



# MONTANA LEGISLATIVE BRANCH

## Legislative Fiscal Division

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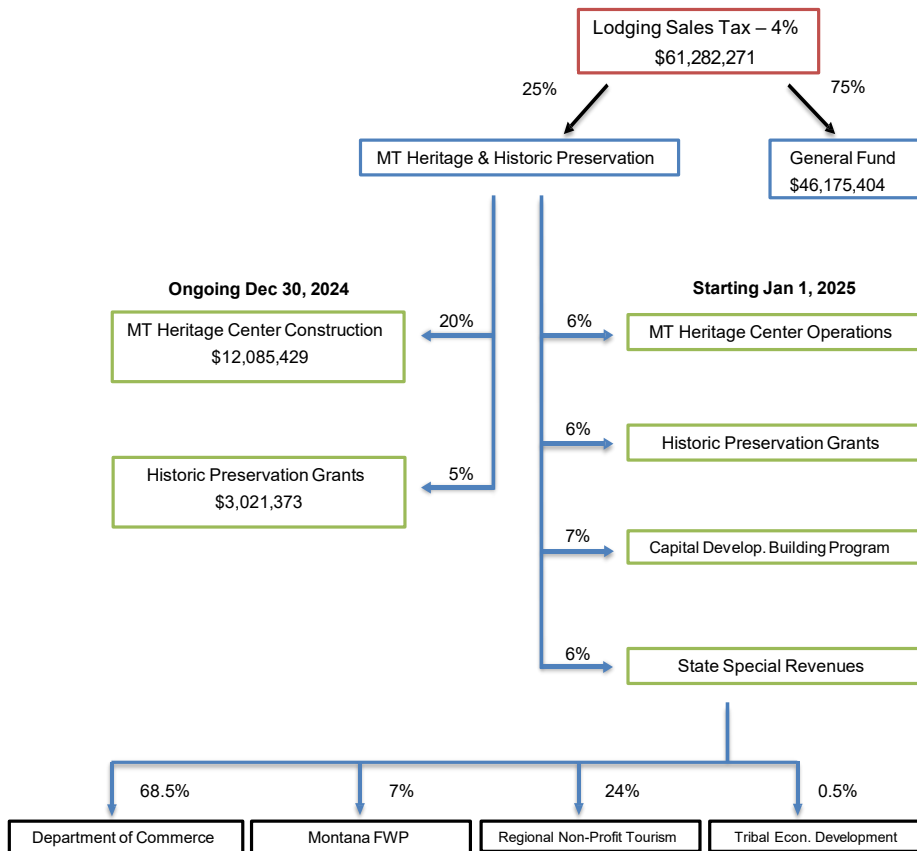
Director  
AMY CARLSON

### ACCOMMODATIONS TAXES

The State of Montana imposes two different tax rates on room charges from lodging facilities and campgrounds; a 4.0% lodging sales tax and a 4.0% lodging facility use tax. The taxes are applied to any rooms used for lodging including hotels, motels, campgrounds, resorts, dorms, condominium inns, dude ranches, guest ranches, hostels, public lodging houses, bed and breakfast facilities, and vacation rentals such as Air BnBs. Facilities exempt from these taxes are health care facilities, facilities owned by non-profit corporations for use by youth for camping, facilities whose average daily charge is less than 60.0% of the amount the state of Montana reimburses for lodging, and facilities rented for 30 days or more.

Revenues generated from these taxes provide a substantial amount of funding to the state general fund, as well as many state special revenue funds. Revenue distributions for each tax are detailed below.

#### Lodging Sales tax



Prior to the 2019 Legislative Session, the Lodging Sales Tax was 3.0% of room charges, and all revenue was distributed into the general fund. In 2019, [SB 338](#) added an additional 1.0% to the sales tax in order to fund the new MT Heritage center and create the Historic Preservation Grant Program, bringing the total Lodging Sales Tax to 4.0%. The original amount of revenue from before SB 338 is still allocated to the state General Fund, which now amounts to 75.0% of the lodging sales tax revenue.

Funding for the construction of the new Heritage Center (overseen by the department of administration) began in 2020 and will run through December 30, 2024. Beginning January 1<sup>st</sup> of 2025, the 25% of sales tax revenue that goes to Montana Heritage and Historic Preservation will be reallocated in four ways: to the Montana Historical Society for the operations and maintenance of the new Heritage Center, to slightly increase funding to the Historic Preservation Grant Program, to fund the Capital Developments Long-Range Building Program Account which is used for appropriations of the capital fund type, and to fund a variety of State Special Revenue funds, particularly for the Department of Commerce and Fish, Wildlife and Parks. The distributions for the sales tax are outlined in the chart on page 1.

