

2011 SENATE FINANCE AND TAXATION

SB 2180

2011 SENATE STANDING COMMITTEE MINUTES

Senate Finance and Taxation Committee Lewis and Clark Room, State Capitol

SB 2180
January 18, 2011
13040

☐ Conference Committee

Committee Clerk Signature

Stange

Explanation or reason for introduction of bill/resolution: Loss of lodging tax revenue.

Minutes:

Attached testimonies

Senator Cook opened the hearing on SB 2180 relating to city lodging tax and state sales tax application to stays of thirty days or more and the city and the city visitors' committee.

Senator Wardner from District 37 introduced SB 2180. He said that he had sponsored this bill at the request of the Convention and Visitors Bureaus (CVBs) in Dickinson and around the state. The bill takes away the limitation on the CVB's lodging tax. He said that what is happening in his area is that companies will come in and rent a block of rooms and they rotate their people through there. As a result, the revenue for the lodging tax is way down. This bill also has some cleanup language in it.

Bill Shalhoob, representing the North Dakota Tourism Alliance Partnership (TAP) testified in support of SB 2180. See written testimony A and attachment A1.

Senator Cook asked if campgrounds were not taxed at present.

Mr. Shalhoob answered that right now sales in campgrounds are not taxed any kind of accommodation tax. This would only apply to campgrounds that are in the jurisdiction of the political subdivision that is charging the sales tax. An example would be if the campground is not in the city of Bismarck, but rather in Burleigh County, the county does not charge any accommodation tax so you could not tax that. The campground would have to be within the jurisdiction of the city that is charging the tax.

Senator Triplett asked about campgrounds within Home Rule Counties.

Mr. Shalhoob said that it would apply if they were in a political subdivision that had an accommodation tax of some kind.

Rudie Martinson, Executive Director of the North Dakota Hospitality Association, testified in support of SB 2180. They support this bill because of the long term stays that are paid for by a company and the rotation of people in these rooms. When there is an audit from

the tax department, the lodging facility can't prove that it was the same person in the room for that length of time. They just want to eliminate the confusion and complication in this process and their membership is in support of that.

Senator Hogue asked about the elimination of the structure of the committee. He asked if this was the cleanup language that Senator Wardner referred to.

Mr. Shalhoob said that the idea behind eliminating that committee is when it was formed it was formed as a structure for administration of the tax. That structure has worked well in some cities and not well in others. In the actual disbursement of funds, the authority belongs to the City Commission. They believe it should be left as a local option on how money is spent.

Senator Cook asked if there was a need for some additional language to say that the local government will put into rules the makeup of the committee.

Mr. Shalhoob said that would probably be a good idea and that some advice has to be taken over how they do it.

Robert Butterfield, General Manager, Fireside Inn in Devils Lake testified in support. See testimony B and testimony B1, a letter from Suzie Baisch, Executive Director of Devils Lake Tourism.

Terri Thiel, Executive Director, Dickinson Convention and Visitors Bureau testified in support of SB 2180. See written testimony C.

Senator Cook asked if she was anticipating that the vast majority of the 1.8 million dollar increase in tax revenue will end up flowing into CVBs.

Ms. Thiel said that she had not seen the final fiscal on that. She said Mr. Shalhoob might be able to answer this better. She said they were only looking within their own community and how they operate.

Melissa Johnson, General Manager of the Comfort Inn at Dickinson testified in support. Written testimony D

Senator Triplett asked how long the terms are for their committee.

Ms. Johnson said that they varied. Officers are at two years and board members are three years.

Sheri Grossman, President of Destination Marketing Association of North Dakota and Director of Sales, Bismarck-Mandan Convention and Visitors Bureau, testified in support of SB 2180. Written testimony E

Senator Hogue asked if there was a reason that the effective date of this act is June 30, 2011.

Ms Grossman said she does not know why and she was not involved with drafting the original bill.

Amy Krueger, Executive Director, Williston Convention and Visitors Bureau testified in support. Written testimony F

Wendy Howe, Executive Director for the Minot Convention and Visitors Bureau testified in support of SB 2180. They are concerned about the loss of lodging tax because of long term stays.

Senator Cook asked for opposing testimony.

No opposing testimony.

Senator Cook asked for neutral testimony.

Myles Vosberg, North Dakota Tax Department said that the way the bill is written we are involving the city lodging tax, the city lodging and restaurant tax, and the state and local sales taxes. He said that there is a proposal in line 11 to add campground. If that is done for state and local sales tax purposes we need to keep the base the same. He would recommend that we add language into the state sales tax which would also cover the city sales taxes. He also commented on the man camps and he said that they have had questions on the taxability of those facilities but have not viewed them as hotels or motels. He explained the fiscal note.

Senator Cook closed the hearing on SB 2180.

2011 SENATE STANDING COMMITTEE MINUTES

Senate Finance and Taxation Committee Lewis and Clark Room, State Capitol

SB 2180
January 18, 2011
13045

☐ Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution: Loss of lodging tax revenue.

Minutes:

Committee Work

Senator Cook said that at the hearing of SB 2180 they asked about campgrounds. He asked the committee if anyone wanted the intern to draft an amendment.

Senator Dotzenrod said that he was puzzled about that. He asked if this was because of the oil country boom and people are coming for jobs and have nowhere to live so they have their pickup and camper and they are looking for a place to park it. He said he could not see the traditional campground being included.

Senator Cook said that he thinks what brought the bill before us was the administrative burden that is placed on hotel operators regarding tax department policy that "consecutive days" means the same person. He said the bill was trying to correct this. He thinks the solution brought some extra revenue and all the testimony encouraging us to pass this bill was justifying passage by the extra revenue that they were going to get and what they could do with it. In addition, he thought that they see the campground tax as another source for some new revenue.

