

# Legislative Analysis



## CONVENTION & TOURISM MARKETING ASSESSMENTS: RAISE DELINQUENCY CHARGE, RECOVER LEGAL COSTS

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**House Bill 5245 (Substitute H-2)**  
**Sponsor: Rep. Wayne Schmidt**  
**Committee: Commerce**

**Complete to 3-13-12**

### A REVISED SUMMARY OF HOUSE BILL 5245 AS REPORTED FROM COMMITTEE

House Bill 5245 would increase the delinquency charge imposed on owners of hotels and motels that are more than 90 days delinquent in paying the 5% room assessment under the Community Convention or Tourism Marketing Act.

The delinquency charge would be increased to 3% per month from 1.5% per month. This charge is in addition to interest of 1.5% per month on unpaid assessments.

The bill also says that the delinquent owner would have to pay the costs of reasonable attorney fees and court costs incurred in collecting the delinquent assessments.

Further, the bill newly specifies that all assessments owed to a convention or tourist bureau by a business owner would be considered trust funds and would have to be remitted as required.

Room assessments under the act are paid to a nonprofit travel or tourism bureau existing to promote convention business or tourism, or to an entity designated by the bureau.

The Community Convention or Tourism Marketing Act is one of several acts that allows for the imposition of room taxes to support efforts by local tourism bureaus in promoting tourism. It applies to tourism bureaus in one or more counties with a population below 650,000, and cities, villages, and townships in those counties. It allows the imposition of a room assessment of up to five percent on owners of hotels and motels (with 10 or more rooms), with the revenue to be used for the marketing programs of a nonprofit tourism bureau. Payment is due within 30 days after the end of each calendar month. According to information from TravelMichigan, this act is said to be the principal legislation used to establish assessment district programs in Michigan. Districts range in size from a single township to multi-county areas. Over 70 organizations in Michigan are said to collect room assessment revenues from one or more assessment districts within their jurisdiction.

The act was amended to increase the maximum room tax to five percent from two percent by Public Act 283 of 2010 (Senate Bill 1515). PA 283 also put in place increased reporting and enforcement mechanisms.

MCL 141.875

## **BACKGROUND INFORMATION:**

Other statutes that allow for the imposition of room taxes include:

### Accommodations Tax Act (PA 263 of 1974; MCL 141.861 et seq.)

- Counties with a population below 600,000 if they have one city of 40,000 or more. (This includes Calhoun, Genesee, Ingham, Kalamazoo, Kent, Muskegon, Saginaw, and Washtenaw.)
- Rate of up to 5% on room charges. [Interest charges of no more than 1% per month. Delinquency charge of 5% per month, up to 25% maximum.]
- Revenue for convention and entertainment facilities or the promotion of tourism and convention business.

### Regional Convention and Tourism Promotion Act (PA 254 of 2010; MCL 141.1431 et seq.)

- An assessment district made up of two or more counties with populations between 80,000 and 115,000 that contain a city with a population between 35,000 and 45,000, and that share a border with a county that levies an assessment under the Accommodations Tax Act. (This applies to Bay and Midland Counties, which share a border with Saginaw County; the three counties have formed "the Great Lakes Bay Regional Alliance" for tourism purposes.)
- Rate of up to 5% on room charges. [Interest charges of 1.5% per month on late payments; a delinquency charge of 10% per month or fraction of a month and bureau can collect the costs of reasonable attorney fees and court costs incurred in collecting delinquent assessments.]
- Revenue to support marketing and promotion programs.

### Regional Tourism Marketing Act (PA 244 of 1989; MCL 141.891, et seq.)

- A regional marketing association in a region composed of 15 counties that had operated for 10 or more years. (This applies to the Upper Peninsula and the U.P. Travel and Recreation Association.)
- Rate of up to 1%, which may be in addition to other room assessment. [Interest of 1.5% per month. Delinquency penalty of 1.5% per month.]
- Revenue to regional marketing association for tourism programs.

### Convention and Tourism Marketing Act (PA 383 of 1980; MCL 141.881, et seq.)

- A county with a population of 1.5 million or more, or a county or counties contiguous to that county. This applies to Wayne, Oakland, and Macomb Counties.
- Up to 2% (on top of existing room taxes). [Interest of 1.5% per month. Delinquency penalty of 10% per month.]
- Revenue to a convention and tourism marketing bureau.

State Convention Facility Development Act (Pa 10 of 1985; MCL 207.621, et seq.)

- Counties with a population of 750,000 or more. Applies to Wayne, Oakland, and Macomb Counties.
- Rate of from 1.5 percent to 6 percent, based on number of rooms and location of facility, collected with the Use Tax.
- Revenue to Convention Facility Development Fund via the State Treasury for Cobo Hall.

Convention and Tourism Promotion Act (Public Act 25 of 2007; MCL141.1321)

- An assessment district containing a municipality with a population between 570,000 and 775,000 (Kent County) and an assessment district containing a municipality within which is levied a four percent marketing assessment under Public Act 395 of 1980, the Community Convention or Tourism Marketing Act (Greater Lansing area.)
- Up to 2% on hotel and motel rooms, in addition to assessments the eligible bureaus are currently levying under other acts. [Interest of 1.5% per month. Delinquency charge of 10% per month or fraction of a month.]
- Revenue to support marketing and promotion programs.

**FISCAL IMPACT:**

The bill would have no direct fiscal impact on state and local government because the assessments, interest, and penalty authorized become the property of the private, non-profit corporation promoting convention and tourism business.

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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.