



# 2015 Room Tax Law Changes

The following Overview by the Wisconsin Hotel & Lodging Association compares the recent Room Tax Law to the Changes passed in WI Act 55 in July of 2015

PRIOR TO JULY 14, 2015	WI ACT 55 (Starting JULY 14, 2015)
<b>TOURISM PROMOTION &amp; DEVELOPMENT</b> <i>Previously, the monies allocated for tourism were defined as for “<b>tourism promotion and development</b>”(TP&amp;D), which was believed to imply tourism development, when the full definition was read. However, those not reading the full definition sometimes considered other development uses.</i>	<b>CLARIFICATION OF TOURISM DEVELOPMENT</b> <i>To ensure that everyone would interpret the language more clearly and universally, the monies allocated for tourism are now defined as for “<b>tourism promotion and tourism development</b>” (TP&amp;TD). This clarifies that any development use must be tourism development, which is in keeping with the rest of the definition in the statute.</i>
<b>TRANSPARENCY</b> <i>While municipalities usually report a room tax revenue figure to the state, there is no uniform requirement as to whether this figure is the gross room tax receipts, only the portion the municipality retains, or only the portion going to tourism promotion &amp; development (TP&amp;D). This makes the current data of minimal use and meaning. Other room tax information is not requested.</i>	<b>TRANSPARENCY</b> <i>Beginning in May of 2017, each municipality imposing a Room Tax must remit to the state Department of Revenue (DOR) each year by May 1<sup>st</sup> the following information from the previous year on DOR Forms:</i> <ul style="list-style-type: none"> <li><i>The amount of room tax revenue collected</i></li> <li><i>The room tax rate imposed</i></li> <li><i>The amount of room tax revenue allocated for tourism promotion &amp; tourism development (TP&amp;TD)</i></li> <li><i>Identification of the tourism commission or tourism entity that received the TP&amp;TD revenue, along with a roster of each member of the governing board of the commission or entity receiving this revenue that also identifies the business the board member owns, operates, or is employed by.</i></li> </ul> <i>In addition, any municipality eligible to retain over 30% of total room tax collected for their own purposes must in the first year provide proof of this eligibility. The DOR will make these reports available to the public, and is authorized to impose a fee of up to \$3,000 on any municipality not remitting such a report as required.</i>
<b>OVERSIGHT OF TOURISM REVENUE</b> <i>Currently the municipality may give an appointed tourism commission oversight of TP&amp;D revenue OR they can retain their own oversight of the TP&amp;D revenue.</i>  <i>In addition, the municipality has oversight of the revenue they retain for their own purposes.</i>	<b>OVERSIGHT OF TOURISM REVENUE</b> <i>Now, the municipality may choose to give the TP &amp;TD revenue to either an appointed tourism commission OR a tourism entity (see the revised definition of tourism entity below). The municipality may no longer retain and expend the TP&amp;TD revenue.</i> <i>The municipality continues to retain full control over the portion of room tax revenue they are allowed to retain for their own purposes – just not the TP&amp;TD revenue.</i>

<p><b>DEFINITION OF TOURISM ENTITY</b></p> <p><i>A “tourism entity” was defined as a nonprofit organization that came into existence before January 1, 1992, and provides staff, development or promotional services for the tourism industry in a municipality. Basically, no organization created after 1992 could become a tourism entity.</i></p> <p><i>While a tourism commission is required to have at least one “Wisconsin hotel or motel industry representative”, there was no requirement for a lodging representative in the governing body of a tourism entity.</i></p>	<p><b>REVISED DEFINITION OF TOURISM ENTITY</b></p> <p><i>A “tourism entity” is now defined as a nonprofit organization that came into existence before January 1, 1992, spends at least 51% of its revenues on tourism promotion and tourism development, and provides destination marketing staff and services for the tourism industry in a municipality. However, a clause was added so that as of January 1, 2016, if there was no such organization created by 1992, one could be created. This unusual wording allows for a newer tourism entity, but also prevents multiple competing tourism entities from being created in the same municipality.</i></p> <p><i>A requirement was also added that a tourism entity must include at least one lodging owner or operator from the municipality on their governing board, and they must provide an annual report to the municipality on their use of the room tax.</i></p>
<p><b>MUNICIPALITIES RETAINING OVER 30% OF ROOM TAX FOR OWN PURPOSES</b></p> <p><i>Municipalities that retained for their own purposes more than 30% of room tax revenue in May of 1994 were able to continue to retain the same percentage, with no noted expiration. The 1994 “grandfather clause” only applied to the room tax rate in effect at the time.</i></p> <p><i>Any increase in the room tax rate must adhere to allocating a minimum of 70% of room tax collected to TP&amp;D. Thus some municipalities keep one percentage of the original tax rate and another percentage of a tax rate added since 1994.</i></p>	<p><b>NEW DOLLAR CAP ON MUNICIPALITIES RETAINING OVER 30% OF ROOM TAX FOR OWN PURPOSES</b></p> <p><i>Municipalities that retained more than 30% of room tax revenue in May of 1994 will, beginning in 2017, have dollar caps imposed on the total dollars they may retain.</i></p> <p><i>The dollar caps change in each of the first five years starting in 2017 and then freeze in the fifth year. They are based on the dollar amounts the municipality retained from room tax revenue in previous years. The dollar caps will be as follows:</i></p> <ul style="list-style-type: none"> <li><i>• In 2017, the maximum the municipality may retain is the total dollars they had retained in the year 2014.</i></li> <li><i>• In 2018, the dollar cap is the total retained in 2013.</i></li> <li><i>• In 2019 the dollar cap is the total retained in 2012.</i></li> <li><i>• In 2020 the dollar cap is the total retained in 2011.</i></li> <li><i>• In 2021 and into the future, the dollar cap is the total the municipality retained in <b>2010</b>.</i></li> </ul> <p><i>Any room tax revenue collected beyond the cap must go to TP&amp;TD. However, should the capped dollar amount ever become less than 30% of the total room tax collected, the municipality may instead shift to retaining a flat 30% for their own use.</i></p>

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