

LODGING FACILITY TAXES

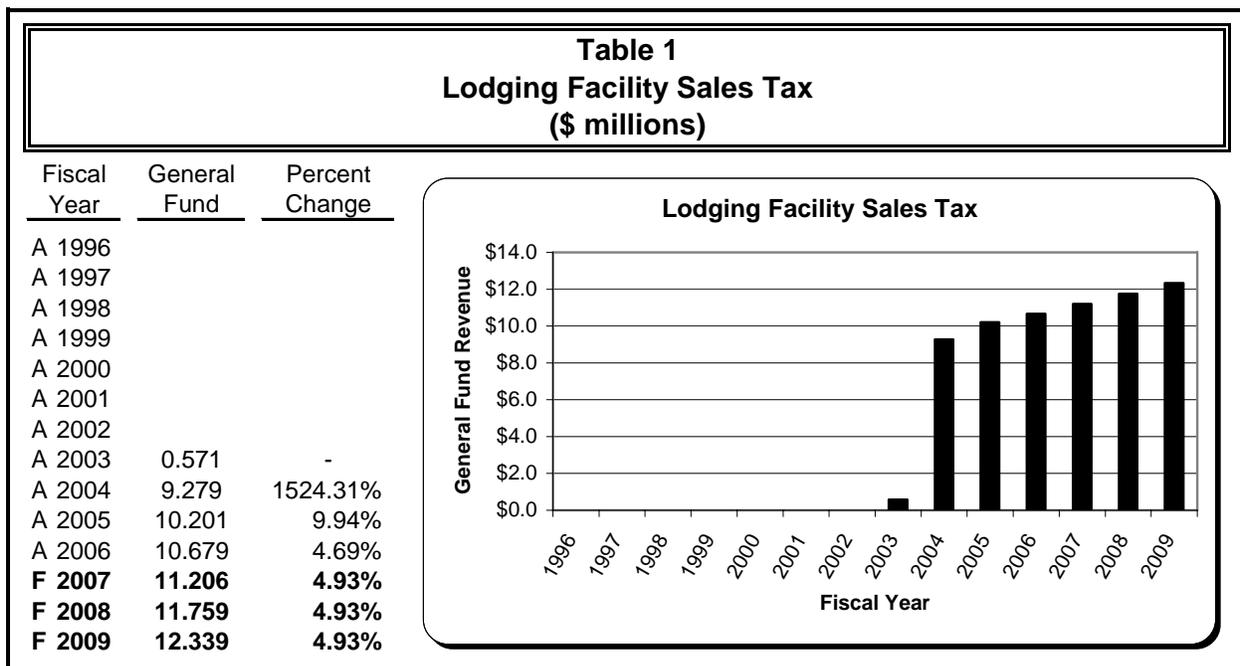
Revenue Description

Pursuant to 15-65-111, MCA, Montana imposes a 4% lodging facility use tax on accommodations charges of hotels, motels, and campgrounds. Beginning June 1, 2003, Montana imposes an additional 3% sales tax on accommodations charges as stated in 15-68-102, MCA.

All revenue from the lodging facility sales tax is deposited in the general fund (15-68-820, MCA). In accordance with 15-65-121, MCA, the majority of revenue from the lodging facilities use tax is allocated to tourism promotion activities. The Department of Revenue receives funds from the lodging facilities use tax to cover the cost of collecting and administering the tax. A small portion of the lodging facilities use tax is refunded to the state agencies for the tax paid on employees' state business travel.

Historical and Projected Revenue

Table 1 shows actual general fund revenue from the lodging facility sales tax for FY 1996 through FY 2006 and forecast revenue for FY 2007 through FY 2009.



Only revenue from the lodging facility sales tax is deposited in the general fund. Thus, the general fund receives no revenue from accommodation taxes before FY 2003. The lodging facility sales tax was collected for only one month in FY 2003. The first full year of collections is FY 2004. Lodging facility sales tax revenue has shown an upward trend, which is expected to continue through FY 2009.

Forecast Methodology and Projection Calculation

Lodging facility taxes are forecast in two steps: (1) determine and apply the growth rate and (2) allocate the revenue to the appropriate funds.

