



HF 2131 – Hotel and Motel Local Sales Tax (LSB1804HZ)

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Fiscal Note Version – New

Description

[House File 2131](#) extends the number of consecutive days the same person must rent lodging to qualify for the exemption of State and local hotel and motel taxes from 31 days to 90 days.

Background

Under current law, 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 under Iowa Code chapter [423A](#).

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 for the expenditure within statutory limitations of city or county revenues.

Assumptions

- In FY 2017, hotels and motels had exempt sales of \$46.9 million. These sales are assumed to be for long-term rentals and other potential exempt sales are assumed to be minimal.
- The State tax rate is 5.0% and the effective local tax rate is 6.79%.
- Of the exempt hotel and motel sales, 10.0% are assumed to be for periods of 90 days or longer.
- Growth rates are assumed to be 3.6% in FY 2018, 3.7% in FY 2019, 2.8% in FY 2020, and 2.3% thereafter.
- Secure an Advanced Vision for Education funding is not impacted by this Bill.

Fiscal Impact

[House File 2131](#) is estimated to increase revenue by the following amounts in the table below.

Estimated Impact of HF 2131			
Dollars in Millions			
	General	Local Tax	
	Fund	Revenue	
FY 2019	\$ 2.3	\$ 3.1	
FY 2020	2.3	3.2	
FY 2021	2.4	3.2	
FY 2022	2.4	3.3	
FY 2023	2.5	3.4	

Source

Department of Revenue

/s/ Holly M. Lyons

January 30, 2018

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.
