



Fiscal Note 2023 Biennium

Bill # SB0052

Title: Revise lodging facility use tax and sales tax on lodging and rental cars

Primary Sponsor: Ellsworth, Jason W

Status: As Introduced

- Significant Local Gov Impact
 Needs to be included in HB 2
 Technical Concerns
 Included in the Executive Budget
 Significant Long-Term Impacts
 Dedicated Revenue Form Attached

FISCAL SUMMARY

	<u>FY 2022 Difference</u>	<u>FY 2023 Difference</u>	<u>FY 2024 Difference</u>	<u>FY 2025 Difference</u>
Expenditures:				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue	\$0	\$0	\$0	\$0
Revenue:				
General Fund	\$105,400	\$149,400	\$152,000	\$153,700
State Special Revenue	\$517,100	\$813,800	\$901,700	\$967,200
Net Impact-General Fund Balance:	\$105,400	\$149,400	\$152,000	\$153,700

Description of fiscal impact: SB 52 makes changes to the accommodations sales tax and lodging facilities use tax. One of the changes would require third-party, online booking companies to collect and remit the lodging facilities use tax. Additionally, the bill expands the definition of motor vehicles subject to the 4% tax on vehicle rentals. The department does not expect to incur additional costs because of this bill.

FISCAL ANALYSIS

Assumptions:

Department of Revenue

1. SB 52 makes some language and definition changes affecting the accommodations sales tax, lodging facilities use tax, and rental vehicle sales tax in chapters 65 and 68 in Title 15 of the Montana Code Annotated.
2. The language changes in SB 52 result in the inclusion of online booking companies in the definitions of those required to collect and remit the lodging facilities use tax to the department. These booking companies currently only remit the accommodations sales tax.
3. Based on the lodging tax return data for 2019 and 2020, it is estimated that the inclusion of these booking companies would increase lodging facilities use tax collections by approximately 2.1% each year. Applying this increase to the HJ 2 forecast for lodging facility use tax, collections will increase by \$482,000 in FY 2022,

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(continued)

- \$764,000 in FY 2023, \$851,000 in FY 2024, and \$916,000 in FY 2025. This will all be state special revenue and will be distributed in the same way the lodging facility use tax currently is in 15-65-121, MCA.
4. The expanded definition of motor vehicles in 15-68-101, MCA adds snowmobiles, motorhomes, travel trailers, and campers to the group of vehicles that are subject to the rental vehicle tax when a rental sale of such a vehicle is made. Currently, per Montana Rule 42.14.1202, these vehicles are exempt from the rental vehicle sales tax.
 5. Through analysis of motor vehicle registration data and rental vehicle sales tax data, the estimated increase in rental vehicle sales tax revenue from the inclusion of snowmobiles, motorhomes, travel trailers, and campers is \$140,600 in FY 2022, \$199,200 in FY 2023, \$202,600 in FY 2024, and \$205,000 in FY 2025. This revenue is distributed 75% to the general fund and 25% to the transportation aid fund in the state special revenue fund.
 6. Since the bill has no specific effective date, it will become effective on October 1, 2021. As a result, FY 2022 estimated revenue from the lodging facility use tax and the rental vehicle sales tax is adjusted accordingly.
 7. The department expects to be able to absorb any administrative costs associated with this bill.

	<u>FY 2022</u> <u>Difference</u>	<u>FY 2023</u> <u>Difference</u>	<u>FY 2024</u> <u>Difference</u>	<u>FY 2025</u> <u>Difference</u>
<u>Fiscal Impact:</u>				
<u>Expenditures:</u>				
TOTAL Expenditures	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>Funding of Expenditures:</u>				
TOTAL Funding of Exp.	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>Revenues:</u>				
General Fund (01)	\$105,400	\$149,400	\$152,000	\$153,700
State Special Revenue (02)	<u>\$517,100</u>	<u>\$813,800</u>	<u>\$901,700</u>	<u>\$967,200</u>
TOTAL Revenues	<u>\$622,500</u>	<u>\$963,200</u>	<u>\$1,053,700</u>	<u>\$1,120,900</u>
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	\$105,400	\$149,400	\$152,000	\$153,700
State Special Revenue (02)	\$517,100	\$813,800	\$901,700	\$967,200

NO SPONSOR SIGNATURE

Sponsor's Initials

Date

KA

Budget Director's Initials

1/10/21

Date