



**Testimony of Representative Garey Bies  
Assembly Committee on Tourism  
Assembly Bill 385 – Room Tax Modifications**

Good Morning Chairman Kaufert, Committee members. Thank you for the opportunity to submit testimony on Assembly Bill 385, relating to modifications of the local room tax.

Tourism is a vital component of Wisconsin's economy. In my district, tourism is the backbone of our local economy as we draw thousands of visitors from all over the country and from overseas. Studies show that tourism in Wisconsin generates \$18.8 billion in economic impact and supports more than 184,000 jobs. It goes without saying that a thriving tourism and hospitality industry has a profound impact on job growth in Wisconsin.

Tourism provides a major influx of revenue to both our local businesses and to the Government – state and local. Tourism spending generates millions of sales tax dollars for state and local governments and other special taxes are available to capitalize on tourism dollars as well, including the room tax. The room tax is unique in that it only applies to one particular industry and is paid for by non-residents.

Under state law, the room tax is levied by a municipality and the revenue is to be divided with 70% to be spent on "tourism promotion and development" with the remaining 30% to be retained by the municipality to be used for any purpose. Several communities across the state, including Wisconsin Dells, allocate more than the required 70% because they understand that the investment in tourism promotion and development pays dividends and their entire community benefits.

The goal of this proposal is to ensure compliance with current law and provide better transparency on how the tax revenue is being spent. AB 385 makes the following changes to the room tax law:

- Requires municipalities imposing a room tax to file a report with the Department of Revenue detailing room tax revenue and expenditures. ✓
- Allows a lodging property that submits revenues on time to retain 3% of the room tax collected to cover their costs in administering the tax. ✓
- Provides greater representation from the tourism industry on the local Tourism Entity and/or commission. ✓
- Phases out the exception for some municipalities to retain more than 30% of the room tax revenue. ✓

*First for Wisconsin!*

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- Establishes a process for handling complaints, including voluntary independent mediation

I understand that municipalities across our state face budget-deficit issues, however filling those holes with room tax revenue isn't the answer. Less tourism promotion during difficult economic times will have a devastating domino effect. Fewer Wisconsin vacations means less spending, increased job loss, and less tax revenue for local and state governments.

On a side note, we've been made aware that the legislation as written may impact convention centers and their existing bonding agreements. That wasn't our intent and will work with those parties, legislative council, and the drafting attorney to address those concerns in an amendment to the bill.

Strengthening the language in state law to prevent improper use of room tax revenue, ensures that the revenue collected from tourists is utilized for Tourism Promotion and Development and helps sustain a healthy tourism industry.

Once again thank you for the opportunity to testify on Assembly Bill AB385 and I will be happy to answer any questions you may have.



## Luther S. Olsen

State Senator

14th District

### **Assembly Bill 385 and Senate Bill 301**

### **Testimony of Senator Luther Olsen**

#### **Assembly Committee on Tourism**

Thank you Chairman Kaufert and Committee members for holding a hearing on Assembly Bill 385 and Senate Bill 301. Representative Bies and I appreciate the opportunity to submit testimony and discuss this bipartisan legislation which modifies local Room Tax.

Since 1967, towns, villages and cities have been authorized to impose a tax on establishments providing rooms or short term lodging to the public. The Room Tax is in addition to state and county sale taxes that apply to room charges and is unique in that that it only applies to one particular industry and is paid for by non-residents. These tax dollars are intended to increase transient tourism and generate paid overnight stays through tourism promotion and development.

Tourism is a substantial driver of the Wisconsin economy and represents a significant source of business sales, employment and revenue. The total tourism business sales in 2012 totaled \$16.8 billion, helping sustain 184,000 jobs. With 1 in every 13 jobs in the State of Wisconsin being maintained by tourism activity, we need to continue working with these small business owners to expand this industry and create jobs.

Increased tourism supports a variety of small tourism businesses and sectors that will be positively impacted by this legislation including, but not limited to- lodging, restaurants, retail, grocery, gas stations, car rental, taxi service, museum/attractions, recreation, travel agents, and more.

Under state law, municipalities may impose a Room Tax that generally may not exceed 8 percent. The levied revenue must generally be divided by a 70-30 split. 70% must be spent on "tourism promotion and development" while the remaining 30% may be retained by the municipality to be used as it sees fit.

Assembly Bill 385 and Senate Bill 301 aims to prioritize job creation, bring further accountability and transparency to the use of Room Tax revenue, ensure compliance with current law, while also retaining significant local control.

This legislation preserves municipal control over their choice of a Tourism Commission or entity, oversight over Tourism Promotion and Development expenditures, appointments to the Tourism Commission, determination of how the amount that the municipality can retain is spent, and gives local resident business owners a venue for discussion.

A few key highlights of Assembly Bill 385 and Senate Bill 301 are the following:

- This legislation requires municipalities to annually to certify and report to the Department of Revenue (DOR) the amount of room tax revenue collected, and the room tax rate imposed and expenditures.
- The bills make changes to the composition of the Tourism commission so that owners and operators of restaurants, tourist attractions or lodging facilities have proper representation on the board.
- Assembly Bill 385 and Senate Bill 301 allow a tourism entity or tourism organization to file a written complaint with a municipality if room tax revenue is being spent out of compliance with Wisconsin Statute. Furthermore, the bills create an optional opportunity for due process through voluntary mediation instead of immediate litigation.
- The legislation phases out an exception so that a municipality that retains more than 30 percent of the room tax must reduce the amount that it retains to no more than 30 percent.
- These bills allow lodging properties to retain 3% of room tax revenue collected to cover processing costs, but does not encompass sales or other taxes.