Determine the Growth Rate

Although the lodging facility sales tax has only been collected for three full fiscal years, it has the same tax base as the lodging facility use tax. Thus, the historical growth rate of the use tax was used to forecast the lodging facility sales tax growth rate. From FY 1993 to FY 2006, the use tax grew at an average rate of 4.93% annually. The lodging facility use tax growth has varied from year to year, but statistical analyses found no relationship between the growth of collections and national economic trends or national spending on recreation. The lodging facility use tax growth appears to have been slower following summers with severe fire seasons, but future fire seasons are unpredictable. Therefore, the lodging facility tax revenues are projected to grow at 4.93% per year.

Table 2 shows the lodging facility use tax, the lodging facility sales tax, total lodging facility taxes, and the percent growth.

Table 2 Historical and Projected Tax Collections - Lodging Facility Taxes (\$ millions)						
Fiscal Year	Lodging Facility Use Tax	Percent Change	Lodging Facility Sales Tax	Percent Change	Total Lodging Facility Taxes	Percent Change
A 1993	\$8,029,958				\$8,029,958	
A 1994	\$8,348,996	3.97%			\$8,348,996	3.97%
A 1995	\$8,684,736	4.02%			\$8,684,736	4.02%
A 1996	\$9,197,924	5.91%			\$9,197,924	5.91%
A 1997	\$9,509,673	3.39%			\$9,509,673	3.39%
A 1998	\$10,008,142	5.24%			\$10,008,142	5.24%
A 1999	\$10,773,707	7.65%			\$10,773,707	7.65%
A 2000	\$11,119,551	3.21%			\$11,119,551	3.21%
A 2001	\$11,286,821	1.50%			\$11,286,821	1.50%
A 2002	\$11,965,138	6.01%			\$11,965,138	6.01%
A 2003	\$12,169,036	1.70%	\$571,237		\$12,740,273	6.48%
A 2004	\$13,702,861	12.60%	\$9,278,658	1524.31%	\$22,981,518	80.38%
A 2005	\$14,596,301	6.52%	\$10,200,914	9.94%	\$24,797,215	7.90%
A 2006	\$15,018,113	2.89%	\$10,679,216	4.69%	\$25,697,328	3.63%
	Avg. Growth	4.93%	Avg. Growth	7.31%	Avg. Growth	9.36%
F 2007	\$15,759,082	4.93%	\$11,206,111	4.93%	\$26,965,192	4.93%
F 2008	\$16,536,609	4.93%	\$11,759,002	4.93%	\$28,295,610	4.93%
F 2009	\$17,352,498	4.93%	\$12,339,171	4.93%	\$29,691,669	4.93%

Allocate Revenue

All revenue from the facility use sales tax is allocated to the general fund. Revenue from the lodging facility use tax is allocated in the following manner:

1. The Department of Revenue retains lodging facility use tax revenue equal to the department's appropriation for administering the tax and makes refunds to state agencies for the tax that they paid on state employees' business travel. The Department of Revenue administrative share of lodging facility use tax revenue is estimated to be 1% of the total tax, while the state agency reimbursement is estimated to be 0.8% of the total tax. Both are the historical allocation amounts and have been constant over time.
2. The Montana heritage preservation and development account receives \$400,000 through FY 2007, when it expires.
3. The remainder is allocated as follows:
 - a. 1% to the Montana Historical Society for roadside historic sites and signs,
 - b. 2.5% to the university system for tourism research,
 - c. 6.5% to the Department of Fish, Wildlife and Parks for parks maintenance,
 - d. 67.5% to the Department of Commerce for statewide tourism promotion, and
 - e. 22.5% to regional tourism promotion agencies.

Table 3 shows lodging facility use tax allocation for FY 2007 through FY 2009.

Table 3			
Lodging Facility Use Tax Allocation			
<u>Fiscal Year</u>	<u>FY2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
DOR Tax Administration	\$ 157,591	\$ 165,366	\$ 173,525
State Agency Reimbursement	\$ 126,073	\$ 132,293	\$ 138,820
Montana Heritage Preservation & Development Account	\$ 400,000	\$ -	\$ -
Historical Society - Sites & Signs	\$ 154,754	\$ 162,389	\$ 170,402
University System - Tourism Research	\$ 386,885	\$ 405,974	\$ 426,004
DFWP - Parks Maintenance	\$ 1,005,902	\$ 1,055,532	\$ 1,107,610
Commerce - Travel Promotion	\$ 10,445,907	\$ 10,961,291	\$ 11,502,103
Regional Travel Promotion	\$ 3,481,969	\$ 3,653,764	\$ 3,834,034
Total Revenue	\$ 15,759,082	\$ 16,536,609	\$ 17,352,498

Data Sources

Accommodations tax data is from SABHRS Report MTGL0109.