



Senate Fiscal Agency  
P. O. Box 30036  
Lansing, Michigan 48909-7536



BILL ANALYSIS

Telephone: (517) 373-5383  
Fax: (517) 373-1986  
TDD: (517) 373-0543

House Bill 5241 (Substitute H-1 as passed by the House)  
Sponsor: Representative James Koetje  
House Committee: Tax Policy  
Senate Committee: Finance

Date Completed: 5-5-04

### **CONTENT**

**The bill would amend the accommodations tax Act to allow a county to continue collecting an excise tax on hotels and motels after it no longer meets the population criteria, if the county qualified when it enacted an ordinance to levy the tax.**

Under the Act, a county that has a population of less than 600,000 and a city of at least 40,000 may enact an ordinance "to levy, assess, and collect an excise tax from all persons engaged in the business of providing rooms for dwelling, lodging, or sleeping purposes, except in hospitals or nursing homes, to transient guests, whether or not membership is required for the use of the accommodations". The tax rate may not exceed 5% of the total charge for accommodations.

Under the bill, if a county met the population requirements on the date it enacted an ordinance under the Act, the county could continue to levy, assess, and collect the tax.

MCL 141.862

### **BACKGROUND**

#### Permissible Uses of the Tax

The accommodations tax Act states that revenue from the excise tax may be used to pay for financing of the acquisition, construction, improvement, enlargement, repair, or maintenance of convention and entertainment facilities, including the payment of principal and interest, when due, on bonds or other evidence of indebtedness issued by the county for convention and entertainment facilities. The revenue also may be used for the current or future annual rental payable by the county to an authority organized pursuant to state law for the purpose of acquiring, constructing, improving, enlarging, repairing, or maintaining the convention and entertainment facilities and leasing them to the county. Additionally, the revenue may be used for the promotion and encouragement of tourist and convention business in the county.

#### Convention Facility Development Fund

Counties with a population exceeding 600,000 levy a hotel-motel tax under the State Convention Facility Development Act, which imposes a tax between 1.5% and 6% of the room charge, depending on the number of rooms in a hotel and the city in which it is

located. Revenue from the tax is deposited into the Convention Facility Development Fund and disbursed to local units of government to acquire, construct, improve, enlarge, renew, replace or lease a convention facility; to repair, furnish, or equip a convention facility, or to refinance those activities.

The tax imposed by this Act may not be collected after December 31, 2015.

Legislative Analyst: J.P. Finet

**FISCAL IMPACT**

The bill would have no fiscal impact on State or local government.

Fiscal Analyst: David Zin