

Room Tax - Frequently Asked Questions

The Waushara Area Chamber of Commerce, the Waushara Convention and Visitors Bureau, and the Waushara County Economic Development Corporation are recommending a countywide room tax. Various components of the recommendation have been included in this overview.

What is a Room Tax?

A tax that is applied to public accommodations such as hotels, motels, inns, tourist houses, bed & breakfasts, rooming housing, resort lodges and cabins, except for accommodations rented for a continuous period of more than 30 consecutive days. Campsites are excluded from a room tax. The tax applies only to gross receipts from providing sleeping accommodations. Food or other services provided by the establishments are not subject to the room tax.

When and why did the room tax come about?

Since 1967, cities, villages and towns in Wisconsin have been authorized by state law to impose a room tax. The room tax was intended as a way to have guests help support the direct services that they receive from a community (guides, maps, directional signs, information services etc.) and the facilities, such as parks that they use. The primary purpose of room tax revenue is for tourism development and promotion for a community or particular area. A portion of the revenues go to local government collecting the tax for general use.

Who pays the tax?

This tax is paid by individuals visiting or staying in the area at a public accommodation as defined by the state statutes. It is estimated that Waushara County has 300+ rooms for rent.

How can room tax revenues be used?

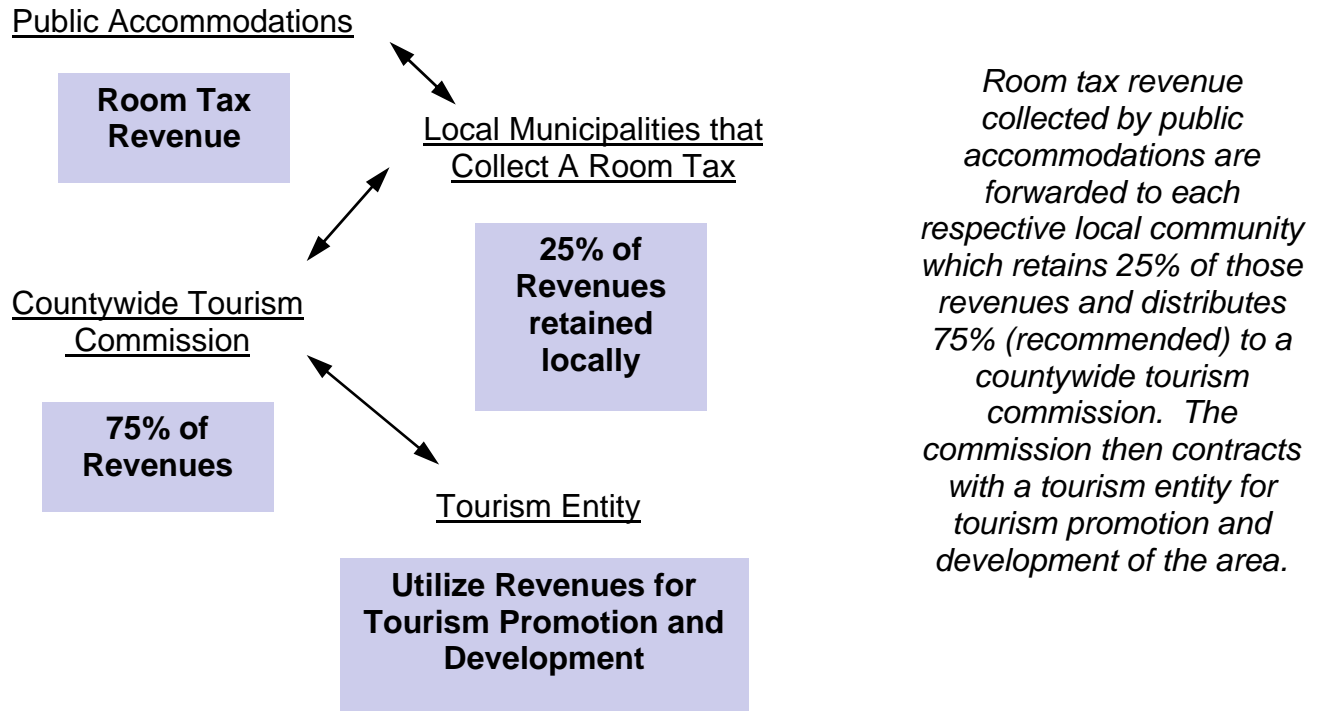
The state requires that at least 70% of any new room taxes be used for tourism promotion and development. The recommendation for municipalities in Waushara County is that 75% of the room tax revenues are used for tourism development through advertising, brochures, guides, maps, signage, web site and/or sport and trade shows. State law allows the taxing municipality to retain 30% of the revenues collected for their own purpose. The recommendation for Waushara County is for each municipality to retain 25% of room tax revenues it collects.