Senator Triplett agreed with Senator Cook. She said that adding the campground in could create the same kind of problem we have had in the gaming bills.

Senator Cook said he had no interest in adding the campground but wanted to give the opportunity to the committee if they had that wish for an amendment.

The committee discussed whether they should have language in the bill that said they should have a committee and what the makeup would be.

Senator Miller said he thought there should be some kind of definition of who is going to be in charge of the CVBs and the oversight.

Senator Cook said the ultimate decision lies with the city council. He said we should either eliminate any language of visitors committee or if we are going to have a visitors committee we should define who is on that committee.

Senator Miller said that we should eliminate all the committee language.

Senator Cook asked if this law statutorily required the 2% tax to go to the CVB or promotion fund or is that a local decision. Could that money be spent on other city needs? Does the city council have any flexibility?

Further discussion followed and it was proposed that the intern draft an amendment that clarifies that the city shall provide for the governance of this.

2011 SENATE STANDING COMMITTEE MINUTES

Senate Finance and Taxation Committee Lewis and Clark Room, State Capitol

SB 2180
February 2, 2011
Job Number 13702

☐ Conference Committee

MJ Wood

Explanation or reason for introduction of bill/resolution:

Loss of lodging tax revenue

Minutes:

Committee Work

Senator Cook opened SB 2180.

This is our hotel 30 day consecutive day bill. When I was first made aware of this problem, it was under my impression that the solution that we were going to offer in legislation was to deal with the requirement that 30 consecutive days had to be the same person. To just clarify that the same person was paying for the room he could run people in and out as he wanted too. That would solve the problem with hotels as far as the administrative burden of trying to comply with audits and figure out what the tax policy is. So the room would still be subject to tax for 30 days, and after that they would not be subject to sales tax irregardless of whether the same person was staying in there. The bill takes the 30 days requirement out of the there which creates the fiscal note, which creates money that the Convention and Visitor Bureau (CVB's) like but that was not my intent. I asked Alex to draft an amendment to withdraw the fiscal note to just make it clear that the 30 consecutive days doesn't have to be the same person. That solves the problem with the hotels, it removes the tax increase portion of the bill which if you recall when you heard this was the reason the lights out went out in the capital.

Senator Cook: The problem that originated that caused the bill to get introduced was the burden that was placed on hotel owners. That's the problem that the bill was meant to solve. This resolves their problem. But in my mind it creates a tax increase and I think we can solve the problem without doing that.

Senator Triplett: The people who were testifying, they saw the hotels being filled up almost as though they were apartments, was really the limiting the money the CVB's were able to take in because of the exemption and making their ability to respond to the long term with the functions that they provide more difficult. Even if it wasn't exactly the intention of the drafters, that was how the bill came in and that was what the hearing was about. What you're describing is virtually a Hog house amendment to the bill as it was heard.

Senator Cook: I don't think I would call it a Hog house amendment.

Senator Triplett: Pretty close

Senator Cook: I think there were some unintended consequences in the people that did most of the testifying. I am perfectly happy to let them argue that on its merits. I certainly want to make the problem go away for the motel operators. I wouldn't want to have that problem continue to exist because we lost the bill, because it created the tax increase.

Senator Dotzenrod: At the hearing I think a lot of the testimony that we heard in favor of the bill, might not have even been here if we would have had the amendments you're suggesting, so it is pretty significant.

Senator Cook: We can spend some time when the amendments come down for this bill.

Committee discussion closed.

2011 SENATE STANDING COMMITTEE MINUTES

Senate Finance and Taxation Committee Lewis and Clark Room, State Capitol

SB 2180
2/7/2011
Job Number 14129

☐ Conference Committee

A. Bittmiller

Explanation or reason for introduction of bill/resolution:

Loss of lodging tax revenue

Minutes:

Committee Work

Chairman Cook opened discussion on SB 2180.

Chairman Cook handed out an amendment and then stated that what it does is removes the requirement for the 30 consecutive days to be held by the same person. It would eliminate the fiscal note.

Senator Triplett – Correct me if I'm wrong but my notes say there was no opposition to this bill.

Chairman Cook – I don't think there was any opposition, I'm a sponsor of the bill and I offer the amendments so that it does what I thought we were doing when I said I'd sign on to the bill. I think the bill as I understood it was to remove the administrative burden that it was placing on hotels as they tried to keep track of whether or not one person or more than one person was staying there. One hotel talked of the audit burden because they can't prove if it was one or more than one person. Unfortunately I feel it has been taken over by CVB's as a way to generate revenue. The people who are going to pay this are going to be the people who are renting hotels long-term.

Senator Triplett – It made sense to me in the way it came in because basically it says that everybody should be contributing in the same way everyone else is contributing to the CVB's in the area and given that there is so much turmoil and change and growth in those areas right now and so many of the hotel rooms being occupied on a long-term basis and that being one of their major sources of income for the Convention of Visitors Bureau, it just seemed to me that it made good sense to make sure that they were getting some more money, so I really liked the bill in the form that it was.

Chairman Cook – Would anyone like to move the amendment? (No one responded.)

Senator Triplett – I will move a Do Pass.

Seconded by **Senator Burckhard**.

Vice Chairman Miller – I will move the Cook amendments.

No second. Motion failed.

Chairman Cook – We have before us SB 2180 as a Do Pass. Ask the clerk to take the roll.
(5-2-0)

Carried by **Senator Burckhard**.

