



ROOM TAX REVENUE

~ Examples of Proper & Improper Use ~

The use of Room Tax Revenue is governed primarily by state Statute, with the municipality authorized to make certain refinements in their local ordinance. In general, a minimum of 70% of the revenue must be spent on “tourism promotion and development” as outlined in the statute, however, the municipality may designate a higher percentage to this use if they choose. The remaining amount (up to 30%) may be used by the municipality for whatever use they designate, including the uses noted on the second page.

This reference piece is focusing on the 70% or more allocation for ‘tourism promotion and development’, in order to provide general guidance, through examples, of what expenditures may be considered properly in compliance with the statute and what may be considered “improper” use that would not be aligned with the language or intent of the statute.

PROPER USE OF ROOM TAX REVENUE

~ EXAMPLES ~

Reminder Note: Each of the Following must be focused on transient tourists and must be reasonably likely to **generate paid overnight stays** in multiple lodging properties in the community (room tax area)

- Marketing to attract meeting & convention business to the area
- Marketing to attract large sports tournaments with participants from beyond nearby communities
- Publishing and distributing a Travel Guide that promotes local lodging options, local attractions, and local restaurants, and is mailed and distributed more than 50 miles
- Development and upkeep of a website promoting local tourism, including local lodging options
- Advertising, media contacts & public relations efforts to promote local tourism in out-of-area markets
- Renting, leasing, or operating a facility that has as its primary purpose providing information to attract and service out-of-area travelers
- Development of a public convention center that services primarily out-of-area meetings, conventions, and events
- Purchasing targeted electronic or direct mail lists for marketing to attract out-of-area travelers
- Electronic or mailed communications promoting tourism and paid overnight stays
- Booth fees and direct expenses for participating in travel shows designed to attract out-of-area travelers to the municipality
- Wages and salaries of the official tourism entity (usually a CVB or Chamber) staff who have, as their primary focus, tourism marketing of the area and/or the provision of services to attract tourists who will stay overnight in local public lodging properties

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IMPROPER USE OF ROOM TAX REVENUE

~ EXAMPLES ~

Reminder Note: This list refers to the portion of room tax that is by state statute to go to “tourism promotion and development”. Municipalities have the authority to use their own allocated percentage of room tax revenue for any of the following examples, if they wish.

- Local holiday parade, local fireworks, local festivals, local concerts or events, and local decorations, etc. that are not significantly utilized by transient tourists and are not likely to directly generate multiple local paid overnight stays
- Funding of an Economic Development Organization, or an Economic Development Fund that primarily promotes or services local industrial and corporate development
- Development, furnishings & fixtures, maintenance, operations, or paying off debt for public, municipal or county grounds, facilities, waters, wetlands, land, or transportation primarily used by residents
- Assessing a Room Tax in a community with minimal lodging & attractions to promote
- Funding local arts or other non-profit group’s projects or programs that are not significantly used by transient tourists nor are designed to generate paid overnight guests at multiple local lodging properties
- Charitable contributions or funding scholarships
- Funding Main Street or Historic Preservation Programs that primarily service local businesses and residents
- Subsidizing a municipality’s General Fund, Property Taxes, or studies or activities primarily servicing residents
- School or University building projects, amenities, or equipment
- Community Water Parks, local parks, local trails, or local museums not significantly used by transient tourists and not likely to generate multiple paid overnight stays
- Construction or operation of Sports Facilities or Fields not intended for significant use by transient tourists and that would not generate paid overnight stays at multiple local lodging properties on a regular basis
- Area Guides that do not primarily promote tourism and lodging options
- Funding of Local Business Events
- Funding road repairs
- Funding travel expenses for government officials to attend functions not directly related to tourism marketing nor generating local paid overnight stays
- Separate funds set up for the municipality or for its leadership’s discretion without requiring compliance with the state room tax statute

Disclaimer: The examples noted have not been tested in court as of February, 2009, but are based on experienced and prudent interpretation along with general lodging industry knowledge relating to the potential for generating paid overnight stays at lodging properties. What appears to be proper use in one community may not be in another due to factors such as size, whether the community is considered a tourism destination, if there are sufficient area attractions to support overnight stays, etc.

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