Who collects and enforces the tax?

The local municipality is responsible for collecting and enforcing the tax as governed by state law and local ordinance. The tax is collected from businesses that provide public accommodations. Municipalities can require an audit of those businesses not complying with the local ordinance and can impose fines as outlined in the state statutes.

Who will oversee the revenues and determine how they are spent?

State law requires the creation of a commission to contract for tourism promotion and development if two or more municipalities in a tourism zone impose a room tax. The municipalities shall enter into an intergovernmental contract to create a commission. The commission contracts for promotional services with a tourism entity. If no tourism entity exists in any of the municipalities in the zone that have formed the commission, the commission shall contract with another organization in the zone to perform the functions of the tourism entity. The recommendation for Waushara County is to form a countywide tourism commission which shall contract with a tourism entity to develop and implement programs to promote the county.



Who serves on the Tourism Commission?

State statutes provide that there must be one appointed member from each municipality that collects a room tax. Appointments are made by the municipality's chief elected officer with confirmation by the governing body. There must also be two additional members representing the lodging industry who are appointed by the Commission Chairperson. It is recommended that all members are nominated by the Chamber of Commerce and the Economic Development Corporation and those nominations are forwarded to each municipality for review and appointment. It is further recommended that at least 50% of the commission members represent lodging and tourism related businesses.

How can we be sure that the room tax revenues are spent for COUNTYWIDE Tourism?

In some places around the state, municipalities have been criticized for using room tax revenues for expenditures that are not closely related to tourism promotion and development. The recommendation for Waushara County is to have a Tourism Commission with a clearly defined plan for countywide tourism development specifying how those promotional efforts would span the entire county and not emphasize one particular area or community.

How are the Tourism Entity and Commission held accountable?

The proposed model ordinance provided by base on one from the Wisconsin Innkeepers Association requires the tourism entity to track and measure the impact of all room tax revenue expenditures and to report at least annually to the tourism commission. According to state statutes, the tourism commission reports annually to each municipality from which it receives room tax revenues. The report reviews the amount and purposes for which the revenues were spent. It is recommended that the tourism entity provide this information in writing and that it is presented to each municipality.

What is a Tourism Zone?

A tourism zone is defined by the state statutes s. 66.0615(h) as an area of two or more municipalities where those municipalities agree they make up a single destination as perceived by the traveling public. The municipalities in the tourism zone impose the same room tax rate. It is recommended that Waushara County become a tourism zone.

How will this tax benefit our community?

This tax can subsidize local tourism promotion expenses without tapping into or increasing property taxes. Tourism promotion and development works to increase the number of people visiting an area for business or recreational purposes. According to the Wisconsin Department of Tourism, in 2004, travelers spent an estimated \$61 million in Waushara County. This supported an estimated 1,600 full-time equivalent jobs in the county.

How is a room tax adopted?

To adopt the tax, the governing body of a municipality must enact an authorizing ordinance, which among other provisions, must specify the rate and effective date. The attached ordinance is being recommended for municipalities in Waushara County.

Why is this being pursued as a countywide room tax?

Under current law, the county can't adopt or enforce a room tax but municipalities have the authority to do so. The Waushara Chamber of Commerce and the Waushara County Economic Development Corporation recommend that all municipalities in Waushara County adopt a room tax at the same rate to pool revenue resources for countywide promotion. This would be a cooperative and equitable effort by local governments. Municipalities will benefit from countywide promotional efforts and also from 25% of the room tax revenues they collect.