FISCAL NOTE

Requested by Legislative Council

03/10/2011

Amendment to: SB 2180

1A. State fiscal effect: *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2009-2011 Biennium		2011-2013 Biennium		2013-2015 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures						
Appropriations						

1B. County, city, and school district fiscal effect: *Identify the fiscal effect on the appropriate political subdivision.*

2009-2011 Biennium			2011-2013 Biennium			2013-2015 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts
				\$1,400,000				

2A. Bill and fiscal impact summary: *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

SB 2180 with House Amendments removes the local sales tax exemption for the rental of hotel rooms for 30 or more consecutive days.

B. Fiscal impact sections: *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

SB 2180 with House Amendments removes the 30-day exemption for city lodging tax, and city restaurant and lodging tax purposes. The state sales tax exemption for 30-day room rentals remains in place, but the bill removes the requirement that the same person must stay in the room to qualify for the exemption.

The removal of this exemption for local tax purposes is expected to increase city and county revenue an estimated \$1.4 million for the 2011-13 biennium. The expansion of the state exemption to allow for different people within the 30 consecutive days may result in a decrease in state general fund and state aid distribution fund revenues, but the amount cannot be determined.

3. State fiscal effect detail: *For information shown under state fiscal effect in 1A, please:*

A. Revenues: *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

B. Expenditures: *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

C. Appropriations: *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

Name:	Kathryn L. Strombeck	Agency:	Office of Tax Commissioner
Phone Number:	328-3402	Date Prepared:	03/10/2011

FISCAL NOTE

Requested by Legislative Council
01/12/2011

Bill/Resolution No.: SB 2180

1A. State fiscal effect: *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2009-2011 Biennium		2011-2013 Biennium		2013-2015 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues			\$1,610,000	\$140,000		
Expenditures						
Appropriations						

1B. County, city, and school district fiscal effect: *Identify the fiscal effect on the appropriate political subdivision.*

2009-2011 Biennium			2011-2013 Biennium			2013-2015 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts
				\$1,400,000				

2A. Bill and fiscal impact summary: *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

SB 2180 removes the sales tax exemption for the rental of hotel rooms for 30 or more consecutive days.

B. Fiscal impact sections: *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Sections 1, 2 and 4 of SB 2180 remove the 30-day exemption for city lodging tax, city restaurant and lodging tax, and state and local sales tax purposes, respectively.

The removal of this exemption is expected to increase state general fund and state aid distribution fund revenues by an estimated \$1.750 million during the 2011-13 biennium.

Cities and counties that impose local sales taxes, city lodging taxes, and city restaurant and lodging taxes would experience increases in these revenues if the bill is enacted. This analysis assumes these local taxes - when combined - average 4%, resulting in estimated increased local tax revenues of \$1.4 million for the 2011-13 biennium.

3. State fiscal effect detail: *For information shown under state fiscal effect in 1A, please:*

- A. Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*
- B. Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*
- C. Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a*

continuing appropriation.

Name:	Kathryn L. Strombeck	Agency:	Office of Tax Commissioner
Phone Number:	328-3402	Date Prepared:	01/17/2011

Date: 2-7-11
Roll Call Vote # 1

2011 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2180

Senate Finance and Taxation Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken: ☒ Do Pass ☐ Do Not Pass ☐ Amended ☐ Adopt Amendment

☐ Rerefer to Appropriations ☐ Reconsider

Motion Made By Senator Triplett Seconded By Senator Burckhard

Senators	Yes	No	Senators	Yes	No
Dwight Cook – Chairman		X	Jim Dotzenrod	X	
Joe Miller – Vice Chairman		X	Connie Triplett	X	
Randy Burckhard	X				
David Hogue	X				
Dave Oehlke	X				

Total (Yes) 5 No 2

Absent 0

Floor Assignment Senator Burckhard

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE

SB 2180: Finance and Taxation Committee (Sen. Cook, Chairman) recommends **DO PASS** (5 YEAS, 2 NAYS, 0 ABSENT AND NOT VOTING). SB 2180 was placed on the Eleventh order on the calendar.

2011 HOUSE FINANCE AND TAXATION

SB 2180

2011 HOUSE STANDING COMMITTEE MINUTES

House Finance and Taxation Committee Fort Totten Room, State Capitol

SB 2180
March 2, 2011
#14850

☐ Conference Committee

Committee Clerk Signature

Mary Bruckner

Explanation or reason for introduction of bill/resolution:

A bill relating to city lodging tax and state sales tax application to stays of thirty days or more and the city visitors' committee; and to provide an effective date.

Minutes:

See attached testimony #1, #2, #3, #4, #5, #6, #7.

Bill Shalhoob, Chairman of Tourism Alliance Partnership: Support. Please refer to attached testimony #1.

Representative Dave Weiler: When was this law put into place when they exempted it? And why was it put into place?

Bill Shalhoob: I don't know when this was put into place. It existed when I started in this business in 1974. I suspect the theory was that when you stay over 30 days it is more like an apartment rental than a hotel stay. We don't put a tax on apartments so then we would probably not tax hotel stays that were more like hotel stays.

Chairman Wesley R. Belter: Is 2180 identical to the way 1245 was introduced?

Bill Shalhoob: I believe it was. I guess Myles says there was a little difference.

Representative Glen Froseth: On page 3 section 4 I don't think that was in 1245. That would impose a tax on manufactured homes, modular homes, mobile homes, sectional homes, or whether it's on a permanent foundation or not.

Bill Shalhoob: I think that was in there. The part that I think was not in there was the visitors committee on page 3 starting on line 5 where it eliminates the specific make up of the visitors committee. It refers to a visitors committee on page 2 line 29 and what that is designed to do is let each city set up the kind of visitors committee they want without dictating that it has to follow certain rules.

Representative Dave Weiler: I have a question on 1245; did we remove the exemption on the state portion?