This legislation is evidence of years of working with stakeholders to resolve issues. However, Representative Bies and I understand that are sometimes unintended consequences and continue to be interested and willing to work with interested parties to address concerns in an amendment.

Once again, thank you for the opportunity to submit testimony in favor of Assembly Bill 385 and Senate Bill 301.



*formerly the  
Wisconsin Innkeepers Association*

Serving the lodging  
industry for more than  
100 years

October 2, 2013

To: Assembly Committee on Tourism  
Representative Dean Kaufert, Chairman  
From: Trisha A. Pugal, CAE  
President, CEO  
RE: **Request for Support of AB 385 on Room Tax Reform**

The State of Wisconsin gave the authority for a municipality to impose a local Room Tax on paid overnight stays at lodging properties back in 1967. The concept was to provide an opportunity for the funding of tourism marketing and such tourist services as visitors guides, tourist information phones, etc. so that the municipality did not have to fund these costs entirely on their own.

In the early 1990's, there were some problems with municipalities wishing to use the funds for their own municipal services instead, so in 1994 the Room Tax Statute was amended to require at least 70% to go to tourism promotion and development, with some exceptions included to gain passage.

Around 2004, there were problems with municipalities using too broad of an interpretation of what tourism promotion and development was, so the statute was amended again in 2006 to include a definition to provide more specific guidance.

The definition of Tourism Promotion and Development allows for marketing projects, tourist informational services, and tangible municipal development (such as a convention center), however, to be eligible for funding, any of these must be:

- Significantly used by transient tourists AND
- Reasonably likely to generate paid overnight stays in multiple properties collecting the tax

In 2013 we continue to have problems around the state with Room Tax. Instead of being viewed as a resource to grow local tourism, Room Tax revenue is being viewed by some as a source to fill gaps in municipal budgets.

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Information on local Room Tax is difficult to come by, parts of the definition of Tourism promotion and development are being ignored, in at least 30 communities municipalities still, after almost 20 years, keep more than 30% for their own use (some keep over 80% or more!), and the core purpose of growing local tourism is going by the wayside as a missed opportunity.

We are here today to ask your help in supporting further reform to the Room Tax Statute, primarily because the promises we heard years ago that the past changes would fix the problems, did not work out, and after almost 20 years it is time to make the changes necessary to accomplish what this unique tax on the non-resident guests of local lodging properties can achieve for local businesses.

We have witnessed grandfathered communities that would love to generate an increase in local tourism to make their local businesses thrive, who do not receive sufficient funding from the Room Tax revenue, while the local government's funding from the same tax grows significantly.

There are numerous examples of municipalities that have seen an increase exceeding 100% in the annual Room Tax revenue they have kept, while the CPI has gone up just under 60% in the same time frame. Some of the areas that keep all of the Room Tax have more than doubled the annual revenue.

Late in last session a bill was introduced in the Assembly with numerous proposed revisions to the Room Tax Statute. While the timing was too late to move passage, a committee hearing was held, and it was apparent that there was strong opposition from municipalities.

Since then, leaders from the tourism industry have invited leaders from the League of Municipalities on two separate occasions to meet and discuss concerns from all perspectives, to see if there were changes that could make the proposal more appealing to both sides.

We listened carefully, and crafted proposal changes with the bill sponsors purely to address the input from the municipalities, which truly required numerous negotiations among our own industry just to gain acceptance.

AB 385 includes these new compromises, focusing on two of the primary concerns voiced by the municipality representatives:

- The ability for the municipality to retain less of the Room Tax revenue in order to achieve the cap of 30% for what the municipality can retain. ***This bill doubles the number of years to come into compliance (from 3 to 6 years).***
- The ability to litigate should a municipality not be in compliance with the statute (as the statute does not offer a penalty for non-compliance). ***This bill creates a complaint process that is less adversarial and offers an opportunity to remedy the complaint up front, with an option to use an outside mediator instead of rushing into litigation.***

In addition, after hearing concerns over the timely remittance of Room Tax from some lodging properties, **this bill includes an incentive for properties to remit room taxes by a date set by the municipality.**

We feel that the tourism industry has done our part respectfully in our efforts to compromise, while staying true to the mission of growing local tourism.

There are three equally important parts to successfully growing tourism (often referred to a 3-legged stool):

- State tourism marketing (funded within the state budget)
- Local tourism marketing (funded usually by local Room Tax)
- Marketing by tourism businesses (self-funded)

Right now, the local tourism marketing is suffering in too many parts of the state.

Our goal is not to point fingers at specific areas keeping all or most of the Room Tax revenue or those who appear to not be spending the revenue in compliance with the statute, but to instead focus on fixing the process in order to prevent future challenges. It is more important to leverage this unique tax on lodging guests in a way that doesn't penalize one type of business, and that more effectively funds efforts to successfully grow local tourism, which can benefit the entire local community.

**We respectfully ask for your support of AB 385.**



# Wisconsin 2013 ROOM TAX REFORM

## proposal

### *INTENT OF A "ROOM TAX":*

To generate a separate source of revenue from overnight travelers to help offset the costs of marketing, service and development to continually attract overnight travelers to the area. This "perpetual funding" model, when used properly, attracts overnight visitors to spend money in the community, generating more room tax revenue.

