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# Legislative Fiscal Division

## Revenue Estimate Profile

### Lodging Taxes

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**Revenue Description:** The state imposes two taxes on room charges collected by lodging facilities and campgrounds: a lodging sales tax and a lodging facility use tax. The taxes only apply for rooms used for lodging.

The 3% lodging sales tax began June 1, 2003 and applies to hotels, motels, campgrounds, resorts, dormitories, condominium inns, dude ranches, guest ranches, hostels, public lodging houses, and bed and breakfast facilities. Exempt are facilities for health care, facilities owned by non-profit corporations for use by youth for camping, facilities whose average daily charge is less than 60% of the amount the state of Montana reimburses for lodging, and facilities rented for 30 days or more. Sales to the U.S. government are also exempt from the sales tax. All facilities subject to the tax must obtain a seller's permit before engaging in business subject to the sales tax within Montana. The vendor must pay the tax due by the last day of the month following a calendar quarter. Vendors are allowed to claim and keep 5% of the tax as an allowance, not to exceed \$1,000 a quarter. The Department of Revenue may require a retailer to post security up to twice the average tax liability to be used to recover taxes, interest, and penalties owed.

The 4% lodging facility use tax applies to facilities containing individual sleeping rooms or suites, providing overnight lodging for periods of less than 30 days to the general public for compensation. This includes hotels, motels, campgrounds, resorts, dormitories, condominium inns, dude ranches, guest ranches, hostels, public lodging houses, or bed and breakfasts. Exempt are non-profit or religious corporation facilities used primarily by youth for camping, facilities whose average daily charge does not exceed 60% of the amount the state of Montana reimburses for lodging, and facilities rented for 30 days or more. All facilities must be registered with the Department of Revenue. Due to enactment of HB 111 in the 2011 session, 30% of taxes paid by state employees are deposited to the general fund. Taxes paid by federal funds are deposited to the general fund and reimbursed to the federal government from the general fund through the statutory appropriation in 17-3-106. The remainder of taxes paid by state employees is distributed under current allocations. The 30% returned to the general fund is shown in the "All Other Revenue" profile.

#### Statutory Reference:

Tax Rate (MCA) – 15-65-111 ([lodging facility use tax](#)), 15-68-102 ([lodging sales tax](#))

Tax Distribution (MCA) – 15-65-121 ([lodging facility use tax](#)), 15-68-820 ([lodging sales tax](#))

Date Due – [Lodging facility use tax](#) is due before the end of calendar quarter (15-65-112). The [lodging sales tax](#) is due the last day of the month following the calendar quarter (15-68-502(1)).

**Applicable Tax Rate(s):** The lodging sales tax is 3.0% of the sales price. The lodging facility use tax is 4.0% of room charges.

