



**House  
Legislative  
Analysis  
Section**

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**LANSING AREA ROOM TAX**

**House Bill 4460 with committee  
amendment  
First Analysis (4-27-93)**

**Sponsor: Rep. H. Lynn Jondahl  
Committee: Taxation**

***THE APPARENT PROBLEM:***

Public Act 263 of 1974 allows certain counties to levy an excise tax on hotel and motel rooms of up to five percent for the promotion of tourism and convention business, the financing of convention and entertainment facilities, and similar purposes. The act applies to a county with a population of under 600,000 that contains a city of at least 40,000 people. Ingham County, according to tax specialists, raised its room excise tax to five percent from two percent in 1991. Of that, four percent goes to the Greater Lansing Convention and Visitors Bureau and one percent goes to the county. Hotels in Delta Township have been voluntarily contributing an equivalent of the two percent excise tax, since that township, although in adjoining Eaton County, is part of the Greater Lansing area. (According to information from staff to the House Taxation Committee, there are seven hotels with 1,022 rooms in the township.) Reportedly, the Delta Township facilities would be willing to increase their contributions to the convention and tourism bureau (although not to Ingham County) if the room assessments were part of a statutory system rather than a voluntary one. However, Eaton County and Delta Township are not eligible to come under the provisions of Public Act 263. Another act, the Community and Convention Tourism or Marketing Act permits a county with a population of under 650,000 or a city, village, or township in such a county to levy a room assessment of up to two percent. This act is seen as an appropriate vehicle for a method by which Delta Township hotels could, with the protection of a statute, increase their contributions to the regional convention and visitors bureau.

***THE CONTENT OF THE BILL:***

The bill would amend the Community Convention or Tourism Marketing Act to permit a four percent room assessment to be imposed under certain

circumstances. (Otherwise, the assessment limit is two percent.) The assessment could be imposed by a bureau that was located within a township and that did not otherwise assess a room charge if the assessment and marketing program were approved by a majority of the hotels and motels and if all the following conditions were met.

-- the township was contiguous to a county levying an excise tax of five percent under Public Act 263 of 1974;

-- owners representing at least 80 percent of the rooms in the assessment district were members of the convention and tourism organization receiving the county excise tax;

-- the bureau contracted with that other organization to promote convention business or tourism and paid that organization all of the assessment revenues for promotional purposes;

-- the owners representing at least 80 percent of the rooms in the assessment district had voluntarily contributed to the promotional organization during the preceding fiscal year in an amount equal to the two percent permitted under the act being amended; and

-- the assessment and marketing program were approved by a majority of the affected facilities at a written referendum, either by mail or in person, with each owner getting one vote per room.

MCL 141.872 and 873

***FISCAL IMPLICATIONS:***

The revenue from the room tax increase in this bill would go entirely to a private, non-profit organization.

House Bill 4460 (4-27-93)

***ARGUMENTS:******For:***

The bill will permit a 4 percent room tax to be levied on hotels and motels located in Delta Township with their consent. That township is in Eaton County rather than Ingham County, which levies the hotel excise tax, but is part of the Greater Lansing area. The revenue from the Delta Township room tax will go entirely to the Greater Lansing Convention and Visitors Bureau, whose promotional activities benefit the Delta Township hotel and convention facilities. These facilities have been voluntarily paying the two percent room tax to the Lansing bureau, but reportedly will only pay an increased room tax within a statutory structure. Supporters of this approach say it has the support of the majority of the hotels and motels in the township. The exception this bill would make to the standard two percent assessment allowed under the Community Convention or Tourism Marketing Act is very limited and thus is not opposed by those who generally do want to see any change in the assessment limit. Supporters of the bill point to the success promoters of the Lansing area have had in the past few years in increasing the convention and tourism business, including in 1992 alone major golf and bowling tournaments, as well as one of the presidential debates.

***POSITIONS:***

A representative of the Michigan Travel and Tourist Association testified in support of the bill as written. (4-21-93)

A representative of the Greater Lansing Convention and Visitors Bureau and the Michigan Association of Convention and Visitors Bureaus testified in support of the bill. (4-21-93)