### *BRIEF OVERVIEW OF STATE ROOM TAX STATUTE*

Initially established in 1967, with modifications passed in 1994, and again in 2006, Wisconsin Statute 66.0615 authorizes municipalities to impose a local room tax on paid overnight stays at lodging properties, with numerous conditions, including:

- An **8 percent** cap, with limited exceptions
- A requirement that the municipality may not retain more than **30 percent** of the revenue, with limited exceptions
- A requirement, with limited exceptions, that **70 percent** or more of the revenue must be spent on "**tourism promotion and development**" (TPD) as defined in the statute, with each expenditure deemed reasonably likely to generate paid overnight stays in multiple lodging properties in the taxed area

Local Room Tax is imposed on lodging guests in addition to state sales tax, plus applicable county and special district taxes. Thus the total tax on overnight stays paid by lodging guests in areas imposing a room tax can range from a **low of 7 percent** up to a current **high of 15.1 percent**.

### *CURRENT CHALLENGES IN WISCONSIN*

- In many areas, the room tax revenue paid by overnight guests at lodging properties is being used instead to **subsidize municipal services for local residents**.
- There is currently **no oversight of or accountability** for the state-authorized local room tax to ensure the state statute is being followed. Real transparency on what happens with room tax revenue is hard to find, as evidenced by recent studies. Non-residents, who have no voice or representation in the community, pay this unique tax.
- In addition to the basic administration costs of collecting a unique tax on their guests, lodging properties currently must also absorb the direct out-of-pocket costs of credit card processing fees on room tax, as more than 95% of lodging guests in our state pay by credit card. With more than \$65 million collected in Room Tax annually around the state, **this alone costs lodging properties more than \$1.5 million in out-of-pocket processing costs** each year.
- Some communities have **limited tourism industry representation** in overseeing Room Tax revenue expenditures that are required to go to "tourism promotion and development". Having a lack of tourism experience at the table can significantly reduce a positive return on investment.
- Some communities believe that using room tax revenue designated for "tourism promotion and development" on **events or activities utilized primarily by local or neighboring residents** is acceptable, despite the definition in the law that it must be used for something "significantly used by transient tourists and reasonably likely to generate paid overnight stays at more than one establishment". According to the Wisconsin Department of Tourism, overnight guests spend an average of \$180/day compared to day visitors who average \$52/day. There is no current guidance on what can be done if the tax revenue is used improperly.



# **SOLUTIONS** - in SB 301 (Sen. Luther Olsen) & AB 385 (Rep. Garey Bies)

To grow local tourism as originally intended, the following is proposed:

## **I. Create Transparency**

Each municipality imposing a Room Tax would be required to submit an **annual room tax report** on the allocations and use of room tax in the previous year to the Department of Revenue (DOR), with an incentive included to ensure timely submission. These reports will be available to the public, to improve transparency and accountability that does not currently exist.

## **II. Protect Tourism Promotion and Development Allocations**

Provide a structure for local control that will ensure that this tax on tourists is primarily allocated and utilized for growing local tourism, as originally intended.

- Enable a **locally appointed tourism commission or eligible tourism entity**, with appropriate local tourism industry representation, to control the revenue designated for tourism promotion and development.
- Require that **at least 70%** of all submitted room tax revenue be allocated to tourism promotion and tourism development, allowing 6 years for municipalities currently keeping more than 30% for their own purposes, to come into compliance, like other areas in the state.
- Create a **fair and accountable process for statutory compliance complaints** that encourages an objective approach to resolution that could avoid costly litigation.

## **III. Remove Unique Costs Borne by the Only Industry Collecting the Room Tax**

Offset part of the unique costs currently **paid solely by the lodging industry** in collecting a room tax that benefits all local tourism businesses, and in many cases the municipality. This enables local lodging properties to expand their marketing investments to attract overnight stays or to enhance their guest experience to encourage repeat business.

- A lodging property collecting a local Room Tax would **retain 3 percent of the total room tax they collected**, prior to submission to the municipality. The percentage may be higher for municipalities already authorizing this. The percentage would not include sales tax collections, and covers average credit card processing fees.
- As an incentive to **submit room tax revenue in a timely manner**, only lodging properties submitting their room tax collections by the municipality-set deadline would be eligible.

*Example: On a \$100 room with a 6 percent local room tax, the room tax would be \$6 and the amount retained by the property to offset card fees would be **18 cents**. Sales and other taxes are not impacted.*

For a *Wisconsin Room Tax Primer* and other Room Tax resources, visit [www.WisconsinLodging.org/roomtax](http://www.WisconsinLodging.org/roomtax)

September 24, 2013

### **the following organizations support this proposal:**

Wisconsin Hotel & Lodging Association  
Wisconsin Association of Convention & Visitor Bureaus  
Wisconsin Bed & Breakfast Association  
Golf Course Owners of Wisconsin

Tourism Federation of Wisconsin  
Wisconsin Restaurant Association  
Association of Wisconsin Tourist Attractions