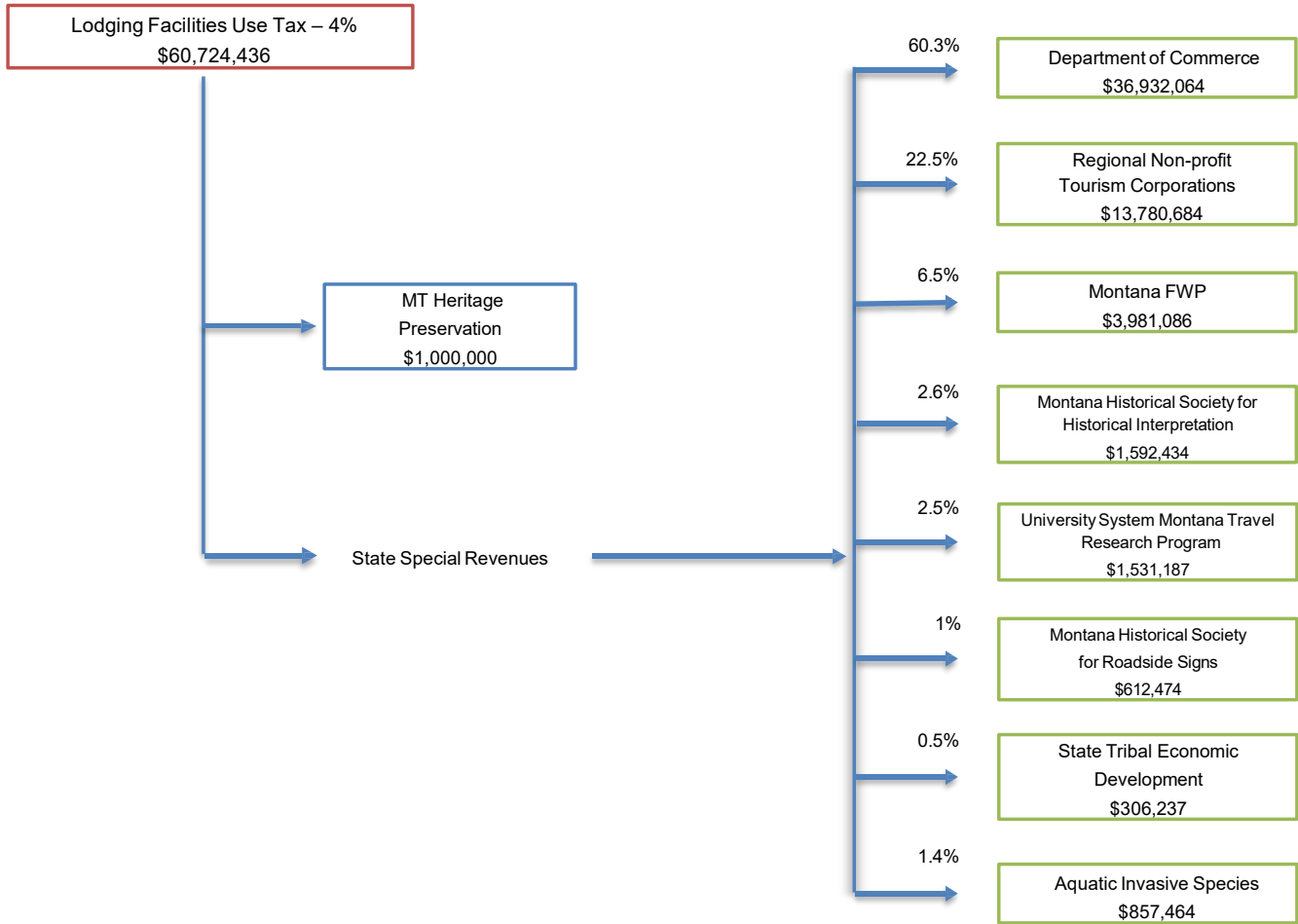
## **Lodging Sales Tax Distributions**

[\(15-68-820](#) - Lodging Sales Tax)

