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[HF 2098](#) – Hotel Motel Tax (LSB5088YHV.1)  
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Fiscal Note Version – New

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### **Description**

The Bill modifies the number of consecutive days the same person must rent lodging for the sales price to be exempt from State and local hotel and motel taxes by making the first 90 days of a stay subject to taxation.

### **Background**

Under current law (Iowa Code chapter [423A](#)), the renting of lodging by the same person for a period of more than 31 consecutive days is exempt from State and local hotel and motel taxes.

Iowa Code section [423A.7](#)(4) requires that 50.0% of the revenue generated by local hotel and motel taxes be used for purposes related to recreation, convention, cultural, or entertainment facilities, or for the promotion and encouragement of tourist and convention business in the city or county and surrounding areas. The remaining revenues may be spent by the city or county for any operations authorized by law as a proper purpose for the expenditure within statutory limitations.

### **Assumptions**

- In FY 2019, hotels and motels reported exempt sales of \$50.6 million. These sales are assumed to be for long-term rentals, and other potential sales to exempt entities are assumed to be minimal.
- The State tax rate is 5.0%, and the effective local tax rate is 6.76%.
- Of the exempt hotel and motel sales, 10.0% are assumed to be for periods of 90 days or longer. Of that amount, it is assumed there is a decreasing number of stays beyond 90 days, and a stay of 120 days is used as the maximum. Therefore, 97.5% of currently exempt sales would become taxable.

### **Fiscal Impact**

Changing the tax exemption is estimated to increase revenues as presented in the following table.

<b>Estimated Impact</b>				
Dollars in Millions				
	<b>General Fund</b>		<b>Local Tax Revenue</b>	
FY 2021	\$	2.7	\$	3.7
FY 2022		2.8		3.8
FY 2023		2.9		3.9
FY 2024		2.9		4.0
FY 2025		3.0		4.1

**Source**

Department of Revenue

/s/ Holly M. Lyons

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The fiscal note for this Bill was prepared pursuant to [Joint Rule 17](#) and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.