#### Distribution:

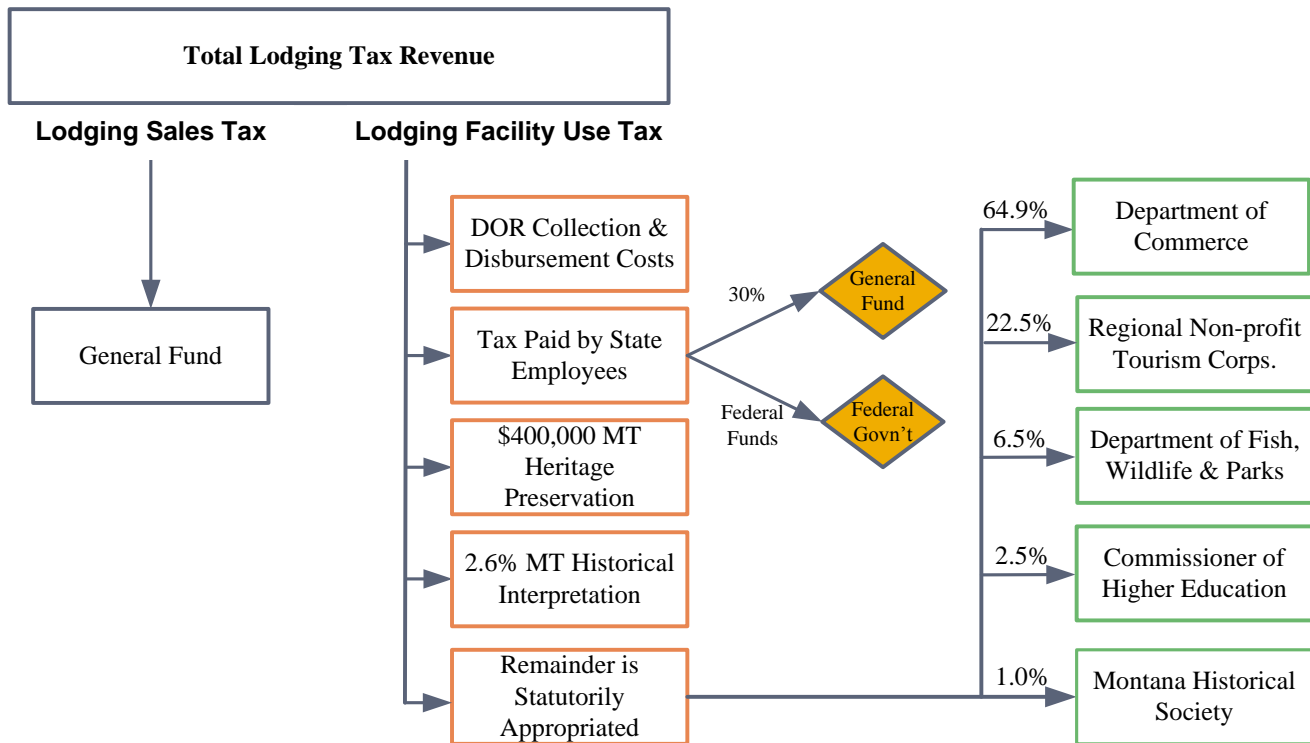
1. Sales Tax: 100% general fund
2. Lodging Facility Use Tax: The revenue is first distributed as follows: the Department of Revenue in the amount appropriated for collection and disbursement costs; 30% of the taxes paid by state employees to the general fund (taxes paid with federal funds are reimbursed to the federal government from the general fund); \$400,000 to the Montana heritage preservation and development fund which is statutorily appropriated for restoring and maintaining historic properties; and 2.6% to the historical interpretation account. After these distributions, the remainder is distributed and statutorily appropriated:
  - 67.5% to the Department of Commerce for tourism promotion and promotion of the state as a location for the production of motion pictures and television commercials.
  - 22.5% to regional nonprofit tourism corporations.
  - 6.5% to the Department of Fish, Wildlife and Parks for maintenance of state park facilities.
  - 2.5% to the university system for the establishment and maintenance of a Montana travel research program.
  - 1.0% to the Montana Historical Society to install and maintain roadside historical signs and historic sites.

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Distribution Chart:



**Collection Frequency:** The owner of a facility collects the tax and remits it quarterly to the Department of Revenue.

**% of Total General Fund Revenue:**

A small portion for reimbursement of lodging facility taxes paid by state employees is included in “All Other General Fund Revenue”

FY 2004 – 0.67%	FY 2007 – 0.70%	FY 2010 – 0.76%
FY 2005 – 0.67%	FY 2008 – 0.68%	FY 2011 – 0.80%
FY 2006 – 0.63%	FY 2009 – 0.69%	FY 2012 – 0.83%

**Revenue Estimate Methodology:**

Data

Data from the state accounting system (SABHRS) is used to prepare the estimate for the two lodging facility taxes. Additional data, such as the consumer price index projections, provided by the IHS, and non-residential tourism expenditures, provided by the Institute for Tourism and Recreation Research, is used to evaluate the results of the methodology.