- 75% of collections from the Lodging Sales Tax are deposited to the General Fund
- Until Dec 31, 2024, the remaining revenue will be distributed as:
  - 20% for funding the construction of the MT Heritage Center administered by the Dept. of Administration's Architecture & Engineering division
  - 5% for historic preservation grants administered by the Dept. of Commerce
- Starting January 1, 2025, the remaining revenue will be distributed as:
  - 6% to the Historical Society for the operation and maintenance of the MT Heritage Center
  - 6% for historic preservation grants administered by the Dept. of Commerce
  - 7% to the Capital developments long-range building program account
  - 6% to the Dept. of Commerce for tourism promotion. This is further divided as:
    - 68.5% to be used directly by the Dept. of Commerce
    - 7% to Fish Wildlife and Parks for maintenance of facilities in state parks
    - 24% to regional nonprofit tourism corporations, conventions, and city visitor bureaus
    - 0.5% to the SSR for use by state-tribal economic development commission

## **Lodging Facility Use Tax**

The Lodging Facility Use Tax is 4.0% of room charges, and revenues are distributed to a variety of state special revenue funds, with a majority going to the Department of Commerce for tourism promotion. In addition to funding the Department of Commerce, revenues from this tax also fund the Montana heritage preservation and development account, the Montana Historical Society, the university system, Montana Fish, Wildlife and Parks, state tribal economic development, and the aquatic invasive species account. Before being distributed to the state special revenue funds, revenue from lodging facility use tax is first distributed to the Department of Revenue for the costs of collecting and disbursing the proceeds of the tax, next the department will deduct 4.0% of the amount of tax proceeds paid by state agencies and distribute a portion of it to those agencies and then deposit 30.0% of the amount deducted minus the portion paid with federal funds into the general fund. Finally, a set amount of \$400,000 each year is deposited into the Montana heritage preservation and development account.



## Lodging Facility Use Tax Distributions

([15-65-121](#) - Lodging Facility Use Tax)

- 60.3% to be used directly by the Department of Commerce
- 22.5% to regional nonprofit tourism corporations, conventions, and city visitor bureaus
- 6.5% to Fish Wildlife and Parks for maintenance of facilities in state parks
- 2.6% to the Montana historical interpretation SSR
- 2.5% to the university system for the administration of a Montana travel research program
- 1.4% to the invasive species SSR
- 1% to the MT historical society to be used for roadside historical signs and historic sites
- 0.5% to the SSR for use by state-tribal economic development commission
- 2.7% or \$1 million, whichever is less, to the Montana heritage preservation and development acct

## Additional Notes

- [Montana Heritage Center](#) – Funding for the construction of the MT Heritage Center began in 2020 and will run until December 31, 2024. The heritage center is funded by the tax increase of 1.0% to the Lodging Sales Tax from the passage of [SB 338](#) in the 2019 Legislative Session. The heritage center construction will specifically receive 20.0% of the Lodging Sales Tax revenue until December 31, 2024 and will then receive 6.0% of the sales tax revenue for operations and maintenance after January 1<sup>st</sup>, 2025.
- [Historic Preservation Grant Program](#) – Similar to the MT Heritage Center, the Historic Preservation Grant Program was also a result of the 1.0% tax increase to the Lodging Sales Tax from SB 338 in the 2019 session. This program will receive 5.0% of the sales tax revenue until December 30, 2024, and then will receive 6.0% of the sales tax revenue after January 1<sup>st</sup>, 2025.
- [Montana historical interpretation SSR](#) – This money is available to the Montana historical society by appropriation and must be used to pay costs associated with historical interpretation and the Robert Scriver collection. The Historical Society has used this distribution to fund a portion of the budget in the research center, museum program and operating programs.
- [University System of Montana travel research program](#) – The Institute for Tourism and Recreation Research (ITRR) at the University of Montana receives funding for studies of statewide significance. The ITRR conducts research on travel, recreation, and tourism with research relevant to both private firms and public agencies.
- [Montana heritage preservation](#) – The Montana heritage preservation and development commission receives 2.7% or \$1.0 million from the lodging facilities use tax which is deposited into the account created in ([22-3-1004, MCA](#)). Money in this account must be used for restoration, maintenance, and operation of historic properties in Virginia City and Nevada City and other historically significant properties in Montana. This commission is administered by the Dept. of Commerce.
- [Regional non-profit tourism corporations](#) - Montana has six tourism regions and 16 Convention and Visitors Bureau's (CVB). Each one is a nonprofit organization, recognized by the Tourism Advisory Council. Their purpose is to promote tourism within each region or CVB.