### **for more information, contact:**

**Trisha Pugal, CAE**  
President, CEO, Wisconsin Hotel & Lodging Association  
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**From:** Rohloff, Mark [<mailto:MRohloff@ci.oshkosh.wi.us>]  
**Sent:** Monday, September 30, 2013 2:24 PM  
**To:** Rep.Hintz; [Rep.Schraa@legis.wisconsin.gov](mailto:Rep.Schraa@legis.wisconsin.gov); [Sen.Gudex@legis.wisconsin.gov](mailto:Sen.Gudex@legis.wisconsin.gov)  
**Subject:** AB 385/SB301

Dear Local Legislators:

I am writing to you to express my opposition to AB 385/SB301, the proposed bill that eliminates municipal discretion to spend room tax revenues directly on tourism promotion and development. Please know that my opposition is based on the city of Oshkosh's historic flexibility to allocate room tax dollars, and my desire to continue that flexibility. I know that my opposition may surprise some people, as our relationship with the Oshkosh Convention and Visitors Bureau (CVB) is nothing short of fantastic. However, the way the law is written, it would take away much of the flexibility our community has enjoyed in its allocation of room tax dollars to support economic development, the arts, athletics, and, of course, tourism.

Under current law, the required expenditure on tourism promotion or development may be spent directly by the municipal governing body or forwarded to a local tourism entity or commission. In Oshkosh, we have worked closely with our CVB to generously allocate room tax dollars to things such as the Oshkosh Convention Center, the Grand Opera House, and the UW Oshkosh Sports complex. Each project had its own unique share of circumstances. In some cases, the city exercised its flexibility; in other cases, the CVB allocated funds based on its discretion. In each case all of the parties involved worked to forge a solution on how to achieve an economic development or tourism goal for Oshkosh.

AB 385/SB301 mandates that municipal governing bodies must forward room tax revenues designated for tourism promotion and development to a tourism entity or commission. While this may work in some cases, the flexibility we currently enjoy would go away, leaving the discretionary use of tax dollars to a body that is not directly accountable for tax dollars. I know that our success in Oshkosh is due to people collaboratively working together to achieve these goals. I fear that the rigid restrictions of AB 385/SB301 would remove the collaboration and creativity that we have used to our full potential in Oshkosh.

I had originally planned to remain silent/neutral on AB 385/SB301, as our relationship is so good with our CVB that we have achieved great things by discussing issues of mutual concern and used room tax dollars to help address them. However, I recognize that not all communities enjoy this same relationship, and that things could change over time in Oshkosh. For that reason, I urge you to give municipalities the flexibility to work with their CVBs and other tourism related partners to forge solutions at the local level, rather than develop rigid one size fits all solutions at the state level. Please keep this in mind as you ponder my concerns with AB 385/SB301.

I appreciate the work you do to address the issues of our state. Please contact me if you have any questions on my position relative to this matter.

Best wishes,

*Mark*

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To: Assembly Committee on Tourism  
From: Curt Witynski, Assistant Director, League of Wisconsin Municipalities  
Date: October 2, 2013  
**Re: AB 385, Room Tax Law Changes**

The League of Wisconsin Municipalities strongly opposes AB 385, making several significant but unnecessary modifications to the room tax law designed to benefit the lodging and tourism industry at the expense of municipal property taxpayers. The bill makes the following changes harmful to municipalities:

1. Eliminates municipal discretion to spend room tax revenues directly on tourism promotion and development. Under current law, the required expenditure on tourism promotion or development may be spent directly by the municipal governing body or forwarded to a local tourism entity or commission. AB 385 mandates that municipal governing bodies must forward room tax revenues designated for tourism promotion and development to a tourism entity or commission, a body not directly accountable to taxpayers.
2. Requires municipalities that retain more than 30 percent of the room tax revenue under ordinances adopted prior to 1994 to reduce the amount retained to no more than 30 percent over a six-year period. This will require communities that have retained, in some cases, up 90-100 percent of room tax revenue for their general fund, to forgo that revenue. Municipalities will be unable to replace the room tax revenue with property taxes because of levy limits. This bill will create a hole in some municipal budgets.
3. Authorizes DOR to impose a \$3,000 penalty on communities that fail to file an annual room tax report with the agency. While we are not opposed to the reporting requirements, we are concerned about creating a \$3,000 penalty for communities that may inadvertently fail to file the report.

Municipalities are frustrated by the state's recent tendency to interfere with matters of local control. This bill continues that pattern. Given the severe financial stress municipalities are under, it doesn't make sense to reduce a source of revenue that some municipalities use to pay off convention center debt, to pay for police and fire services provided to hotels, or to pay for other municipal services necessary for tourism to thrive. We urge you to vote against recommending passage of AB 385. Thanks for considering our concerns.

*STRONG COMMUNITIES MAKE WISCONSIN WORK*

AB385 Room Tax Reform-Hearing, October 2, 2013

Testimony and Remarks

Lola Roeh

General Manager

The Osthoff Resort

Elkhart Lake, Wisconsin 53020

Ensure that at least 70% of Room Tax Collected Goes to Tourism Promotion and Development:

- The Room Tax law mandates that at least 70% of all room tax collected goes to the promotion and development of tourism, except for grandfathered communities.
- For 19 years, since the Room Tax law was passed, we have worked around the grandfathered provision and those communities had to make due with whatever funding was left, which in some cases, is next to nothing.
- The Room Tax Law is intended to be a self sustaining promotion and development mechanism which provides funding on the local level for Tourism growth. AB385 ensures that room tax collected is used as it was originally intended.
- In order for the Room Tax to be a self-sustaining mechanism, at least 70% of room tax collected needs to be used for tourism promotion and development; therefore, previously grandfathered communities and areas that do not comply with the 70% rule need to be addressed.
- How is this accomplished?
  - Grandfathered communities are given 6 years to get to the 70% tourism funding levels, which is twice as long as the time they had to comply in the last legislative session.
  - Create a reporting mechanism so that room tax monies cannot be used for purposes other than tourism promotion and development and there is not a temptation to do so.
- What is the effect of those changes?
  - Everybody gains:
    - With the wise use of room tax, tourism businesses gain because the room tax collected is used to promote and grow their tourism businesses, as well as all businesses in the community.
    - The local community gains with the effective use of room tax dollars to increase room taxes collected, growth of the tourism in that community which also means additional jobs and a contribution to the economy of that community.
    - For the state of Wisconsin, additional sales tax is generated and there is a larger economic contribution to Wisconsin's economy.
- Elkhart Lake is model community for the effective use of room tax:
  - Village officials understand the productive use of room tax dollars to grow the tourism industry; as a result, 94% of room tax is provided to a Tourism Commission for its effective use.

- The Tourism Commission's members are all tourism business owners or representatives and one Village Board member, making the decisions on how these monies are spent most effectively,
- As a result, room tax, over the past 15 years, has been used to increase tourism in Elkhart Lake effectively, substantially increasing position in the marketplace, exposure and revenues.

# CITY OF LAKE GENEVA

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DENNIS E. JORDAN  
CITY ADMINISTRATOR

**OCTOBER 2, 2013**

**To: Committee on Tourism, Recreation and State Properties  
Honorable Dean Kaufert, Chair**

## **Assembly Bill 385 – Changes to Local Room Tax**

Dear Chairman Kaufert and Members of the Committee on Tourism, Recreation and State Properties,

Many cities collect a room tax, but many of them are completely different from one another. Lake Geneva is a city that is first and foremost a tourist attraction. The lake is a tourist magnet. The City and local merchants have spent millions of dollars in the past 15 years to make the community an added attraction to the lake. The City has utilized capital project funds, general funds and TIF in the downtown area to eliminate blight, improve traffic flow and make significant improvements in infrastructure. Once the City invested in improving the infrastructure and improve the traffic flow, the commercial community responded by significantly upgrading their properties. That is shown by the increased assessments generated in the downtown commercial area.

As a main tourist attraction, Lake Geneva is affected a great deal differently than other communities of the same size and area. The City has a year round population of 7,500. There is a summer population of 25,000 to 30,000, and a shoulder season population of 12,000 to 15,000. The City has to provide many more services than a normal city. As an example, the City of Burlington has a population of 10,500 and has 21 full time sworn officers. Elkhorn has a population of 10,084 and has 15 sworn police officers. Lake Geneva has a population of 7,500 and has 22 full time sworn officers and 14 part-time officers. Because aesthetics are primary to a tourist city, the City of Lake Geneva sweeps the downtown commercial area at least 4 days a week. Street Department personnel pick up garbage from the City parks on Saturdays and Sundays in addition to their weekly runs. Last July Fourth weekend, the City crews picked up over 7 tons of garbage from containers in the downtown area and City Parks. These services are all necessary because of the impact of the tourists to our City.

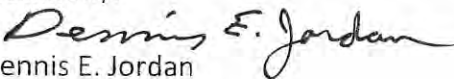
After reading the proposed Bill, it is evident that one of the main components of this bill is to make those communities that passed a room tax before 1994, to give 70% of the room taxes collected to tourism and convention bureaus. Since the City of Lake Geneva passed a room tax in 1992, it has placed the money in the City's General Fund. The City does make a contribution of \$95,000 to the Chamber of Commerce annually. The City also provides a lakefront location and building for the Chamber at a cost of \$1 per year. The Convention and Visitors Bureau is an adjunct of the Chamber of Commerce. The City has continually invested general fund monies to improve infrastructure and provide amenities for tourists. For 19 years the room tax has been a part of the City's budget. Now, with a Levy Cap in place, it would be very difficult for the City to replace the approximately \$350,000 this legislation would carve from the City's budget. Is the Tourism Bureau or Chamber of Commerce going to pay for police protection, street department services or traffic improvements? I think not. If the City was abusing the funds for spurious projects, that is one thing. However, the City of Lake Geneva can demonstrate that the funds received have been put to use in support of the tourism and lodging industry in the City and beyond.

The consequences of losing room tax revenue will be staff reduction and reduced services. It is the City of Lake Geneva's position that tourists visit communities they feel are safe, clean and provide necessary services. The City has maintained the same tax rate for the past three years and in 2010, lowered its operating budget 1% below 2009's operating budget. The Common Council has been very conscious of the taxes local residents pay and would rather raise funds from visitors than the local populace. The Room Tax helps to fund the services that the tourists expect and need.

The City of Lake Geneva respectfully requests that the legislation not be punitive to those communities that provide services to the tourism industry.

**We strongly urge opposition to AB 563 and any other proposed changes to the law that would further erode local control of room tax dollars.**

Thank you for the opportunity to address the Committee and for your consideration of this testimony.

  
Dennis E. Jordan  
City Administrator

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Wednesday, October 2, 2013

To: State of Wisconsin Assembly Committee on Tourism  
From: City of Bayfield Mayor Larry J. MacDonald

We are opposed to AB 385 concerning changes in room tax statutes as proposed because it will cause severe financial distress to the residents of the City of Bayfield.