Total lodging taxes are made up of two separate taxes, the lodging facility use tax, which is deposited into state special revenue accounts to fund state tourism activities, and the lodging sales tax, which is deposited into the general fund. The same base, in the form of a proxy for taxable room charges, is used as the starting point both sources, and both taxes are estimated using a single proxy of the taxable room charges in Montana.

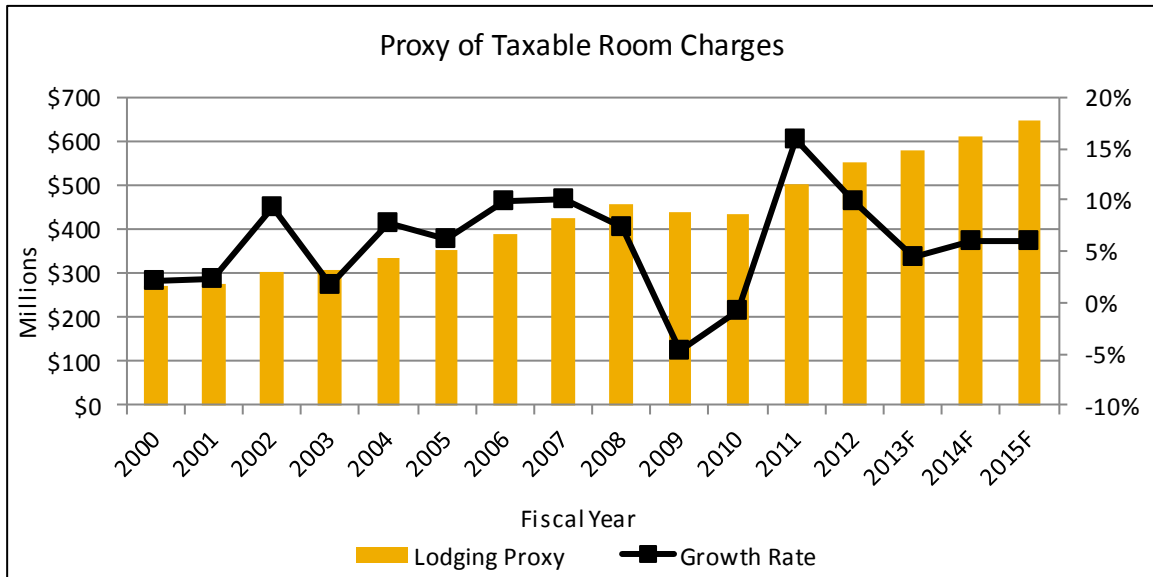
Analysis

The proxy of lodging taxes is modeled on Montana retail sales and then reduced by a ratio to account for the difference apparent in the taxable room receipts of the lodging facility use tax and lodging sales tax. Estimates of taxable room charges are multiplied by the corresponding tax rate and summed to produce the total lodging tax estimate.

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## Revenue Estimate Profile

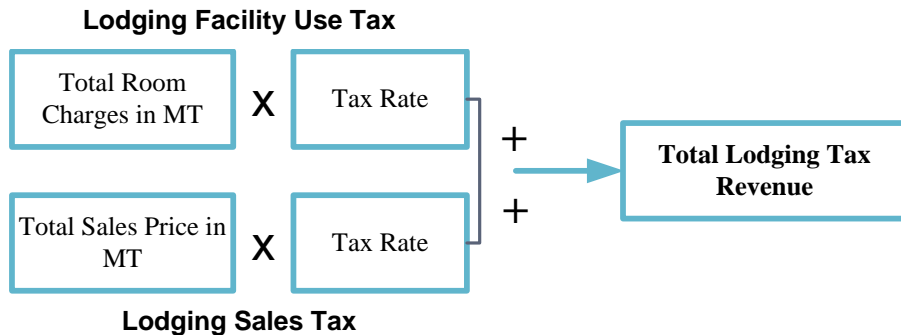
### Lodging Taxes



#### Adjustments

A portion of the collections is distributed to the DOR to cover the expenses associated with administration of the tax. Of the taxes paid by state employees who stay in lodging facilities in connection with their jobs, 30% is distributed to the general fund. Taxes paid by employees with federal funds are reimbursed to the federal government. After the gross lodging facility use tax estimates are adjusted, the remainder of the revenues is distributed to the statutorily designated agencies.

