

WISCONSIN'S ROOM TAXES¹

Cities, villages and towns in Wisconsin have been authorized by state law to impose a public accommodations, or room tax, since 1967. The tax is generally applied to charges for rooms or lodging provided for fewer than 30 consecutive days by hotels, motels, rooming houses, bed-and-breakfasts, cottages, cabins and summer camps. Sales to state and local governments and to certain nonprofit organizations are exempt from the tax.

The room tax is applied only to gross receipts from furnishing sleeping accommodations. Food or other services provided by the establishments are not subject to the tax. The room tax (up to 8%) is imposed in addition to any state (5%) and county (0.5%) sales taxes that apply to room charges.

Municipalities differ significantly in the ways they distribute room tax collections. Some retain all the proceeds and use the funds for general purposes. Some use a portion for local events, such as festivals and Fourth of July fireworks, or for park improvement and maintenance. Most distribute a portion of the proceeds, typically providing a share to the area chamber of commerce or convention and visitors bureau.

Overview

To adopt the tax, the governing body of a municipality must enact an authorizing ordinance, which must specify the rate and effective date. Collection and enforcement are local responsibilities, governed by state law and local ordinance. Prior to June 1994, state law did not limit the tax rate municipalities could impose or how they could use collections from the tax. However, 1993 Wisconsin Act 467 established a maximum tax rate of 8.0% and required that at least 70% of any new room taxes be used for tourism promotion and development.

Regardless of whether a municipality meets one of the exceptions, for room taxes enacted prior to May 13, 1994, the municipality is prohibited from retaining a greater percentage of room tax revenues than it retained prior to May 13, 1994.

Room Tax Administration

Once a room tax has been adopted, municipalities are responsible for collecting and enforcing the tax. State law provides that a municipality may undertake the following to enforce collection: with probable cause, audit financial records; impose forfeitures; unilaterally determine the tax owed in the absence of properly filed returns; require payments of room taxes in advance; and impose fines of up to \$5,000 for failure to pay the tax. Municipalities can require the use of special room tax returns, which typically require quarterly or monthly payment. Municipal officials must maintain the confidentiality of information required of innkeepers.

Walworth Co Municipality	2002-2006 room tax collections	State rank
Lyons (township)	\$3,004,905	16
La Fayette (township)	\$172,584	117
Geneva (township)	\$1,036,433	45
Delavan (township)	\$660,649	59
Fontana (village)	\$1,325,967	37
East Troy(village)	\$55,107	163
Williams Bay (village)	\$44,836	172
Elkhorn (city)	\$52,415	165
Lake Geneva (city)	\$2,281,860	24
Whitewater (city)	\$238,935	102
Delavan (city)	\$2,270,844	25

Door County²:

In 2007 Door County began charging 5.5% room tax on all short term rental activities. (there was 515 short term rental permits issued in 2009) In 2009 it is estimated this taxation will bring in almost \$3million in additional revenue. 70% was used to fund chamber of commerce/tourism/business, and 30% was retained by local municipalities. From 2007-2009 these funds were used by local municipalities to fund local community improvement projects such as underground cabling, town municipal building construction, and parks to name a few.

Some Examples of how some Walworth County municipalities used room tax in 2007¹:

Village of Fontana:

Rate: 5%, 2007 Distributions: \$363,767

In 2007 the village used \$358,767 for lakefront operations. The Geneva Lake West Chamber of Commerce received \$4000 and the Walworth County Visitors bureau received \$1000

Town of Geneva:

Rate: 6% 2007 Distributions: \$104,920

In 2007 the town retained \$104,920 in its general fund for operating expenses and innkeeper advertising refunds.

Town of Lyons:

Rate: 3% 2007 Distributions: \$598,163

In 2007 the town provided half of its room tax distributions (\$298,880) to the chamber of commerce and retained \$299,283 in its general fund for operating expenses.

1. "Room Taxes and Tourism Development" A research report from the Wisconsin Taxpayers Alliance, Underwritten with a grant from the Wisconsin Association of Convention and Visitors Bureau. To obtain a copy, contact WISTAX, 608-241-9789
2. Information on Door County Room Tax Collection obtained from annual reports on "Finance Committee" and "Permits and Forms" at their homepage: <http://www.doorcountytourismzone.com/home>