



Legislation Text

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Fiscal Note

This ordinance changes the City room tax rate from 9% to 10%. The room tax was last increased in 2007. Total room tax collections in 2016 were \$14.6 million and it is currently projected that \$15.5 million will be collected in 2017. Based on current tax collections, an additional 1% will generate \$1.8 million in 2018. Under state law, at least 70% of room taxes must be allocated by a Room Tax Commission and used for tourism marketing and tourism development purposes. No more than 30% can be used for general purposes as determined by the Common Council. This increase in the rate will generate approximately \$540,000 for general purposes in 2018. The remaining \$1.2 million has been allocated by the City's Room Tax Commission as part of its proposed budget for 2018.

Under state law, the maximum room tax rate for municipalities is 8%. However, under certain conditions, including having outstanding long-term debt for construction or renovation of a convention center, municipalities may exceed the 8% limit. Currently, several municipalities in the Fox Valley and Green Bay have a 10% room tax rate.

Attached is a projected fund condition through 2018 for the Room Tax Fund as adopted by the Room Tax Commission on September 7, 2017. This fund condition incorporates a 10% room tax rate.

Title

Amending Section 4.21(2) of the Madison General Ordinances to increase the room tax rate from 9% of gross receipts to 10% of gross receipts.

Body

DRAFTER'S ANALYSIS: This proposal raises the room tax rate from 9% of gross receipts to 10% of gross receipts, effective January 1, 2018. The proposal also updates ordinance language to conform to current State Statutes, regarding the authority of the Room Tax Commission and the Common Council to make appropriations of the room tax proceeds.

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

Subsection (2) of Section 4.21 entitled "Room Tax" of the Madison General Ordinances is amended to read as follows:

"(2) Pursuant to Wis. Stat. § 66.0615, a tax is hereby imposed on the privilege and service of furnishing, at retail, except sales for resale, rooms or lodging to transients by hotelkeepers, motel operators and other persons furnishing accommodations that are available to the public, irrespective of whether membership is required for the use of the accommodations. Beginning January 1, 2007, until and including December 31, 2017, such tax shall be at the rate of nine percent (9%) of the gross receipts from such retail furnishing of rooms or lodgings. Beginning January 1, 2018, such tax shall be at the rate of ten percent (10%) of the gross receipts from such retail furnishing of rooms or lodgings. Pursuant to Wis. Stat. § 66.015., thirty percent (30%) of the proceeds thereof shall be subject to annual appropriation by the Common Council, and seventy percent (70%) of the proceeds thereof shall be subject to appropriation by the Room Tax Commission. Such tax shall not be subject to the selective sales tax imposed by Wis. Stat. § 77.52(2)(a)1. and may not be

imposed on sales to the federal government and persons listed under Wis. Stat. § 77.54(9a)."