ Estimated Total Net Effect on All funds expected to exceed $100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed $100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Local Government	**($9,000)**	**($18,000)**	**($18,000)**

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Revenue (DOR)** state they have not, historically, entered into agreements to collect hotel/motel or lodging tax, and that this proposal mandates the agreement. Due to the Statewide Information Technology Consolidation, DOR's response to a proposal will now also reflect the cost estimates prepared by OA-IT for impact to the various systems. As a result, the impact shown may not be the same as previous fiscal notes submitted. In addition, if the legislation is Truly Agreed To and Finally Passed, the OA-IT costs shown will be requested through appropriations by OA-IT.

The Office of Administration Information Technology (ITSD DOR) estimates the IT portion of this request can be accomplished within existing resources; however, if priorities shift, additional FTE/overtime would be needed to implement. The ITSD DOR estimates that this legislation could be implemented utilizing 1 existing CIT III for 1 month for system modifications to MINITS. The estimated cost is $4,441.

DOR states they would need five additional FTE to administer this proposal, an FTE Revenue Processing Technician in each of the following sections;

- One FTE in Sales Tax to monitor hotels, update registrations, correct errors in returns, assist with distribution and coordinate updates with the board to ensure everyone is registered and remitting the tax.
- One FTE in Business Tax for every 50,000 returns filed;
- One FTE in Business Tax for every 17,000 returns requiring corrections;
- One FTE in Business Tax for every 25,000 returns filed requiring maintenance; and
- One FTE in Collections & Tax Assistance for every additional 8,300 registrations/maintenance annually to business tax accounts.

In summary, DOR assumes a cost for the five additional FTE to total roughly $210,000 annually.

According to the web site for the Tri-County Lodging Association, there are 220 members in Camden, Miller and Morgan Counties. **Oversight** assumes this translates to 220 returns and payments to be made to the Department of Revenue on a quarterly basis (total of 880 returns filed annually). Oversight assumes this does not reach the threshold of requiring DOR to add additional FTE. If additional legislation is passed that requires DOR to collect this tax for additional jurisdictions, Oversight assumes DOR would need additional FTE to administer the tax. Oversight assumes DOR would be able to request additional FTE through the budget process if the workload from passage of such legislation would warrant.

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ASSUMPTION (continued)

Officials from **Miller County**, **Camden County** and **Morgan County** did not respond to our request for fiscal impact.

Officials from the **Lake Area Business District** state they currently pay a 2% collection fee to the county collectors in Miller, Morgan and Camden counties for the collection of the lodging tax. It would be reasonable to use a total collection amount of approximately $1.8 million annually for the lodging tax, which would mean the business districts are currently paying approximately $36,000 to the county collectors.

This legislation would allow the Department of Revenue to retain a 1% to 3% fee for collecting this tax. If it were 1%, the collection fee for DOR would be $18,000. If it were 2%, the collection fee would be $36,000. If it were 3%, the collection fee would be $54,000.

This proposal requires the board of directors of a Lake Area Business District to enter into an agreement with the Department of Revenue for the collection of the transient guest tax. In turn, the Department of Revenue would then be allowed to retain between one and three percent of the collections to cover costs. **Oversight** assumes DOR would retain a one percent collection fee (although they are allowed to retain up to three percent). Oversight will utilize information provided by the Lake Area Business District to prepare the fiscal note, and will assume a revenue impact to the Department of Revenue of $18,000 (DOR retains a 1% collection fee). Oversight assumes the agreement would be effective January 1, 2010, which would result in six months of income for FY 2010.

Oversight assumes there would be a loss of revenue to the County Collectors and a savings to the Lake Area Business District.

This proposal could increase Total State Revenues.

FISCAL IMPACT - State Government	FY 2010 (10 Mo.)	FY 2011	FY 2012
GENERAL REVENUE			
Income - Department of Revenue 1% collection fee for collecting hotel and motel taxes within the Lake Area Business District	$9,000	$18,000	$18,000
ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND	**$9,000**	**$18,000**	**$18,000**

FISCAL IMPACT - Local Government	FY 2010 (10 Mo.)	FY 2011	FY 2012
LOCAL POLITICAL SUBDIVISIONS			
Savings to Lake Area Business District from change of collection fees from the County Collectors (currently 2%) to the Department of Revenue (assumed to be 1%)	$9,000	$18,000	$18,000
Loss to Counties - of revenue to the counties of Miller, Morgan and Camden for collection fees of the lodging tax of the Lake Area Business District	($18,000)	($36,000)	($36,000)
ESTIMATED NET EFFECT LOCAL POLITICAL SUBDIVISIONS	**($9,000)**	**($18,000)**	**($18,000)**

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

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FISCAL DESCRIPTION

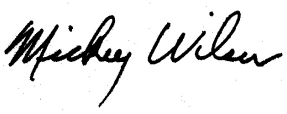
Currently, the board of directors of a lake area business district must enter into an agreement with the county collector where the district is located for the collection of a transient guest tax within the district. This bill alternatively requires the board to enter into an agreement with the Department of Revenue to collect the tax with the department retaining not less than 1% or more than 3% for the cost of collection.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Revenue
Lake Area Business District

NOT RESPONDING:
Miller County
Camden County
Morgan County



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