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BILL ANALYSIS

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House Bill 4333 (as reported without amendment)
Sponsor: Representative Richard Bandstra
House Committee: Taxation
Senate Committee: Finance

Date Completed: 4-17-89

RATIONALE

Public Act 263 of 1974 allows a county that has a population under 600,000 and contains a city with a population of at least 40,000 to levy a tax of up to 5% on hotel and motel accommodations in order to promote conventions and tourism and to construct and maintain "convention and entertainment facilities". The following counties appear to be eligible to levy the accommodations tax under Public Act 263: Bay, Calhoun, Genessee, Ingham, Kalamazoo, Kent, Muskegon, Saginaw, and Washtenaw. (There are two other hotel-motel tax statutes under which similar taxes can be levied; one for Wayne, Oakland, and Macomb Counties, and one for Grand Traverse County and Mackinaw City.) The Act defines "convention and entertainment facilities" as... "all or any part, or any combination of convention halls, auditoriums, stadiums, music halls, arenas, meeting rooms, exhibit areas, and related public areas". A special committee in Kent County has recommended using hotel-motel tax revenues to help finance the building of a new museum in downtown Grand Rapids. While some people say this is a permissible use of the tax revenue, others have recommended that the Act be amended to specifically designate museums as a permissible use of revenue from the hotel-motel tax.

CONTENT

The bill would amend Public Act 263 of 1974 to allow the use of accommodations tax revenue for construction costs of a museum located in a city with a population of 180,000 or more.

The tax revenue could be used to pay the principal and interest on bonds or other evidence of indebtedness issued by or on behalf of the county for the purpose of financing the construction of the museum, or the current or future rental payable by the county to an authority organized under State law for the purpose of constructing the museum and leasing it to the county.

MCL 141.867

FISCAL IMPACT

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

ARGUMENTS**Supporting Argument**

Civic boosters in Grand Rapids believe that a proposed new museum will make the city a more attractive location for convention business and for tourism generally. The museum is to be built on the Grand River near other local attractions, such as the Gerald Ford museum, and near new hotel complexes. Planners say that while much of the financing is available for building the museum, including some \$10 million raised from private sources, there remains a shortfall of about \$7 million. A special committee appointed to investigate sources of funding has recommended the hotel-motel tax as the best source because that tax has as its purpose the construction of "convention and entertainment facilities" and

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the "promotion and encouragement of tourist and convention business". To make sure that there are no legal obstacles to using the hotel-motel tax revenue this way, the city has asked that the Act be amended specifically to include museums as eligible for funding.

Opposing Argument

The original purpose of the Act was to finance and promote convention facilities, such as civic centers. Financing the construction of museums is not within the Act's purview. Rather than merely clarifying what already is permitted, the bill represents a significant expansion of the permitted uses of room tax revenues. The tax is justifiable in its current form because the facilities it finances bring in convention business that benefits hotels and motels. The cost of a new museum in Grand Rapids should be borne by all taxpayers, not just by paying guests at the area's hotels and motels (many of whom, including conventioners, will have no interest whatsoever in the museum). Innkeepers are not the only ones that benefit from increased tourism. Shop owners in malls benefit, restaurants benefit, and other businesses benefit as well. Why levy the tax just on innkeepers? Inevitably, there would be a dilution of the revenue available for the promotion of tourism and convention business if the Act were expanded to allow expenditures for purposes other than those already allowed.

Response: There is nothing dramatically new proposed by the bill; it would not require that tax revenue be spent on a museum nor would it require that the tax be increased. Whether to impose this tax, at what rate, and how to use the revenues are local decisions. The discussion about whether hotel-motel tax revenue ought to be used for financing a museum should occur at the local level.

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