

LODGING FACILITY USE TAX PRIMER

STATUTORY BASIS

When you pay for a hotel or motel room or a campground site in Montana, you pay both a lodging facility use tax, governed by Title 15, chapter 65, and an accommodations sales tax, governed by Title 15, chapter 68. Together the taxes add up to 7% prior to Jan. 1, 2020, and 8% on or after that date. Distribution of each differs (see Table).

STUDY RESOLUTION REQUESTS

The SJ 24 study will primarily look at the lodging facility use tax because its distribution history is extremely diverse. The study resolution suggested a committee undertake the following:

- Obtain and review recommendations for expenditures from:
 - the Tourism Advisory Council;
 - local heritage preservation and cultural tourism commissions.
- Compare actual expenditures with recommendations.
- Request input from stakeholders in the tourism industry on whether changes are needed regarding the 22.5% of funding that goes to regional nonprofit tourism corporations or nonprofit convention and visitors bureaus.
- Compile information on the grant-making process to determine if the playing field is level, unnecessarily complicated, or equitable.

POSSIBLE ADD-ONS TO SJ 24 STUDY

In addition, the Economic Affairs Interim Committee might want to consider recommending to the full Legislature:

- Whether for political reasons the two taxes ought to remain separate or, instead, combined for convenience and understandability under one section of law;
- Whether to recommend revisions to:
 - redistribute amounts among existing recipients; or
 - clarify confusion regarding dates and taxes imposed on state, federal agencies;
- Whether to more specifically define uses, terms, or reports to the Legislature either to prevent barriers in making grants or make awards equitable throughout the state.
- Other?

4% Lodging Facility Tax		3% Accommodation Tax	
Distributions prior to Jan. 1, 2020	<p>Distribution (15-65-121, MCA)</p> <p>1) From state agency lodging expenditures, 4% of federal money spent on lodging by state agencies returned to agencies. Of the 4% of state lodging money spent by agencies, less the federal part, 30% sent to general fund, 70% of tax reimbursed.</p> <p>2) Base distribution of \$400,000 to the Montana Heritage Preservation and Development account</p> <p>3) Remaining distribution:</p> <ul style="list-style-type: none"> ○ 0.5% to the State-Tribal Economic Development Commission; ○ 1% to the Montana Historical Society for roadside historical signs and historic sites; ○ 2.6% to the Montana Historical Society for Montana historical interpretation and the Robert Scriver collection; ○ 2.5% to the university system for creation and maintenance of a Montana travel research program; ○ 6.5% to the Department of Fish, Wildlife, and Parks for maintenance of facilities in state parks; ○ 22.5% for distribution to regional nonprofit tourism corporations with part to go to a nonprofit convention and visitor’s bureau if funds surpass \$35,000 in an area; and ○ 64.4% to the Department of Commerce for tourism promotion and promotion of the state as a location for the production of motion pictures and television commercials. 	Distributions on and after Jan. 1, 2020	<p>Distribution:</p> <p>1) 5%* of accommodations sales tax collected by facility may be kept by facility as a vendor allowance. (15-68-510, MCA)</p> <p>2) Remainder to the general fund (15-68-820, MCA)</p> <p>*<u>SB338</u> removed the \$1,000 cap on vendor allowances after Jan. 1, 2020. *In 2019, the cap applied to 228 vendors.</p>
	<p>Same as before</p>		<p>Vendor payments and increased sales tax to 4% are estimated to add an average of \$989 more, or about \$225,412 on average, in 2019 for vendors.</p> <p>Distributions revised under SB 338 for 15-68-102, MCA:</p> <ul style="list-style-type: none"> • <i>Until Dec. 30, 2024 (a Monday):</i> <ul style="list-style-type: none"> ○ 20% for construction of the Montana Heritage Center; ○ 5% for historic preservation grants. • <i>After Jan. 1, 2025 (Wednesday):</i> <ul style="list-style-type: none"> ○ 8% for construction and maintenance of the Montana Heritage Center; ○ 8% for historic preservation grants; and ○ 9% as provided below: <ul style="list-style-type: none"> ▪ 1% of the amount determined to represent the expenditures by state agencies for in-state lodging, of which: <ul style="list-style-type: none"> ➢ the full 1% additional tax paid for with federal funds goes back to the agency; ➢ 30% of the amount (less the federal funds-related amount) goes to the general fund and (70% to Dept. of Commerce); ▪ 68.5% to the Dept. of Commerce for tourism promotion and promotion of the state as a location for the production of motion pictures and television commercials; ▪ 24% to regional nonprofit tourism corporations unless an area’s percentage tops \$35,000, in which case the percentage is split evenly with the area’s nonprofit convention & visitor’s bureau; ▪ 7% to the Dept. of Fish, Wildlife, and Parks; and ▪ 0.5% to the State Tribal Economic Development Commission.