

## What Municipalities need to know about AB385/SB301

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If your municipality collects a room tax (TOT), this pending legislation could have significant effects on your community. The bill is being promoted by the lodging industry as a means of providing transparency and ending abuse by certain communities. However, the bill goes far beyond those stated goals; *it makes fundamental policy changes regarding how the tax should be spent and who should control it.* The lodging industry views room tax as “their” money, and they want to control how it is spent. (Of course, room tax is paid by visitors; hotels are merely the collection agent.)

### Bill highlights

- Community must turn over 70% of collections to a commission of hoteliers who would decide how the funds are spent. (Municipality can retain 30%.)
- Grandfather clause is eliminated for pre-1994 communities
- Hotel may retain 3% for processing fees
- Detailed reporting requirement, and a means to challenge municipal compliance

### The Problems

Proponents claim the “intent” of the room tax is marketing. This is inaccurate. Room tax use across Wisconsin is as unique as our communities. It supports tourism promotion, convention centers, and the associated municipal services that allow tourism to thrive.

Tourism is not driven by marketing alone; there must be a civic investment in making the community an attractive place to visit. It makes to fund those things with some balance of room tax and property tax that varies from community to community. Otherwise communities may be less able or interested in making those investments.

Pre-1994 communities will face a gap in their budgets. With the current levy limits, many communities will not be able to replace the lost funds. For those that have levy capacity, this bill represents a tax increase - taxes paid by out-of-town visitors will now be replaced with local property taxes.

The entity that will gain control over the room tax will have no direct accountability to the public.

Reporting and mediation alone would provide transparency accountability. Instead, the bill imposes a one-size-fits-all regime that narrows the permitted uses of the room tax. The effect of those changes will be devastating in some communities, and in others it cannot be predicted.

Retailers and others that pay sales tax may seek a similar 3% holdback

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