

Legislative Analysis



ACCOMMODATIONS (HOTEL-MOTEL) TAXES

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Senate Bill 758 without amendment

Sponsor: Sen. Dave Hildenbrand

(Enacted as Public Act 284 of 2014)

House Committee: Tax Policy

Senate Committee: Finance

Complete to 6-10-14

A SUMMARY OF SENATE BILL 758 AS PASSED BY THE SENATE 3-26-14

The Accommodations Tax Act (1974 PA 363) allows certain counties to impose hotel-motel accommodation taxes. Senate Bill 758 would allow the ordinance under which a county levies the tax to specify that if any hotel-motel taxes remain unpaid for more than 90 days, the county treasurer could collect the tax in the same manner as the collection of a delinquent special assessment under the General Property Tax Act, including the imposition of interest, fees, and costs.

(The act applies to a county with a population of less than 600,000 that includes a city with a population of 40,000 or more; however, the act contains a "grandfather" clause that allows a county to continue to levy the tax as long as it met the population requirements when the ordinance was enacted.)

MCL 141.864

FISCAL IMPACT:

As written, the bill could result in a small increase in county revenue. Additional interest and fees could now be added to delinquent hotel-motel accommodation tax payments, which would increase local unit revenue relative to the amount of current and future delinquent taxes. County revenue could also increase to the extent that these new penalties discourage late or non-payment of the hotel-motel accommodation tax, causing the county to recover taxes that would have gone unpaid otherwise.

BACKGROUND INFORMATION:

Public Act 263 of 1974 allows counties that, at the time they enact a hotel-motel tax ordinance, have a population of at least 600,000 and have a city within the county with a population of at least 40,000 to enact an ordinance to levy, assess, and collect an accommodations tax of up to 5% of the total charges for accommodations. Generally speaking, revenue from the accommodations tax is to be used to support construction and maintenance costs of convention facilities and activities promoting tourism and convention business within the county. (Reportedly, Calhoun, Genesee, Ingham, Kalamazoo, Kent, Muskegon, Saginaw, and Washtenaw levy the tax.)

The county ordinance imposing the tax must specify, among other things, the tax rate and the rate and manner in which interest and penalties are assessed for delinquent taxes. Interest may not exceed 1% per month (or fraction thereof) and penalties may not exceed 5% of the unpaid balance per month, up to a total penalty rate of 25% of the unpaid balance. The ordinance may (but is not required) to specify additional penalties for violating the ordinance, include a fine of up to \$500 and/or 90 days' imprisonment.

Recent news accounts indicate that that Kent County has encountered some difficulty in collecting the accommodations tax from a Cascade Township hotel.¹

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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.

¹ See a series of MLive articles including, Shandra Martinez, "Third-largest hotel in Grand Rapids sued for back taxes", http://www.mlive.com/business/west-michigan/index.ssf/2013/12/kent_county_sues_grand_rapids.html (12/27/13); Rick Wilson, "\$150k in back property taxes, possible foreclosure add to woes at Crowne Plaza Hotel", http://www.mlive.com/business/west-michigan/index.ssf/2014/02/kent_county_seeks_default_in_2.html (2/14/14); and Rick Wilson, "Crowne Plaza hotel reaches deal on lodging debt, puts off property tax payment", http://www.mlive.com/news/grand-rapids/index.ssf/2014/05/crowne_plaza_hotel_reaches_dea.html (5/13/14).