Chairman Wesley R. Belter: Yes. The lodging tax was in and the state portion was out.

Myles Vosberg, Tax Commissioner's Office: The existing 1245 as it was modified takes the exemption out for the lodging taxes and the restaurant lodging taxes but leaves it in for the state. So if someone stayed in a room for 30 days or more they would still be exempt from the state sales tax and the local city sales tax but the lodging tax that go to the Convention and Visitor's Bureau would still apply.

Representative Mark S. Owens: Just to answer Representative Weiler's question, it was 1981 when most of this started.

Suzie Baisch, Executive Director of Devils Lake Convention and Visitors Bureau: Support. Please refer to attached testimony #2. Also provided testimony from Robert Butterfield, General Manager of Fireside Inn and Suites in Devils Lake, #3.

Representative Dwight Wrangham: In the tax department records it shows Devils Lake from 2008 to 2009 had a 27% increase in lodging tax revenues. Then from 2000-2010 a 29% increase. How do you use that windfall of revenue that you've received?

Suzie Baisch: Up until last year the CVB ran with only one employee which would have been my position so in that time we have increased the amount of people in our office and we now have two; one that does what I do and the other one who works our visitor center who meets with the people coming through the area and helping with data and things like that. We are also open now on Saturdays and have been for the last two years. This year we are looking at being open on Saturday and Sunday as well so that revenue will help cover that. We really saw an increase last year where people would come in on a Tuesday and not have a place to stay not thinking they would have to make a reservation. So then we would have to start calling for them. The people coming in have affected our motels as well as our campgrounds and resorts. On any given day we sometimes might be full. So we just help them out that way.

Representative Dwight Wrangham: If this bill were passed in its original form what percentage increase would you expect to have because of the new revenue you would pick up from the 30 day stays?

Suzie Baisch: It's hard to say. Right now we have about 63 of the rooms that are full and those are companies that have come in and rented the rooms for three years or more because they have a long term construction contract in the area. There are another 74 rooms or so that they aren't opening up to our usual visitors such as Devils Run which is our number one income source as far as people coming in to our area so they will not have rooms to stay. I would say about a 25% if I had to do a guess.

Representative Dwight Wrangham: Of those that are rented by long term companies, how many of those have the same person in there for more than 30 days?

Suzie Baisch: Out of those 63 rooms probably about 20-30 of those rooms are rented by an actual company so it's hard to say who is staying in those rooms. The rest would be an employee or a self employed truck driver who might be in the area for a few months that would just go in and rent a room on his own.

Representative Steven L. Zaiser: Does the Convention and Visitors Bureau double as a Chamber?

Suzie Baisch: Mine is actually doubled as both. I am a CVB but I fall under the Chamber of Commerce.

Representative Steven L. Zaiser: How much of your activity is involved in promotion for conventions or visitors fishing and those kinds of things?

Suzie Baisch: My Convention and Visitor Bureau is funded fully by the lodging and restaurant tax that comes into the area. My CVB does not have a membership so to say and so we base the membership on the revenue that isn't coming in from that part as far as the chamber goes but all of the revenue that is generated by a so called membership doesn't come in to my CVB it actually goes into the chamber.

Vice Chairman Craig Headland: If these people who take advantage of this exemption would decide to move into an apartment which they would be exempt and things turn around where every motel room isn't full do you think they wish they had them back?

Suzie Baisch: We see a housing shortage and I would guess that there is only a handful of houses that are for sale right now in the city. As far as our economic development goes we are having a hard time trying to get in new businesses or new employees to come in to our area because of the housing shortage. We don't have apartments for rent. Last summer at any given time all of our apartments were full and so we are having trouble on that side. We do like having the additional amount of people in our area but my circumstance is a little bit different in my area because in two years when they are done raising all of our roads and now we'll have to look in five or ten years to raise them again, all of these people are going to move out of our town. At this point in time nobody is adding new motels or apartments or housing because in two to three years time there will be emptiness again where you will be able to find something.

Representative Lonny B. Winrich: The previous bill 1245 passed out of the House with the 5% state tax removed but the other local taxes are still in there that support the CVBs and so on. Do you have a position on that?

Suzie Baisch: I would prefer that the state also see that income. I'm a smaller CVB in the area and so I don't have as big of a marketing budget as a lot of other CVBs and because of that I collaborate a lot with the state tourism. I rely on them to do our hunting and marketing campaigns. They just brought out a new hunting and fishing commercial in the last year and it has really kicked off. It doesn't necessarily say it's from Devils Lake but everybody knows that is it when you're looking at the scenery and such. They really put forth the momentum to get that going and I would hate to see them lose momentum on that end. I also collaborate with them on sport shows and their visitor guide and advertising in certain publications so if they lose the momentum there I am also going to lose my momentum. I would like to see that be passed as well.

Terri Thiel, Executive Director of Dickinson Convention and Visitors Bureau: Support. Please refer to attached testimony #4.

Representative Steven L. Zaiser: Given that situation you have out there does the Chamber of Commerce help out with any of your promotions?

Terri Thiel: We work together. We probably don't work together on dollars but each one of us has got relocation packets and in that they add our information and we put in their information. If someone calls and says they are looking to relocate to Dickinson and ask for a relocation packet I am not going to tell them to call someone else we are going to help them out. We are looking at our general message and marketing coming out.

Representative Steven L. Zaiser: Do you collaborate in terms of promotion?

Terri Thiel: Not necessarily so much in promotion but as in if those requests are coming in because the chamber does most of their own in town promotion. It might be a bit different in a smaller community where their chamber will handle more outside promotions. Our chamber handles more in town leadership programs and we do the marketing imaging for the community.

