



LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **SB 244** SLS 17RS 668
Bill Text Version: **ENGROSSED**
Opp. Chamb. Action:

Proposed Amd.:
Sub. Bill For.:

| | | |
|--|---------|----------------------------------|
| Date: May 16, 2017 | 7:56 PM | Author: CARTER |
| Dept./Agy.: REVENUE | | |
| Subject: Hotel Definition for Purposes of Sales & Occupancy Tax | | Analyst: Benjamin Vincent |

TAX/TAXATION EG DECREASE GF RV See Note Page 1 of 1
Excludes certain facilities from the definition of "hotel" for the purposes of sales and occupancy tax.

Current law defines "hotel" for the purposes of state and local sales taxes and hotel occupancy taxes, and provides for the exclusion of certain facilities from the definition.

Proposed law excludes from the definition of hotel facilities those that provide sleeping accommodations to transient individuals if each occupant permanently resides elsewhere, is housed at the facility as an incident of employment at the direction of their employer, and each occupant's employer is solely responsible for payment of bills related to the occupant's housing at the facility. The bill specifies that the facility must not provide sleeping accommodations to the general public.

Effective July 1, 2017.

| EXPENDITURES | 2017-18 | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 5 -YEAR TOTAL |
|----------------|---------|---------|---------|---------|---------|---------------|
| State Gen. Fd. | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Agy. Self-Gen. | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Ded./Other | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Federal Funds | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Local Funds | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Annual Total | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |

| REVENUES | 2017-18 | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 5 -YEAR TOTAL |
|----------------|----------|----------|----------|----------|----------|---------------|
| State Gen. Fd. | DECREASE | DECREASE | DECREASE | DECREASE | DECREASE | |
| Agy. Self-Gen. | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Ded./Other | DECREASE | DECREASE | DECREASE | DECREASE | DECREASE | |
| Federal Funds | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Local Funds | DECREASE | DECREASE | DECREASE | DECREASE | DECREASE | |
| Annual Total | | | | | | |

EXPENDITURE EXPLANATION

There is no anticipated direct material effect on governmental expenditures as a result of this measure.

REVENUE EXPLANATION

Proposed law adds an exclusion to the definition of hotel for the purposes of state and local sales taxes. It excludes facilities that accommodate transient individuals who permanently reside elsewhere, are housed at the facility solely as an incident of employment and at the direction of their employer, and whose employers are solely responsible for direct payment of bill related to the occupant's housing at the facility, which must not provide sleeping accommodations to the general public.

Current law imposes a state tax of 5% on the furnishing of sleeping rooms, cottages, or cabins by hotels until July 1, 2018, at which time a rate of 4% will be imposed. A hotel is defined as an establishment or person providing these services at either a single business location or residential location. LA Dept. of Revenue (LDR) notes that local statutes generally duplicate this definition, but there can be differences. Proceeds from the state sales tax are credited to the state general fund and to 93 statutory dedications that are appropriated to various local tourism and economic development entities.

Proposed law does not explicitly impact several taxing provisions that are in place until July 1, 2018 (Acts 25 and 26 of 2016 ES1). As a result, according to LDR, the tax imposed on these transactions would be reduced from 5% to 3% until that date, at which time they would be reduced from the 4% rate that will be in place after June 30, 2018 to a full exemption of 0%. In all years, there will be a revenue loss to the state general fund and local funds. LDR has no data on the subset of hotel transactions to which this exclusion would apply, so an estimate of the loss is not feasible.

LDR also notes that 16 local tourism commissions are impacted by this definition of hotel, and that no data on the tax rates they impose is readily available. This would result in a revenue loss of unknown size for these tourism commissions. To the extent that local taxing authorities duplicate the hotel definition language used in the state statutes, local sales tax revenues would also decrease.