

# Legislative Analysis



## RAISE ROOM ASSESSMENT CAP IN COMMUNITY CONVENTION OR TOURISM MARKETING ACT

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**Senate Bill 1515 (Substitute H-2)**

**Sponsor: Sen. Patricia L. Birkholz**

**House Committee: Tourism, Outdoor Recreation and Natural Resources**

**Senate Committee: Commerce and Tourism**

**Complete to 11-30-10**

### A SUMMARY OF SENATE BILL 1515 AS REPORTED BY HOUSE COMMITTEE

The Community Convention or Tourism Marketing Act is one of several acts that allows for the imposition of room taxes to support efforts by local tourism bureaus in promoting tourism. It applies to tourism bureaus in one or more counties with a population below 650,000, and cities, villages, and townships in those counties. It currently allows the imposition of a room assessment of up to two percent on owners of hotels and motels, with the revenue to be used for the marketing programs of a nonprofit tourism bureau.

Under Senate Bill 1515 (H-2), a room assessment of up to five percent would be permitted. (Under the act, up to four percent can be assessed in a township that is contiguous to a county that levies five percent under the Accommodations Tax Act, a different room assessment act. This exception would be deleted under Senate Bill 1515 since it apparently would be no longer necessary.)

#### Audits and Financial Statements

The act currently requires that financial statements of the bureau be audited at least annually by a certified public accountant, and a copy of the audited statements be mailed to each owner not more than 150 days after the close of the bureau's fiscal year. The financial statements must include a statement of all assessment revenues received during the fiscal year and be accompanied by a detailed report, certified by the chief operating officer of the bureau, describing marketing programs. Senate Bill 1515 (H-2) would also require that the financial statements include the amount of compensation for the chief executive director of the tourism bureau.

Currently, copies of the audited financial statements and the certified report must be mailed simultaneously to the MEDC director. Under Senate Bill 1515, the MEDC director must make them available to members of the public on the internet. If the bureau fails to submit copies of the financial statements and certified report to the director as required, the director would mail a demand letter to the bureau for the information, with a copy of the demand letter sent to the attorney general. If the information is not forthcoming within 90 days after the demand letter is sent, the bureau could not spend the portion of the assessment collected during the period of noncompliance. The attorney general could assist in enforcement. Further, if the audited financial statements and certified report are not made available within 90 days of the demand letter, the bureau would be responsible

for a state civil infraction and could be ordered to pay up to \$10,000. Also, the attorney general could bring action to dissolve the bureau.

### **FISCAL IMPACT:**

Senate Bill 1515 (H-2) would have no immediate fiscal impact on state and local government because the assessments authorized become the property of the private, non-profit corporation promoting convention and tourism business. Local convention and tourism bureaus would potentially see a significant change in revenue under the provisions of the bill. Any long term fiscal impact due to an increase in marketing by the local convention and tourism bureaus would depend on the various components of the proposed marketing campaigns from the assessment of up to 5 percent of room charges from owners of transient facilities, as well as the effectiveness of the marketing program on the local economy.

### **CHANGES MADE BY HOUSE COMMITTEE:**

The members of the House Committee on Tourism, Outdoor Recreation and Natural Resources made one change in the bill. The Senate-passed version of the bill would have required that a local tourism bureau include in its financial statements (audited at least annually, under the law) "the amount of wages and benefits for each full-time employee of the bureau." The members of the House Committee eliminated that provision, and instead reported Senate Bill 1515 (H-2) which would require that a tourism bureau include in its financial statements only "the amount of compensation for the chief executive director of the bureau."

### **BACKGROUND INFORMATION:**

Other statutes that allow for the imposition of room taxes include:

#### Accommodations Tax Act

- o Counties with a population below 600,000 if they have one city of 40,000 or more.
- o Rate of up to 5 percent on rooms.
- o Revenue for convention and entertainment facilities or the promotion of tourism and convention business.

#### State Convention Facility Development Act

- o Counties with a population of 750,000 or more (with enactment of Public Act 609 of 2006).
- o Rate of from 1.5 percent to 6 percent, based on number of rooms and location of facility.
- o Revenue to Convention Facility Development Fund.

#### Regional Tourism Marketing Act

- o A regional marketing association in a region composed of 15 counties (that had operated for 10 or more years).
- o Rate of up to 1 percent.

- o Revenue to regional marketing association for tourism programs.

Convention and Tourism Marketing Act

- o A county with a population of 1.5 million or more, or a county or counties contiguous to that county.
- o Up to two percent (on top of existing room taxes).
- o Revenue to a convention and tourism marketing bureau.

In addition, Senate Bill 1419 and House Bill 6206 of the current session would create a new room assessment act, levying up to five percent in certain counties.

**POSITIONS:**

The Michigan Association of Convention and Visitor Bureaus supports the bill. (11-30-10)

The Michigan Lodging and Tourism Association supports the bill. (11-30-10)

The Michigan Economic Development Corporation (MEDC) and Travel Michigan support the bill. (11-30-10)

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■ 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.