Representative Wayne Trottier: Do you have any idea on how many people get reimbursed that stay for long periods of time? Do most people pay on their own?

Terri Thiel: I don't have a number. We are not able to get that information.

Sheri Grossman, Director of Sales for the Bismarck-Mandan Convention and Visitors Bureau and President of Destination Marketing Association of North Dakota: Support. Please refer to attached testimony #5.

Vice Chairman Craig Headland: What percent of hotel and motel rooms across the state are available to rent?

Sheri Grossman: I'm sorry I don't have that information for you as they are all individual entities.

Representative Mark S. Owens: The portion on the 5% gross receipts tax was originally put in there because of not wanting to tax North Dakotans. It just so happens that where I am staying at the moment is someone who will be in the place for more than 30 days because their house burned down. I've met these people and they are not going to just go out and buy or rent a house right away as they are waiting on the insurance proceeds in order to have a place to live. That was part of the intent. The way this bill is written right now they would still have to pay it. I realize it is a small percentage of people. How do we protect those that are in a situation like these people I just mentioned?

Sheri Grossman: I don't know how you would address that. I don't know if you would want to have an amendment that would deal with people who are locals and have an exceptional need. I just don't have an answer on that.

Representative Dwight Wrangham: When you mention that it didn't affect North Dakotans that got me thinking of Bismarck where we have several older hotels and motels where the less fortunate or lower income people reside. One of them is closed now due to a fire but they are going to rebuild and reopen. With this change on page 1 lines 11 and 12 those people would become subject to the lodging tax. I think that is very unfortunate. Do you have any suggestions for that?

Sheri Grossman: You're right; I meant it didn't affect a lot of North Dakotans. It's hard to differentiate those that are actually using them as long term housing and those that are using them as a hotel room. You could offer an amendment if it was for permanent housing.

Amy Krueger, Executive Director of Williston Convention and Visitors Bureau: Support. Please refer to attached testimony #6.

Representative Steven L. Zaiser: Do you collaborate with your Chamber?

Amy Krueger: We are members of the Chamber, we are not the same organization, but we do collaborate.

Representative Steven L. Zaiser: Do you get any financial support?

Amy Krueger: No. Right now our Chamber is struggling.

Representative Dave Weiler: Williston CVB's numbers increased 13% in 2008-2009 and from 2009-2010 your numbers increased 59% to \$317,000 from this tax. Have you done any figuring if we pass this bill how much is this going to increase the numbers providing the occupancy numbers stay the same?

Amy Krueger: Provided that the occupancies and the nightly rentals stay the same my projection is that we are losing about \$75,000 in lost revenue.

Representative Dave Weiler: Do the hotels and restaurants pay any fees to be involved?

Amy Krueger: Williston CVB is not membership based. They represent the community as a whole.

Representative Dave Weiler: Do you know if any of them are around the state?

Amy Krueger: Yes, there are different CVBs that are membership based but we are not.

Representative Steven L. Zaiser: How many staff does the chamber have?

Amy Krueger: My chamber has four full time chamber staff and two full time CVB staff. They are more business related and we are more of the visitor and travel related.

Wendy Howe, Executive Director of Minot Convention and Visitors Bureau: Support. Please refer to attached testimony #7. Typically the folks that are staying in a hotel due to

a fire or something have negotiated a special rate with that hotel. So they are probably already receiving some sort of discount to be able to stay in that hotel. Hotels are typically made aware of that situation and they know why the visitor is staying there. Today in your mailbox you would have received some information from the ND Tourism Department. In that information on page 9 there is some occupancy rate information for the state. In 2010 it was about 68% occupied. We need to change our messaging to plan ahead. Canadians used to call on a Thursday or Friday and they would come down that day or the next day. Occupancies have not allowed for that anymore. To make sure that our Canadian visitors don't decide to go to Minnesota or Montana it's very important to continue our message that we are open for business and we want them to visit us but they have to plan ahead. The prices for advertising and marketing have not gone down in the last few years; they have only increased like everything else. We partner with our Chamber of Commerce locally. The Chamber does not have a budget for marketing that is the job of the CVB. If someone would call and request a relocation packet from the Chamber they would have to pay \$8.00 because they don't have a postage budget. They are now referring those people to the CVB. We don't mind doing that at all. Please support this bill as this is very important to us in thinking long term and the funding is imperative to our Bureau.

Representative Dave Weiler: How important is it to you that the state portion remains a part of this?

Wendy Howe: It would be important for the tourism department to continue to increase that marketing budget which they have that has remained the same this legislative session. We partner with the ND Tourism Department in a lot of ways. There are numerous magazines we would not normally be able to afford to be a part of if it wouldn't be for ND Tourism and their cooperative marketing opportunities. If you could take those funds and give that to the Tourism Department to be able to grow their marketing it is going to help us as well.

Representative Mark S. Owens: Throughout this whole discussion no one has discussed the difference between 1245 and 2180 and section 3 dealing with the visitors committee. Basically what is being deleted is the makeup of the committee and the fact that you can now pay the committee members. I'm just curious as to what the intent of changing that section is?

Wendy Howe: I can tell you from the Minot Convention and Visitors Bureau perspective that we have a Board of Directors and so that would be our visitors committee which is appointed by the mayor of Minot. Our bylaws state what that committee is made up of so many people from the hotel industry and so many from the business, a representative from the city council and so our bylaws are covered.

Representative Bette Grande: I have an email that came to the Fargo legislators and I will pass that along to the rest of the committee dealing with opposition to this bill. It deals with the extended stay hotels and how this would be detrimental to them.

Chairman Wesley R. Belter: No further testimony. Closed hearing on SB 2180.

