



Legislation Text

File #: 60129, Version: 2

**Fiscal Note**

This resolution amends the city's room tax ordinance to defer payment of first quarter 2020 room taxes to no later than July 31, 2020. Interest and penalties are waived for this deferral period. This deferral is in response to the economic impacts associated with the public health emergency related to the COVID-19 disease. Entities subject to the room tax are anticipated to see at least a 90 percent drop in occupancy during the second quarter of 2020, depending on the duration of the public health orders.

The city's room tax is 10 percent of gross receipts collected for the privilege and service of furnishing, at retail, except sales for resale, rooms or lodging to transients by hotelkeepers, motel operators, lodging marketplaces, and other persons furnishing accommodations that are available to the public, irrespective of whether membership is required for the use of the accommodations. Room taxes are due 30 days after the end of a calendar quarter. First quarter taxes are due April 30. First quarter revenues in 2019 were \$3.4 million. Penalties for late payment include interest charged at 12 percent per year, a forfeiture of 25% of the room tax paid in the previous year up to a total forfeiture of \$5,000, and a \$25 late filing fee. The estimated fiscal effect, based on prior year penalties paid along with lost investment earnings on deferral of revenue, is \$4,000, during the affected quarter of 2020.

Currently, the city has sufficient cash balances to absorb this potential three month deferral of revenues. No appropriations are required for this one-time change to the room tax collection process.

**Title**

SUBSTITUTE - Amending Section 4.21(3) of the Madison General Ordinances to defer room taxes imposed for January, February and March, 2020 to no later than July 31, 2020.

**Body**

DRAFTER'S ANALYSIS: This amendment to the ordinance would authorize the City Treasurer to defer payment of the first quarter of room taxes, due April 30, 2020, to no later than July 31, 2020. Taxes deferred under this provision would not be subject to interest, forfeitures, or penalties, if paid prior to August 1, 2020.

This Substitute removes "at the discretion of the City Treasurer" language in the title.

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The Common Council of the City of Madison do hereby ordain as follows:

1. Subsection (3) entitled "Collection of Tax" of Section 4.21 entitled "Room Tax" is amended to read as follows:

“(3) Collection of Tax.

(a) This section shall be administered by the City Treasurer. The tax imposed for the months of January, February, and March, 1969, and for each calendar quarter thereafter is due and payable on the last day of the month next succeeding the calendar quarter for which imposed. A return shall be filed with the City Treasurer, by those furnishing at retail such rooms and lodging, on or before the same date on which such tax is due and payable. Such return shall show the gross receipts of the preceding calendar quarter from such retail furnishing of rooms or lodging, the amount of taxes imposed for such period, and such other information as the City Treasurer deems necessary. Every person required to file such quarterly return shall, with her or his first return, elect to file an annual calendar year or fiscal year return. Such annual return shall be filed within ninety (90) days of the close

of each such calendar or fiscal year. The annual return shall summarize the quarterly returns, reconcile and adjust for errors in the quarterly returns, and shall contain certain such additional information as the City Treasurer requires. Such annual returns shall be made on forms as prescribed by the City Treasurer. All such returns shall be signed by the person required to file a return or her or his duly authorized agent, but need not be verified by oath. The City Treasurer may, for good cause, extend the time for filing any return, but in no event longer than one month from the filing date.

(b) Notwithstanding the provisions in (3) (a), the due and payable date for the tax imposed for January, February and March 2020, can be deferred to no later than July 31, 2020. Taxes deferred under this paragraph will not be subject to paragraph (11) prior to August 1, 2020."