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FISCAL IMPACT STATEMENT

LS 7356

BILL NUMBER: SB 381

NOTE PREPARED: Apr 15, 2021

BILL AMENDED: Mar 16, 2021

SUBJECT: Innkeeper's Tax.

FIRST AUTHOR: Sen. Buchanan

FIRST SPONSOR: Rep. Brown T

BILL STATUS: Enrolled

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: *Tippecanoe County Innkeeper's Tax:* This bill changes the distribution of part of the tax revenue in the Tippecanoe County Innkeeper's Tax Fund so that 10% of the revenue in the fund is distributed to the Department of Natural Resources (DNR) for the development of projects in the state park and 20% of the revenue in the fund is distributed as determined by the county fiscal body.

Daviess County Innkeeper's Tax: The bill provides that the Daviess County innkeeper's tax rate may not exceed 9%.

Boone County Innkeeper's Tax: The bill provides that all or part of the revenue received from imposition of the innkeeper's tax in Boone County may, subject to authorization by the county fiscal body, be pledged towards payment of obligations issued or entered into by a political subdivision in the county to finance the construction, acquisition, enlargement, and equipping of a sports and recreation facility.

Department of State Revenue: The bill provides for collection procedures of a county innkeeper's tax by the Department of State Revenue if a county fiscal body adopts an ordinance making a change concerning the imposition of the innkeeper's tax.

Effective Date: Upon passage; July 1, 2021.

Explanation of State Expenditures: *Department of State Revenue:* The bill's requirements are within the agency's routine administrative functions.

Explanation of State Revenues: The DNR currently receives 30% of total Tippecanoe Innkeeper's Tax

revenue. This bill reduces the portion of Tippecanoe Innkeeper's Tax revenue that is distributed to the DNR to 10% beginning July 1, 2021. The estimated loss of revenue for the DNR is \$0.51 M in FY 2022 and \$0.54 M in FY 2023.

Explanation of Local Expenditures: *Tippecanoe County Innkeeper's Tax:* This bill allows 20% of the total Tippecanoe County Innkeeper's Tax to be distributed as determined by the county fiscal body.

Boone County Innkeeper's Tax: This bill allows Boone County to pledge a portion of the Innkeeper's Tax revenue toward payment of obligations issued or entered into by a political subdivision located in the county for certain improvements to a sports and recreation facility.

Additional Information: The Boone County Innkeeper's tax is deposited in the Convention, Visitor, Tourism, and Promotion Fund (CVTPF). Currently, money in the CVTPF may be expended only to promote and encourage conventions, visitors, and tourism within the county. Expenditures in the fund may include, but are not limited to, expenditures for advertising, promotional activities, trade shows, and recreation.

Explanation of Local Revenues: *Tippecanoe County Innkeeper's Tax:* The bill commits 20% of the annual Tippecanoe Innkeeper's Tax revenue to be distributed as determined by the county fiscal body (all other local distributions remain the same). Under this bill, Tippecanoe County could receive an additional \$0.20 M in CY 2021 and \$0.48 M in CY 2022 from the tax.

Daviess County Innkeeper's Tax: The bill allows Daviess County to increase its innkeeper's tax rate from 5% to 9% beginning on July 1, 2021. If Daviess County changes its rate to 9% effective July 1, 2021, then its Innkeeper's Tax revenue could increase by an estimated \$82,000 in CY 2021, \$151,000 in CY 2022, and \$153,000 in CY 2023. Daviess County Innkeeper's Tax revenue is deposited in the County Convention and Visitor Promotion Fund.

Additional Information: The total amount of Innkeeper's Tax collected in Tippecanoe County was \$2.4 M in CY 2018 and \$2.8 M in CY 2019. The total amount of Innkeeper's Tax collected in Daviess County was \$185,000 in CY 2018 and CY \$189,000 in CY 2019. The projected revenue was based on forecasts of the leisure and hospitality industry in both counties.

State Agencies Affected: Department of Natural Resources; Department of State Revenue.

Local Agencies Affected: Tippecanoe County; Daviess County; Boone County.

Information Sources: IHS Markit; Department of State Revenue, Annual Reports for Self-Collecting CIT's.

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