

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 722** HLS 16RS 957

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: April 4, 2016	4:51 PM	Author: MORENO
Dept./Agy.: Revenue		Analyst: Deborah Vivien
Subject: Registration of online hotel marketers and		

REVENUE DEPARTMENT

OR INCREASE GF EX See Note

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Provides relative to registration of certain online hotel marketplaces and collection of the tax imposed on certain online hotel sales

Current law directs those selling hotel rooms to remit state sales tax to LDR and local sales tax to the appropriate local authorities. Online marketers of excess rooms pay sales tax when purchasing the rooms directly from the hotel. Online marketers of residential rentals have not typically collected sales tax because hotels historically were defined as having 6 rooms or more. The law was changed effective April 1, 2016, in Act 17 of 2016 First Extraordinary Session to include all hotel room rentals, regardless of the number of rooms.

Proposed law allows an online hotel marketer to register with the Department of Revenue and pay both state and local sales tax due on hotel room rentals to the state Department. The Department of Revenue is directed to act as an agent of local government by collecting all local hotel sales tax and distribute the proceeds monthly to the central local collector or parish government. The central local collector is to distribute the proceeds to the appropriate local jurisdictions at no charge to those local jurisdictions. Effective July 1, 2016.

EXPENDITURES	2016-17	2017-18	2018-19	2019-20	2020-21	5 -YEAR TOTAL
State Gen. Fd.	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Annual Total						
REVENUES	2016-17	2017-18	2018-19	2019-20	2020-21	5 -YEAR TOTAL
State Gen. Fd.	INCREASE	INCREASE	\$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	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Annual Total						

EXPENDITURE EXPLANATION

Even though the bill is permissive regarding registration by online hotel marketers, the Department has to be capable of administering registration, collections, and distribution of affected state and local sales tax receipts; essentially the equivalent of administering a new tax. To accomplish this, the department indicates that a new position of revenue tax specialist will be required at an annual expense of \$60,000, and two auditors at \$156,000 annually. In addition, necessary system modifications, enhancements and testing are reported to cost up to \$500,000 over FY 16 and FY 17.

Costs associated with the implementation of new and expanded tax bases such as the one this bill addresses cannot typically be readily estimated, although additional costs will definitely be incurred, and could be material in light of the tasks required. The requirements of this bill are essentially combined with those of similar legislation, Act 17 of 2016 First Extraordinary Session, that substantially increased the responsibilities for the department associated with identification, enforcement, collection of residential rentals with a minimum of one room. Both efforts will require system modifications & enhancements, and additional resources to carry out, especially with the July 1, 2016 effectiveness of this bill's requirements.

REVENUE EXPLANATION

State hotel sales tax is dedicated to local entities in the areas in which the sales was generated, except for an additional 1% imposition in place from 4/1/16 to 7/1/18, which will be deposited to the state general fund. Any local sales tax collections would be distributed monthly to local central collectors.

The bill refers to all sales tax collected in relation to hotel rentals by the current definition, which includes all short-term rentals to transient guests, regardless of the number of rooms. This definition was expanded from a minimum of 6 rooms in Act 17 of 2016 ES1 effective July 1, 2016. Should online companies choose to register with LDR, then collect and remit state and local sales taxes that are not currently being collected, revenue will increase. However, sales and use tax is already due on these rentals, and, in the case of excess rooms rented through these marketers (expedia, hotels.com, etc.), is being paid on the negotiated rate between the marketer and the hotel, which is almost certainly a rate lower than what the online marketer is charging the final customer. Due to this issue, it is not expected that online marketers of excess hotel rooms will opt into the registration process. However, for those renting residential rooms (AirBnB, VRBO.com etc.), these sales are also subject to sales and use tax, even in the absence of the bill. However, ready compliance by individual residential owners (now hotel providers) is questionable since they have not been taxed previously. To the extent that this bill facilitates voluntary compliance of online marketers of residential rentals, whether excess hotel rooms or residential rentals, sales tax revenue would increase, but material compliance is speculative.

Senate Dual Referral Rules House

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| <input checked="" type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H} | <input checked="" type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S} |
| <input type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H} | <input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S} |

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