What is the room tax rate?

As of 1993 the state imposed a maximum tax rate of 8%. In 2002, nearly 40% of municipalities that have a room tax had a rate greater than 5%. The recommendation for Waushara County is 4% which when added to the sales tax equals 9.5% of the cost of the room.

What is the potential revenue from a local room tax?

Revenues realized by each community vary. Various business and economic development representatives estimate that Waushara County could realize around \$64,000 in room tax revenue. This estimate is based on 300+ rental rooms at 35% occupancy with a \$42.00 average nightly rental rate.

According to the Wisconsin Legislative Fiscal Bureau
2003 Room Tax Collections in other Communities of similar size

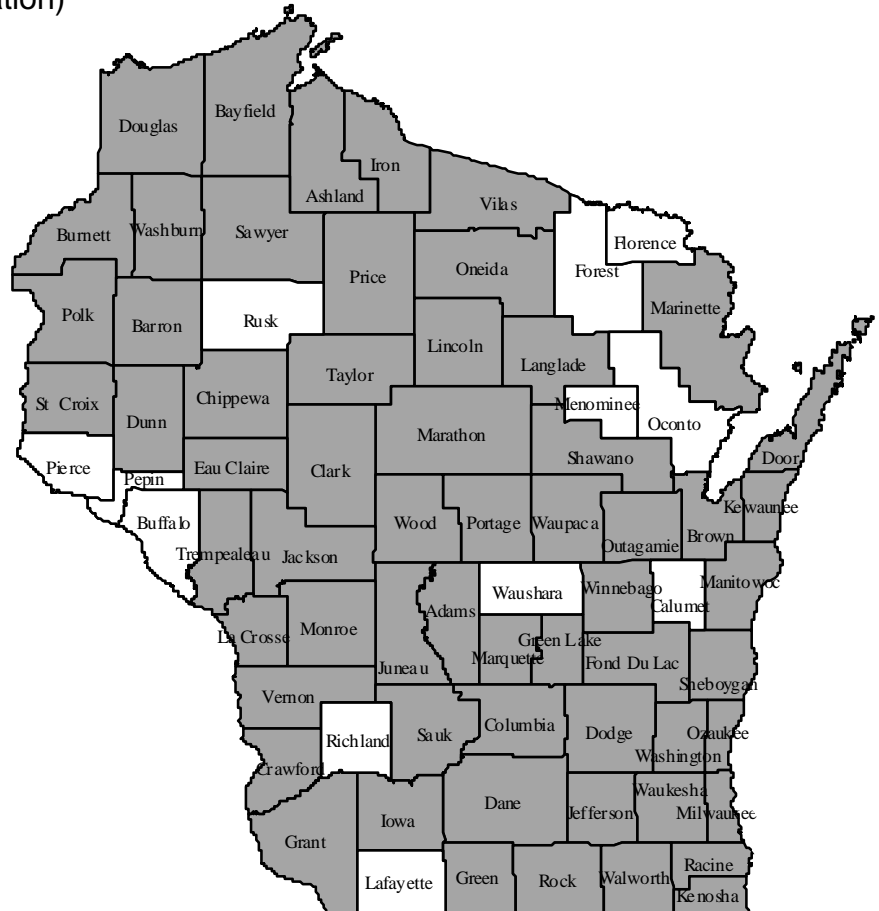
Bayfield County (15,383 population)
10 municipalities collected room tax
Total Room Tax Revenue **\$447,654**

Burnett County
Village of Siren Only (988 pop.)
Total Room Tax Revenue **\$49,195**

Green Lake County (19,250 population)
3 municipalities collected room tax
Total Room Tax Revenue **\$214,011**

Taylor County (19,772 population)
2 municipalities collected room tax
Total Room Tax Revenue **\$39,453**

The dark shaded areas =
Counties with at least one
municipality that collects room tax



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Sources: Wisconsin Legislative Fiscal Bureau,
Wisconsin Innkeepers Association, Wisconsin
Taxpayers Alliance, Wisconsin Department of
Administration, Wisconsin Department of
Tourism and Wisconsin State Statutes.

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