2011 HOUSE STANDING COMMITTEE MINUTES

House Finance and Taxation Committee
Fort Totten Room, State Capitol

SB 2180
March 7, 2011
#15034

☐ Conference Committee

Committee Clerk Signature

Mary Brucker

Explanation or reason for introduction of bill/resolution:

A bill relating to city lodging tax and state sales tax application to stays of thirty days or more and the city visitors' committee; and to provide an effective date.

Minutes:

No attachments.

Representative Roscoe Streyle: I have an amendment that would make it exactly as the other one if you so choose.

Chairman Wesley R. Belter: What does this bill do that our bill didn't do?

Representative Roscoe Streyle: It takes the 5% exemption so it would be the full tax and then it meshes with the committee.

Chairman Wesley R. Belter: Ours didn't have the committee in it?

Representative Shirley Meyer: (inaudible)

Chairman Wesley R. Belter: This puts the full tax on everybody?

Representative Roscoe Streyle: Correct.

Vice Chairman Craig Headland: I like the bill that we passed much better so I'm going to make a motion for a DO NOT PASS.

Representative Bette Grande: Seconded.

Representative Shirley Meyer: I really feel that it is important that committee requirements be removed. In visiting with them after the fact it was limiting the way it is now and just by removing that provision would make it a little better.

Vice Chairman Craig Headland: You mean the removing the overstrike?

Representative Shirley Meyer: No, I'm talking about the bill we passed did not overstrike it. (Inaudible)

Vice Chairman Craig Headland: I withdraw my motion.

Representative Bette Grande: I withdraw my motion.

Representative Patrick Hatlestad: I don't think the bill we passed had this section 3 in it. It doesn't, does it?

Representative Dave Weiler: That's exactly correct and therefore it is not struck language. I tend to agree with Representative Meyer in that language should be struck. It was important to them that they are able to make up the committees however they want to make them up and the number that they want to make them up.

Chairman Wesley R. Belter: Does anyone have interest in passing the bill the way it is?

Representative Dave Weiler: I have no interest in passing the bill the way it is if you're going to have a 5% tax increase on hotel rooms.

Representative Roscoe Streyle: I have an amendment that would make it exactly the same. It is already drafted if you so choose. I definitely won't support it as is.

Chairman Wesley R. Belter: Your amendment does not take out the committee?

Representative Roscoe Streyle: It does but that could be amended out of the amendment. I just told them that I wanted it exactly the same as HB 1245.

Representative Dwight Wrangham: I don't recall why they wanted it over struck. I guess they didn't in this committee because it wasn't part of that bill. We are talking about public funds here. Who is going to be the committee that decides how these public funds are used? There should be some sort of an oversight committee in place. Without these definitions this protocol makes me a little concerned as there are huge amounts of money.

Chairman Wesley R. Belter: The governing body appoints a visitors committee in looking at lines 28 and 29 on page 2. If we would adopt Representative Streyle's amendments to this bill and then leave section 3 alone, is that correct? I mean we keep the section 3 of this bill. Your amendments don't touch section 3.

Representative Roscoe Streyle: It strikes it completely but we can just strike it out.

Chairman Wesley R. Belter: Do you want to have amendments prepared the way you want it by leaving section 3 in here with the overstrikes?

Representative Bette Grande: Even if we do accept those amendments I will still vote against this bill because it is still moving beyond where we initially planned to be when we put the 30 consecutive night stay in place. You're going against the grain of why we were doing this in the first place and that was to deal with elderly low income that live in these hotels and now we are going to start taxing them. You've got flood victims, insurance catastrophe people that are in there for that 30 day stay and beyond and we're going to

start taxing that. We're going against exactly why we have this law in the first place so I will vote against this.

Chairman Wesley R. Belter: Representative Streyle, please get those amendments and we will look at this again tomorrow.

2011 HOUSE STANDING COMMITTEE MINUTES

House Finance and Taxation Committee
Fort Totten Room, State Capitol

SB 2180
March 8, 2011
SB 15127

☐ Conference Committee

Committee Clerk Signature

May Brucker

Explanation or reason for introduction of bill/resolution:

A bill relating to city lodging tax and state tax application to stays of thirty days or more and the city visitors' committee; and to provide an effective date.

Minutes:

See attached amendments.

Representative Roscoe Streyle: Distributed and reviewed amendments. Please refer to attached amendments.

Chairman Wesley R. Belter: The tax structure in this bill is identical to HB 1245?

Representative Roscoe Streyle: That is what Mr. Walstad said. It's just bringing some of the struck language back.

Chairman Wesley R. Belter: Do you want to move your amendments?

Representative Roscoe Streyle: Made a motion to move the amendments.

Representative Mark S. Owens: Seconded.

Representative Scot Kelsh: As I read the amendment it ends with removing... (reads the amendment). Ok, I figured it out. I'm okay with it.

Representative Wayne Trottier: Does this take the state's 5% off after 30 days?

Chairman Wesley R. Belter: Yes.

Representative Wayne Trottier: I really struggle with why we give a 5% break to most of the time for out of state people.

Representative Dave Weiler: This allows the state tax of 5% exemption to continue. There are a number of elderly and low income people that live in hotels and they will benefit from the continued 5% exemption.

VOICE VOTE: MOTION CARRIED TO ADOPT AMENDMENTS.

Representative Dwight Wrangham: As this reads now those individuals living in those hotels and using them as an apartment would be subject to the lodging tax from day 1?

Representative Bette Grande: As I stated before I will object to this because it is an issue that we had originally put in place for the reasons I mentioned before and I still stand by that. I am opposed to this because of the people that need to stay in hotels for insurance purposes, people who are there for emergency purposes, and long term need.