1. Currently the City collects \$247,931 per year via our 6.5% room tax.
2. Our contract with the Bayfield Chamber of Commerce is based on current state statute and has worked well over the years for both parties.
3. The Chamber currently receives \$127,971 or 51.62% as their share and the City receives \$119,961 or 48.32% as our share.
4. The proposed legislation will change the above amounts so the lodging facilities receive a 3% rebate amounting to \$7,437 for their credit card costs and the Bayfield Chamber will receive \$168,345 or 70% and the City will receive \$72,148 or 30 %.
5. In order to put this in perspective, the loss of \$47,813 in room tax revenue to the City of Bayfield is equivalent to 8.11% of our City tax levy. It is inherently unfair to ask the residents of Bayfield via referendum to increase their property taxes to pay for services that are directly related to promoting lodging facilities.
6. We are already operating a lean and sustainable government operation in the City of Bayfield. In order to make up for this \$47,813 loss in revenue, we would have to cut our Police Department or Public Works staff by 25% or close our 3 sets of public restrooms and 2 playgrounds. The outlook is ugly.
7. The Bayfield Chamber of Commerce and Visitors Bureau does not support this legislation.
8. The proponents of this legislation have stated that they tried and can't get room records from. This is an invalid excuse since gross collection and disbursement figures from room tax is public info and any community that does not provide the info is subject to penalties as afforded by the FOIA. I also know that I could have hired an intern for a few weeks and could have gotten all the info they needed. If there are communities not distributing room tax according to state statute, they should be referred for resolution or prosecution. The proponents of this bill say they are not willing to do this.
9. Please allow us to continue to serve our residents, our businesses and visitors with the resources that we currently have. We understand tourism and tourism promotion in Bayfield. There is no need to change room tax statutes from the perspective of residents of the City of Bayfield. Our tourism community functions extremely well under current statutes. Please respect the needs of the City of Bayfield.





## Beaver Dam Chamber of Commerce

127 S. Spring Street, Beaver Dam, WI 53916

[www.beaverdamchamber.com](http://www.beaverdamchamber.com)

October 2, 2013

Wisconsin State Capitol  
Wisconsin Assembly Committee on Tourism

Dear Representatives:

Thank you for the opportunity to briefly address the proposed Room Tax legislation amendments known as AB385. I am in support of the bill.

I have been involved with the tourism industry for over 25 years, through both my career and as a volunteer in the communities in which I've lived. I have been a supporter and advocate of the intent of Room Tax legislation in that it was to have provided a revenue stream for Wisconsin communities to increase their local tourism industries through marketing. As I am sure you are aware, the tourism industry is the 3rd largest and most important industry for our state's economic engine. A strong tourism industry means more jobs, more sales tax revenue (with a high percentage from out of state visitors) and healthier tax bases in tourism communities which means steady property tax revenues for all levels of government.

Unfortunately the intent of the original legislation was never written into the law, in essence, that a majority of the revenue must be used for marketing a community as a destination. As a result some Wisconsin municipalities chose to impose Room Tax on their lodging facilities and use them for services other than for what they were intended. Those communities have used the revenue for such things as underwriting garbage pick up for residents, paving subdivision roads, economic development and subsidizing police and fire departments. All these functions are worthy and necessary components of local government but should be paid through property tax revenue collected by the residents who benefit from these services, not out of town guests.

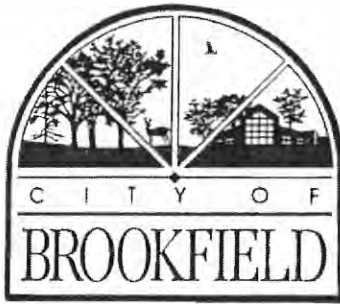
Two amendment attempts by the State Legislature since the original law was enacted have failed to address the continuing issue of imposed Room Tax not being directed toward marketing the community in which the tax is collected. The amendment proposal you are reviewing today does address that issue, with a very reasonable phased approach for communities currently appropriating more than 30% of the funds to reduce their subsidization of other government functions toward revenue streams that would be appropriate to fund those services.

I ask you to consider and affirm the intent of the original legislation and pass AB385 to ensure that small and large Wisconsin communities have a tool to promote their destinations and grow our statewide tourism industry for the benefit of all Wisconsin residents.

Thank you for your consideration of this testimony.

Sincerely,

Philip Fritsche  
Executive Director



## **MAYOR**

*Steven V. Ponto, Mayor*

2000 North Calhoun Road  
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September 2013

City of Brookfield concerns regarding SB 301/AB 385

The City opposed the versions of these bills when introduced in the last legislative session, and continues to oppose them today for the same reasons, as follows.

Supporters of these bills in the last session asserted that the post-1994 requirement to spend a minimum of 70% of room tax collections on tourism promotion and development, with expenditures deemed likely to generate paid overnight stays in lodging facilities, means that the tourism promotion dollars are intended to solely benefit lodging facilities – we would assert otherwise that tourism is not solely “heads in beds”, but dollars should be used to promote restaurants, attractions, and other facilities serving visitors, including businesses who are welcoming customers, salespeople, etc.

