

To: Finance Committee
From: Mark Stevens
Date: December 19, 2023
RE: Room Tax

Finance Department staff have met with the Tourism Commission to discuss improvements in the procedures surrounding the collection of room tax. Admittedly, marketplace providers are a growing source of revenue, but we have no ability to interact with these companies as we do the local establishments. Adjustments in our processes include the following steps:

- We've requested the Health Department notify the Finance Department of any new establishments that are licensed throughout the year.
 - A welcome letter will be mailed outlining the room tax payment ordinance and payment procedures.
- Each July we will request a new listing from the Health Department of licensed establishments.
 - A letter will be mailed out to all establishments outlining the room tax payment ordinance and payment procedures.
- We've updated the Room Tax portion on our website to be more informative about the ordinance and payment procedures. A couple of things of note that were added:
 - Information on marketplace providers who pay room tax on behalf of establishments when they are booked on various sites
 - An electronic version of the room tax Monthly Revenue Statement to allow emailed submissions for those who do not remit physical payments (marketplace providers submit their payment)
- We've incorporated periodic reviews of when establishments report their revenues and payments to ensure they are following the ordinance.
 - If we find that an establishment has not reported revenues or is frequently late, we will send a letter reminding the establishment of the ordinance and payment requirements.

As part of the conversation, we presented a summary of the 2022 room tax rates from the surrounding communities and completed what-if calculations for potential increases in our room tax rates from the current 5% to 6%, 7%, or 8%. The taxes collected are split: 70% to Tourism and 30% kept by the City to be used to pay the Chamber of Commerce for the management of the tourism and approximately \$21K for local event subsidies (parades, fireworks, municipal band, Memorial Day activities).

In its December 14th meeting, the Tourism Commission agreed to an increase in the room tax to 8% to match what most of the area charges. This will help to bolster its funding that was greatly reduced during the Covid period and is still working to reach pre-Covid totals. It was determined a change should be postponed to take place April 1 to allow for a communication of the modification.