#### Forecast Methodology:



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## Revenue Estimate Profile

### Lodging Taxes

#### Revenue Estimate Assumptions:

	t	Total Tax	GF Tax	Accom. Sales	Accom. Tax Rate	Net Lodging Sales	Lodging Tax Rate	DOR Admin.
	<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Rate</u>	<u>Millions</u>	<u>Rate</u>	<u>Millions</u>
Actual	2002	11.862	0.000	303.948	4.0%			0.126
Actual	2003	12.613	2.271	309.013	4.0%			0.103
Actual	2004	22.848	9.279	333.172	4.0%	333.172	3.0%	0.137
Actual	2005	24.636	10.201	353.689	4.0%	338.826	3.0%	0.141
Actual	2006	25.519	10.679	388.456	4.0%	371.961	3.0%	0.029
Actual	2007	30.620	12.916	427.346	4.0%	409.048	3.0%	0.150
Actual	2008	31.744	13.390	458.526	4.0%	439.406	3.0%	0.149
Actual	2009	29.581	12.477	437.313	4.0%	419.059	3.0%	0.154
Actual	2010	29.265	12.331	434.054	4.0%	416.004	3.0%	0.131
Actual	2011	33.809	14.241	503.265	4.0%	482.164	3.0%	0.132
Actual	2012	37.724	15.606	552.942	4.0%	529.700	3.0%	0.136
Forecast	2013	40.389	17.309	576.979	4.0%	576.979	3.0%	0.136
Forecast	2014	42.831	18.356	611.871	4.0%	611.871	3.0%	0.141
Forecast	2015	45.424	19.467	648.916	4.0%	648.916	3.0%	0.141

	t	Higher Ed.	DOC	Sites & Signs	Regional	FWP	MT. Heritage	All Other Entities
	<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>
Actual	2002	0.283	7.651	0.114	2.550	0.737	0.400	0.000
Actual	2003	0.288	6.088	0.116	2.596	0.750	0.400	0.000
Actual	2004	0.326	8.797	0.130	2.932	0.847	0.400	0.000
Actual	2005	0.347	9.378	0.139	3.126	0.903	0.400	0.000
Actual	2006	0.360	9.727	0.144	3.242	0.937	0.400	0.000
Actual	2007	0.429	11.579	0.172	3.860	1.115	0.400	0.000
Actual	2008	0.445	12.019	0.178	4.006	1.157	0.400	0.000
Actual	2009	0.414	11.171	0.165	3.724	1.076	0.400	0.000
Actual	2010	0.410	11.072	0.164	3.691	1.066	0.400	0.000
Actual	2011	0.476	12.850	0.190	4.283	1.237	0.400	0.000
Actual	2012	0.540	14.012	0.216	4.856	1.403	0.400	0.000
Forecast	2013	0.564	14.631	0.225	5.072	1.465	0.400	0.000
Forecast	2014	0.598	15.533	0.239	5.385	1.556	0.400	0.000
Forecast	2015	0.635	16.495	0.254	5.719	1.652	0.400	0.000

