

MORE ON THE LODGING FACILITY USE TAX

STATUTORY BASIS & PROPOSED REVIEW OPTIONS

Under 15-65-121, MCA, the lodging facility use tax has specific distributions for specific purposes. The EAIC may want to review all of the recipients of the lodging facility use tax or primarily the 64.4% distribution assigned 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.

As noted in the June 2019 EAIC [briefing paper](#) on SJ 24, the study of the lodging facility use tax, the following distributions are made under 15-65-121, MCA:

- Reimbursement (to state agency federal special revenue accounts) at 100% of federal money spent on lodging by state employees under federal programs and at 30% of state money for state programs.
- \$400,000 to the Montana Heritage Preservation and Development account 15-65-121(1), MCA.
- An amount appropriated by the Legislature to the Department of Revenue for tax collection and disbursement as provided in 15-65-121(1), MCA.
- Percentages set out in 15-65-121(2), MCA, as listed in the June [briefing paper](#) (also see p. 2).

Potential aspects of the SJ 24 study would be reviewing geographic distribution and equity of grants as well as gathering information to determine if grants are effective in relation to their legislative purposes, including whether the legislative directives are too broad or too narrow or, if they duplicate or enhance other programs. Another option is to determine whether the Economic Affairs Interim Committee (EAIC) members see a need for changes.

COMPONENTS OF THE SJR 24 STUDY

The Department of Commerce is directed under 15-65-121, MCA, to use the lodging facility use tax for tourism promotion and promotion of the state as a location for the production of motion pictures and television commercials. Among proposed study components are:

- data on grants made for the production of motion pictures and television commercials;
- information on other tourism promotion expenditures;
- whether other tourism promotion expenditures duplicate or reinforce the lodging facility use tax programs, for example, through such programs as the film production tax credits; and
- to what degree tourism and convention bureau expenditures operate independently.

The review also might seek to determine if the expenditures yield tangible benefits. One of the beneficiaries of the lodging facility use tax is the University of Montana Institute for Tourism and Recreation Research (ITRR). The ITRR's distribution is separate from the Department of Commerce and is 2.5% of the amount remaining after certain specified distributions under 15-65-121, MCA. The ITRR reports annually on the impacts of spending by out-of-state tourists who may have been drawn here by tourism promotions of various kinds. The latest available review of spending by nonresidents in Montana came out in June 2019. That review estimated that in 2018 nonresident travelers spent \$3.58 billion in Montana (the amount averaged 2017 and 2018 nonresident spending to allow adjustments for small sample sizes in some areas). That amount was about 10.5% greater than the previous period, with payments for gasoline and diesel the highest annual contributor to spending at 22.7%. See: https://scholarworks.umt.edu/cgi/viewcontent.cgi?article=1392&context=itrr_pubs. For further details as to timing or purpose of visit see: https://scholarworks.umt.edu/cgi/viewcontent.cgi?article=1386&context=itrr_pubs

Revenues received by Department of Commerce from Lodging Facility Use Tax for FY 2019 (as of 8/22/19)

64.4% of Lodging Facility Use Tax	\$22,953,424	(see pie charts for distribution)
22.5% Redistributed to Tourism/Convention Bureau Regions	\$8,019,443	
0.5% to State-Tribal Economic Development Commission	\$178,211	

Projected Estimate: FY2019 Montana Office of Tourism and Business Development Bed Tax Budget

(as of 7-1-2018) Provided by the Montana Department of Commerce (amounts total \$20,171,303)

