



DEPARTMENT OF AUDITS AND ACCOUNTS

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February 14, 2018

Honorable Chuck Hufstetler
Chairman, Senate Finance
121-C Capitol
Atlanta, Georgia 30334

SUBJECT: Fiscal Note
House Bill 357 (LC 43 0844S)

Dear Chairman Hufstetler:

The bill would redefine innkeeper for the purposes of the collection of the \$5 per room hotel-motel tax. Owner-operators that are a 501(c)(3) nonprofit organization would not be required to collect the fee. The exemption is assumed to be effective July 1, 2018 and does not sunset.

Impact on State Revenue

Georgia State University's Fiscal Research Center (FRC) estimated that the bill would reduce state revenue by \$1.0 million to \$1.4 million in FY 2019 (Table 1). The loss is estimated at \$1.0 million to \$1.7 million in FY 2023. Details of the analysis are in the appendix.

Table 1. State Revenue Loss

(\$ millions)	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
High Estimate	\$1.4	\$1.5	\$1.5	\$1.6	\$1.7
Low Estimate	\$1.0	\$1.0	\$1.0	\$1.0	\$1.0

Impact on Expenditures

The bill would not result in significant new expenditures by the Department of Revenue.

Sincerely,

A handwritten signature in blue ink that reads "Greg S. Griffin".

Greg S. Griffin
State Auditor

A handwritten signature in blue ink that reads "Teresa A. MacCartney".

Teresa A. MacCartney, Director
Office of Planning and Budget

GSG/TAM/mt

Analysis by the Fiscal Research Center

To estimate the revenue impact to the state of exempting nonprofit innkeepers, it is necessary to estimate the number of eligible innkeepers who could claim this exemption, along with the number of rooms and the occupancy rate of those rooms over a year. However, no sources could be found from which to definitively identify innkeepers and facilities that would qualify. Potentially-eligible operations were identified from a list of several known religious-based overnight camps and retreats in the state as well as internet research into similar operations. In addition, at least two non-religious, nonprofit-operated inn is known to exist in the North Georgia mountains, the Len Foote Hike Inn and Enota Mountain Resort.

Operations that were included in the estimates are those that provide lodgings that meet DOR regulatory definitions of a "hotel" and would thus be subject to the tax under current law. DOR's Rule 560-13-2-.01 defines a "hotel" and a "hotel room" as follows:

"Hotel" means a building that has 5 or more hotel rooms under common ownership, regardless of the name of the facility and regardless of how the facility classifies itself.

"Hotel room" means a room (or suite of conjoined rooms offered as a single accommodation) (i) in a hotel (ii) that is used to provide private sleeping accommodations to paying customers and (iii) that typically includes linen or housekeeping service. A hotel room is usually occupied by transients or travelers who do not enjoy an exclusive right or privilege with respect to the room, but instead merely have an agreement for the private use or possession of the room. A room is a hotel room only if the customer has the right to exclude other customers from the room.

Based on these definitions, it is assumed that many of the identified religious camps and retreats, for example those with lodgings consisting only of cabins or bunkhouses, would not be considered hotels. However, six religious camps and retreats, operated by nonprofits, were identified in Georgia as having facilities that would likely be defined as hotels. Of these facilities, there are an estimated 574 hotel rooms subject to the tax. The two identified non-religious inns together have an estimated 30 rooms.

Occupancy rates for these facilities are unknown, but it is also unknown how many additional, qualifying facilities may be operating in the state. Thus, for the low case estimates, a 90 percent average occupancy rate is assumed for the known 604 rooms, further assuming this accounts for all eligible facilities and rooms, resulting in annual estimated revenues under current law of approximately \$1.0 million for FY 2018. For the high case, it is assumed that there are 50 percent more eligible rooms, but that the average occupancy rate for all rooms is 80 percent, resulting in high case estimated annual revenues of approximately \$1.3 million for FY 2018. Eligible rooms are assumed to grow at between zero and 5 percent per annum from FY 2018 through FY 2023.