In addition, since the date when the initial room tax statute was created (1967), communities have made decisions regarding the appropriateness of allowing hotels and motels to be constructed within their community. Part of the analysis in approving these facilities included a fiscal analysis of the impacts that such facilities would have on the cost of the delivery of services to the community. These communities found the financial burdens of providing services to these facilities were likely offset by the room taxes paid by these facilities. To remove the full extent of the financial offsets afforded to these communities is a “game changer” and financially irresponsible. Maybe the communities would not have approved the hotel or motel if it was learned that the financial game would be later changed.

The proposed legislation mandates the establishment of a separate entity or commission to spend tourism promotion dollars, with members of the tourism entity’s governing body consisting of a majority of tourism industry providers. This should be a local decision, not a state mandate. Agencies funded under taxes should have proper oversight. For example, the majority of the Brookfield CVB board members are tourism or business community representatives, not appointed by the City or the Town of Brookfield, but the City and Town are also represented.

When the previous versions of these bills were being debated, there were assertions of misuse of room tax funds. We can only speak for Brookfield, but we believe we have always utilized room tax dollars in accordance with the law. If that is not the case in other communities, the appropriate course of action is not a wholesale change in state law, but consideration of litigation to ensure those who flaunt the law are made to comply. A law

should not be created that replaces the need to exhaust other remedies. The following are some of the supposed misuses and the facts about the use of room tax dollars.

**Room tax revenues used for general municipal expenses** – it is only fair that all users, including transient lodging occupants, pay for the cost of providing municipal services, particularly public safety costs. That was part of the reason Brookfield initially enacted its room tax in 1978, when there were only two hotels in the City. The eight hotel properties in Brookfield generate a disproportionate number of police calls for service compared to other commercial uses. Further, the City has a significant investment in professional, full-time fire department staff and expensive equipment such as a ladder truck to be ready to respond to emergencies at multi-story lodging properties where the occupants are not familiar with their surroundings. This also includes the ability to provide emergency medical services of the highest caliber.

**Funding for bike trails and parks maintenance** – although Brookfield does not use room tax revenue specifically for bike trails, it is difficult to understand why using room taxes to improve and maintain amenities for a community, amenities that are often used by visitors and touted as attractions, could be characterized as a misuse. The local property taxpayer should not be bearing the sole brunt of such costs. One of Wisconsin's tourism strategies is promoting recreation.

**Economic development programs are not appropriate to be funded via room taxes** – again, particularly for communities with significant numbers of hotels that serve not only leisure but business travelers, room tax dollars should be used as part of the funding mix in providing municipal services, including economic development. Ensuring that a municipality has a vibrant business community, including retail, offices, manufacturers, etc. is critical to the health of all residents and businesses. After all, if demand generators such as office users were not there, the demand for the hotel rooms would be substantially less.

#### Local fiscal problems with this bill

SB 301 proposes to reduce the percentage retained by municipalities for pre-1994 room tax amounts to 30% over a six-year period. In the current fiscal and economic environment, that would create severe fiscal issues for the City of Brookfield. Based on expected 2013 room tax collections, imposing the provisions of SB 301 would ultimately result in a \$1.1 million reduction in our general fund revenues. With the property tax levy limitations continued in Wisconsin Act 20 (the state budget), Brookfield, and all other municipalities, would not be able to make up the lost room tax revenue with additional property taxes. Further, even if property tax limits were not in place, saddling the local elected officials with a choice between a significant property tax increase or reductions in service, due to an overreaching change in state law that changes the rules of the game after they have been in place for over 30 years, does not benefit the citizens of Brookfield or any municipality in Wisconsin.

In short, our tourism promotion model is not broken to require changes such as those proposed in SB 301 – the mix of funds provided by room taxes, supplemented by advertising and promotion by businesses in the tourism and other industries provides for ample opportunity to attract leisure visitors and business travelers. Those visitors utilize municipal services like residents, and it is only fair that all users of municipal services pay for such costs.

**Town of Brookfield  
645 N. Janacek Road  
Brookfield, WI 53045**

**Telephone: 262-796-3788  
FAX: 262-796-0339**



To: Assembly Committee on Tourism  
From: Rick Czopp, Town Administrator  
Date: October 2, 2013  
Re: AB 385 representing the Town of Brookfield in opposition to this bill

All municipalities are working on budgets at this time. The Town of Brookfield has not had a levy increase for 4 years and only a 2% increase in seven years. As of last year the town is totally debt free. Yes, zero debt. We are an urban town with a billion dollars of value, a full service community including full time police and fire departments.

We have not raised the town levy and are debt free in spite of decreases in state revenue sharing, reductions in road aids, levy limits and although act 10 has helped the budget some, as you know police and fire pensions were not covered.

We have been totally financially responsible to our citizens and we will continue to do so. But with the enactment of Assembly Bill 385, the town budget will be devastated.

Under this bill the town will lose about \$350,000, out of a 5 million dollar budget. This is the equivalent of one fourth of our police or fire department. To make up for the lost revenue, the levy would have to be increased by approximately 7%. This 7 % would be a tax levy that would be placed directly on the shoulders of the town's property owners. Of course we cannot and would not increase the levy by that amount, so we would have to cut services.

To increase the town's tax base just to cover the \$350,000 deficit, the equivalent of building 21 new Hampton Inns, or 5 Majestic Marcus Theaters (who is one of our largest tax payers) would have to be built.

I have been a member of the Brookfield Convention and Visitors Bureau for 10 years and past President of the organization. I understand how important tourism is to the economy and State of Wisconsin. But under current law, a law we have relied on for 20 years, has helped the residents and businesses keep their taxes low, provided essential services and has been good for the community. If this law is changed, if AB 385 is enacted, it would be a devastating blow to the Town of Brookfield.