Representative Dave Weiler: I am going to oppose this bill. I'm having a hard time understanding the CVBs that come in and need more revenue to promote to get people into their communities and get people into the hotels and restaurants while all the hotels and restaurants are full right now. Plus their revenue has gone up from this lodging tax. Representative Wrangham gave quite a few examples the other day of the amount of increases. They need more money to promote their city's hotels and restaurants and the hotels and restaurants are already full now so that doesn't make sense to me.

Representative Steven L. Zaiser: I may oppose the bill because of the hardship it puts on the people that have to live in them. In response to Representative Weiler they are like the Chamber of Commerce. Their agenda is supposedly to grow business but they continue and they are an ongoing operation and I see the CVBs in the same way.

Representative Dave Weiler: I don't think the CVBs are going to quit. I don't expect them to quit. I just think they are trying to get more tax revenue and I don't think they need it. A lot of the CVBs are moving towards nonmembers or in other words, hotels, restaurants, and bars that would typically pay a membership fee to help promote and they are getting rid of these membership fees. It just doesn't make sense to me.

Representative Patrick Hatlestad: I think there are two things that are going on; one is that they need to promote the fact that there are rooms available but you just need to plan in advance, and secondly, new hotels are coming on and they need to let people know there are facilities available so the promotion needs to go.

Representative Dave Weiler: The reason more hotels are coming is because the other hotels are full. They are going to have monies to support this. I'm not suggesting that we close the CVBs as they are going to have money, I just don't know why they need more money to promote what is already full and growing. I think they are doing a good job with the money they have. I don't think we need to have a tax increase on top of it.

Representative Roscoe Streyle: I would agree with Representative Weiler and make a motion for a **DO NOT PASS AS AMENDED**.

Representative Bette Grande: **Seconded.**

Representative Shirley Meyer: In response to that what is happening out in the western part of the state, Dickinson, when we have so many rooms that go over the 30 days and they are being leased for a long period of time this has cost our CVBs many dollars because they lose that lodging tax. That's why this is here as it is a hit to them. The hotels are perhaps benefiting from it but our CVBs are not because then after this 30 day length of

stay they are losing that income and that's what they've been operating on to promote our cities. It is definitely a case where there has to be some information and education out there. Now when you're coming to Dickinson you should make reservations but as far as their bottom line is they are being hit with this.

Representative Dave Weiler: Did we not send this same bill as amended over to the Senate and they passed it? They are going to pass this bill so we can kill this one.

**A roll call vote was taken: YES 12 NO 2 ABSENT 0
MOTION CARRIED FOR DO NOT PASS.**

Representative Dave Weiler will carry SB 2180.

Date: 3-7-11
Roll Call Vote # 1

2011 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2180

House Finance and Taxation Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken: ☐ Do Pass ☒ Do Not Pass ☐ Amended ☐ Adopt Amendment

☐ Rerefer to Appropriations ☐ Reconsider

Motion Made By Rep. Headland Seconded By Rep. Grande

Withdrew motions.

Representatives	Yes	No	Representatives	Yes	No
Chairman Wesley R. Belter			Scot Kelsh		
Vice Chair. Craig Headland			Shirley Meyer		
Glen Froseth			Lonny B. Winrich		
Bette Grande			Steven L. Zaiser		
Patrick Hatlestad					
Mark S. Owens					
Roscoe Streyle					
Wayne Trottier					
Dave Weiler					
Dwight Wrangham					

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

If the vote is on an amendment, briefly indicate intent:

VR
3/9/11

PROPOSED AMENDMENTS TO SENATE BILL NO. 2180

Page 3, line 17, remove the overstrike over "~~and the gross receipts from the leasing or renting of a hotel or motel room or~~"

Page 3, line 18, remove the overstrike over "~~tourist court accommodations~~"

Page 3, line 18, remove the overstrike over "~~for residential~~"

Page 3, line 19, remove the overstrike over "~~housing for periods of thirty or more consecutive days~~"

Renumber accordingly

Date: 3-8-11
Roll Call Vote # 1

2011 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2180

House Finance and Taxation Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken: ☐ Do Pass ☐ Do Not Pass ☐ Amended ☒ Adopt Amendment ^{11.0166.02004} *Streyle*
☐ Rerefer to Appropriations ☐ Reconsider

Motion Made By Rep. Streyle Seconded By Rep. Owens

Representatives	Yes	No	Representatives	Yes	No
Chairman Wesley R. Belter			Scot Kelsh		
Vice Chair. Craig Headland			Shirley Meyer		
Glen Froseth			Lonny B. Winrich		
Bette Grande			Steven L. Zaiser		
Patrick Hatlestad					
Mark S. Owens					
Roscoe Streyle					
Wayne Trottier					
Dave Weiler					
Dwight Wrangham					

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

If the vote is on an amendment, briefly indicate intent:

VOICE VOTE

MOTION CARRIED.

Date: 3-8-11
Roll Call Vote # 2

2011 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2180

House Finance and Taxation Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken: ☐ Do Pass ☒ Do Not Pass ☒ Amended ☐ Adopt Amendment

☐ Rerefer to Appropriations ☐ Reconsider

Motion Made By Rep. Streyle Seconded By Rep. Grande

Representatives	Yes	No	Representatives	Yes	No
Chairman Wesley R. Belter	✓		Scot Kelsh	✓	
Vice Chair. Craig Headland	✓		Shirley Meyer		✓
Glen Froseth	✓		Lonny B. Winrich		✓
Bette Grande	✓		Steven L. Zaiser	✓	
Patrick Hatlestad	✓				
Mark S. Owens	✓				
Roscoe Streyle	✓				
Wayne Trottier	✓				
Dave Weiler	✓				
Dwight Wrangham	✓				

Total (Yes) 12 No 2

Absent 0

Floor Assignment Rep. Weiler

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE

SB 2180: Finance and Taxation Committee (Rep. Belter, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO NOT PASS** (12 YEAS, 2 NAYS, 0 ABSENT AND NOT VOTING). SB 2180 was placed on the Sixth order on the calendar.