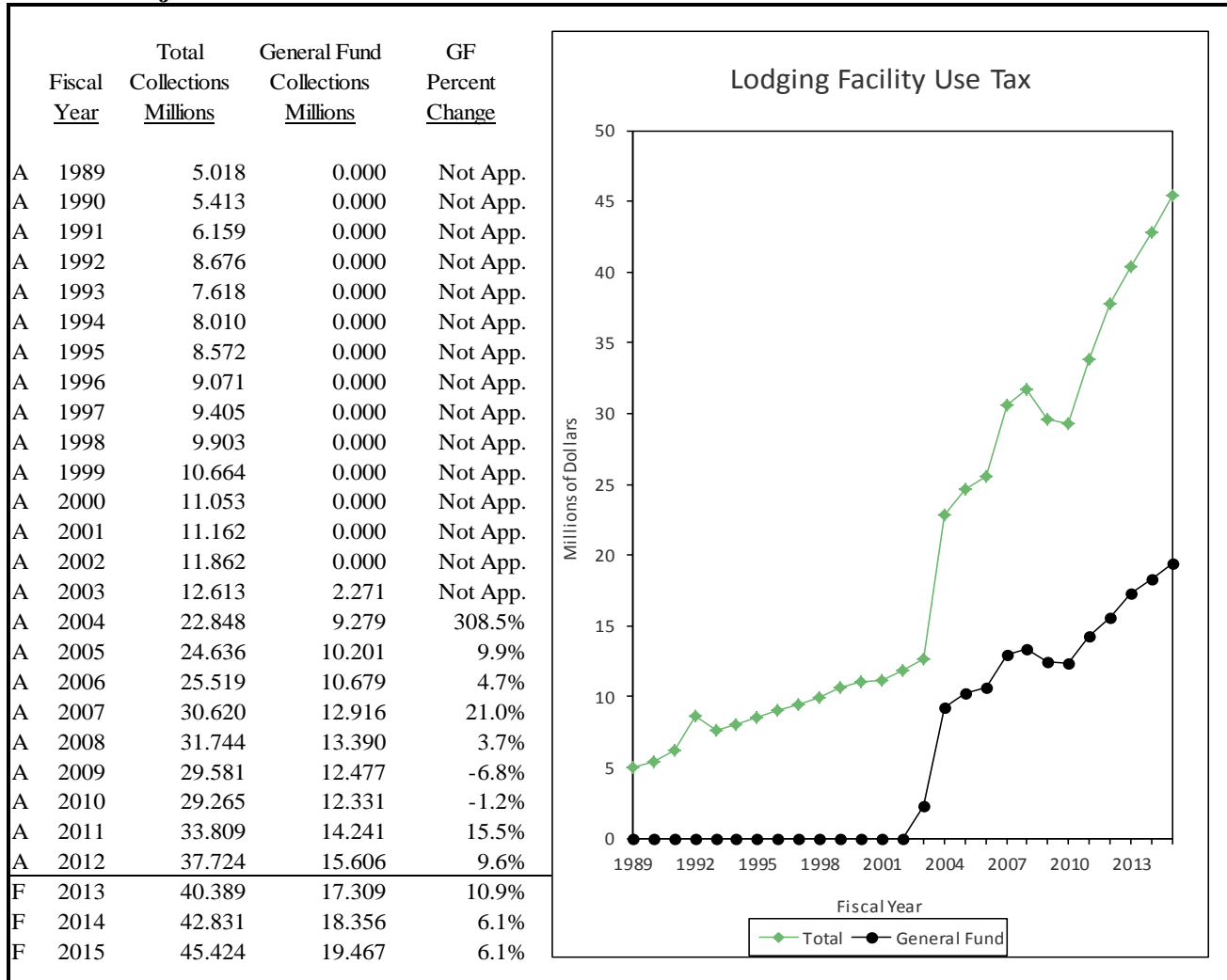
Total Tax = Accom. Sales × Accom. Tax Rate + Net Lodging Sales × Lodging Tax Rate  
 GF Tax = Lodging Sales × Lodging Tax Rate

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### Lodging Taxes

#### Revenue Projection:



**Data Source(s):** UM Institute for Tourism and Recreation Research, SABHRS, IHS

**Contacts:** Department of Revenue