The best legislation has been proven to be crafted with all parties voices being heard and being respected. Thank you for listening to our concerns and I now ask you to reject Assembly Bill 385.

# 3% Retention Fee

by Lodging Properties Collecting Room Tax

**EXAMPLE:**

\$100 Room Rate  
 \$5.10 State & County Sales Tax  
 \$6.00 Local Room Tax (6%)  


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 \$111.10 TOTAL PAID by Guest



Room Tax Collected	=	\$6.00
Minus 3% Retained From Room Tax to Cover Card Processing Fees	=	<b>-\$0.18</b>
<hr style="width: 80%; margin: 0 auto;"/>		
Room Tax Submitted	=	\$5.82

**AB 563/SB 438:**

- A lodging property collecting room tax from their guests may retain 3% before remitting to the municipality, to cover the average cost of credit card processing fees just on the room tax portion.
- To be eligible, the lodging property must remit the collected room tax on time, as specified by the municipality.
- The lodging property continues to pay processing fees for all other portions of the transaction, including sales tax.



W A U P A C A  
AREA CHAMBER OF COMMERCE

October 2, 2013

Chairman Kaufert and Committee Members  
Assembly Committee on Tourism  
Wisconsin State Legislature

Dear Assembly Committee on Tourism:

The Waupaca Area Chamber of Commerce supports room tax reform to direct room tax collections for their intended purpose of tourism promotion and tourism development.

As the recognized tourism entity for the Waupaca area, we rely on room tax distributions from the City of Waupaca for promoting our area. In 2012, the economic impact of tourism in Waupaca County totaled \$79.1 million, generated \$9.7 million in state and local taxes and supported 1,266 jobs. This represents a major segment of our local economy which is necessary to maintain a vibrant and healthy community for our residents.

The Waupaca area, known best for our Chain O' Lakes, realizes on the tradition of families visiting from the Milwaukee and Chicago markets that make us a destination for their family summer vacations. As family traditions evolve and competition increases within tourism destinations, funding for promoting the Waupaca area as a destination is imperative to attract visitors. Room tax distributions, partnered with the investment of local businesses, are essential to make this promotion possible.

We support proposed room tax reform to ensure appropriate oversight, accountability and distribution for use of room tax collections. It seems logical that those with the greatest knowledge of travel and visitor motivations should be involved in the direction of room tax collections and that in cases where the proper use of funds is in question an opportunity for mediation be available.

While our organization enjoys a strong relationship with the City of Waupaca with a history of working cooperatively with our municipal leaders, we believe that the changes to room tax legislation will help to provide some clarity to the intention of room tax collections and their distribution. In 2012 and 2013, the City of Waupaca withheld \$20,000 of annual room tax collections from the Waupaca Area Chamber of Commerce for general budget purposes. Our greatest concern is that this re-distribution of funds could continue in future years severely impacting our ability to market the area.

Sincerely,

Terri Schulz  
President

Jeff Anderson  
Tourism Director

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## Office of the Mayor

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October 2, 2013

To: Assembly Committee on Tourism  
From: Nick Zavos, Government Relations Officer  
Re: Opposition to Assembly Bill 385

The City of Madison opposes Assembly Bill 385. While there are a number of policy concerns the city has with this bill, I would like to focus on the bill's effect on the Monona Terrace.

Madison is unique to most communities in Wisconsin as it owns and operates a convention center. With the cooperation of Governor Thompson, County Executive Phelps and Mayor Soglin, Monona Terrace was constructed using city, county and state funding. It is currently governed by a board that reflects those financial commitments - appointments are made by the city, the county and the governor.

The operating expenses of the Terrace are funded through facility revenue and room tax. In the late 1980's and early 1990's, when the planning and construction of the Terrace began, the city separated the room tax from general fund revenues and dedicated the tax to convention and tourism related activities. Currently, the city spends 57% of the room tax on the Monona Terrace, which includes debt service. This bill would place a third entity in charge of these funds, and place the operation of the Monona Terrace in a precarious situation.

One of the main reasons offered for this legislation has been claims of abuse. Not only is Madison is spending the room tax in compliance with state law, the city exceeds the current statutory requirements for spending. For 2013, the City budgeted \$10,500,000 in revenue from the Room Tax. Almost 80% goes toward "tourism promotion and development":

Monona Terrace	\$6,024,740	57%
Greater Madison Convention & Visitors Bureau	\$2,206,800	21%
Transfer to General Fund	\$1,224,442	12%

Further, a large part of the general fund spending is spent on promoting tourism – support for the Overture Center for the Arts, Rhythm & Booms fireworks festival, and the WIAA Basketball Tournament. Though these activities may not fit the narrow statutory definition of "tourism promotion and development," they certainly promote tourism.

In 2012, Monona Terrace generated almost 50,000 room nights on Conventions and Conferences alone, and this category of events only represents 10% of the total events held at Monona Terrace. In addition, Monona Terrace generated over 60% of the total group room nights booked in the City of Madison. In essence, Monona Terrace is a generator for the room tax fund and a true catalyst of economic activity.

Given the important role the Terrace plays in promoting tourism, and the commitment the state, county and city have made to the facilities' success, we urge you not to support AB 385.

Thank you for your consideration.