



# City of Columbia

701 East Broadway, Columbia, Missouri 65201

Department Source: Law

To: City Council

From: City Manager & Staff

Council Meeting Date: September 6, 2016

Re: Amending Chapter 26 of the City Code as it Relates to Tourism Fees and the License Tax on Hotels and Motels

## Executive Summary

Staff has prepared an ordinance to amend Chapter 26 of the City Code to implement the license tax increase on hotels and motels that was approved by the voters at the special election held on August 2, 2016.

## Discussion

On August 2, 2016, the qualified voters of the city approved Proposition 1 authorizing a temporary increase in the gross receipts license tax on hotels and motels from 4% to 5% on the gross daily rental receipts paid by transient guests for a maximum of twenty-three (23) years to finance airport improvements. An ordinance has been prepared to implement the license tax increase on hotels and motels.

The ordinance allocates the additional 1% authorized by the voters to a special fund created for airport improvements and maintains the existing allocation for the current 4%. Because the tax authorized by the voters contains a sunset provision after 23 years, the City Code amendments further provide for the rate of tax on hotels and motels to be reduced from 5% to 4% on or before January 1, 2040.

The effective date of the ordinance has been set for January 1, 2017 in order to allow sufficient time for the hotel and motel operators to make arrangements to begin collecting and remitting the increase. Under the City Code requirements, payments are due monthly on or before the 20<sup>th</sup> day of the month for the preceding month.

## Fiscal Impact

Short-Term Impact: The hotel/motel tax is primarily paid by visitors to Columbia. Based on current revenue collections, it is anticipated the temporary tax increase will generate approximately \$500,000 per year.

Long-Term Impact: It is anticipated the temporary tax increase will generate approximately \$8,000,000-\$10,000,000 over a 23-year period.



## Vision & Strategic Plan Impact

### Vision Impacts:

Primary Impact: Economic Development, Secondary Impact: Transportation, Tertiary Impact: Community Facilities and Services

### Strategic Plan Impacts:

Primary Impact: Economy, Secondary Impact: Infrastructure, Tertiary Impact: Operational Excellence

### Comprehensive Plan Impacts:

Primary Impact: Economic Development, Secondary Impact: Infrastructure, Tertiary Impact: Mobility, Connectivity, and Accessibility

## Legislative History

| Date       | Action   |
|------------|--|
| 05/16/2016 | Ordinance No. 022813: Called for a special election on August 2, 2016 on the question whether to increase the gross receipts license tax on hotels and motels. |
| 05/16/2016 | R59-16: Expressed the City Council's intent related to expenditure of funds from proceeds of the gross receipts license tax if approved by the voters.         |

## Suggested Council Action

Passage of the ordinance.