Page 3, line 17, remove the overstrike over "~~and the gross receipts from the leasing or renting of a hotel or motel room or~~"

Page 3, line 18, remove the overstrike over "~~tourist court accommodations~~"

Page 3, line 18, remove the overstrike over "~~for residential~~"

Page 3, line 19, remove the overstrike over "~~housing for periods of thirty or more consecutive days~~"

Renumber accordingly

2011 TESTIMONY

SB 2180

North Dakota

Tourism Alliance Partnership

P.O. Box 2599
Bismarck, ND 58502
(701) 355-4458
FAX (701) 223-4645

2010/2011 MEMBERS

Basin Electric
Power Cooperative

Bismarck-Mandan CVB

Buffalo City Tourism

Days Inn - Grand Dakota Lodge

Destination Marketing
Association of North Dakota

Devils Lake CVB

Dickinson CVB

Fargo-Moorhead CVB

Fort Abraham
Lincoln Foundation

Grand Forks CVB

International Peace Garden

Lewis & Clark Fort
Mandan Foundation

Municipal Airport Authority
of the City of Fargo

ND Tourism Division (ex-officio)

Newman Outdoor Advertising

Norsk Hostfest Association

Odney Communications Group

Select Inn of Bismarck

Spirit Lake Casino and Resort

State Historical Society of
North Dakota Foundation

Theodore Roosevelt
Medora Foundation

Three Affiliated Tribes
Tourism Dept.

Trail Mountain
Band of Chippewa Indians

Williston CVB

Woodland Resort, Inc.

Testimony of Bill Shalhoob Tourism Alliance Partnership Chairman HB 2180

Mr. Chairman and members of the committee, my name is Bill Shalhoob and I am here representing the North Dakota Tourism Alliance Partnership (TAP). TAP is a coalition of tourism-related industries including Convention and Visitors Bureaus (CVBs), state attractions, businesses and other stakeholders in the viable and growing tourism sector of North Dakota's economy. We are asking for your support for SB 2180 and urge a do pass on the bill. For your information, there is a companion bill that was introduced in the House, HB 1245, that does virtually the same thing and will have to be reconciled as one or both move forward.

Currently when guests check into a hotel room, they are charged whatever sales taxes are applicable on that stay. In most cities, there is 5% state tax, a 2% marketing or CVB tax, a 1% city tax and a 1% tax commonly referred to as a "bed and booze tax" used for infrastructure development and marketing. Total tax can vary by locality based on home rule additions to the various categories. There is an exemption in current state law for guests who stay 30 consecutive days or more. Current hotel practice is to charge tax for the first 30 days and credit the bill for the tax amount when the stay threshold is met. In rules set up by the tax department to address abuse, it has been determined the room must be occupied by the same guest during the entire stay to get the tax break. A company, even if paying the entire bill, cannot rent the room for 30 days and move people in and out based on schedule or need. It is up to the hotel to monitor the guest occupancy. I think the theory behind creating this exemption was we do not charge sales taxes on apartments as they are a living unit and a

hotel room that is occupied continuously for 30 days or more is more like an apartment transaction than a transient hotel sale.

Today we find ourselves in the unusual position of asking for a sales tax exemption to be rescinded. We do so for two reasons. First, due to the oil activity in western North Dakota, our CVBs in particular and all other benefitting political subdivisions, including the state as they receive the biggest percentage, are losing what we believe are significant revenues because of the many occupants who are and will continue to be involved in the current oil play. We have all heard stories of the difficulty in getting rooms in the oil producing areas of the state. Second, hotels find it difficult or impossible to assure compliance with the same guest per stay requirement rightfully in rule from the tax department. On audit, always well after the sale, the deduction has been disallowed and, since it is very difficult to impossible to go back to the guest or company to collect the tax, the hotel usually ends up paying it on behalf of the room occupant.

One unintended consequence may be for tax to start to be charged on rooms legislators occupy during the session. HB 1141 addresses reimbursement for this expense and was heard last week. In that bill or to be safe in SB 2180, subsection 2 of section 54-03-20 of the ND Century Code should be amended to add the words "plus applicable taxes" after the word "reimbursement." I have attached a copy of HB 1141 for your review.

Mr. Chairman and members of the committee, thank you for the opportunity to appear before you today in support of SB 2180. I would be happy to answer any questions.

11.0049.01000

Sixty-second
Legislative Assembly
of North Dakota

HOUSE BILL NO. 1141

Introduced by

Representative Carlson

1 A BILL for an Act to amend and reenact subdivision a of subsection 2 of section 54-03-20 of the
2 North Dakota Century Code, relating to housing reimbursement for members of the legislative
3 assembly; to provide for retroactive application; and to declare an emergency.

4 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

5 **SECTION 1. AMENDMENT.** Subdivision a of subsection 2 of section 54-03-20 of the North
6 Dakota Century Code is amended and reenacted as follows:

7 2. a. Each member of the legislative assembly is entitled to receive reimbursement for
8 lodging, which may not exceed per calendar month the amount established under
9 this subdivision by the director of the office of management and budget for
10 lodging in state and which may not exceed the rate provided in section 44-08-04
11 for each calendar day during the period of any organizational, special, or regular
12 session. On August first of each even-numbered year, the director of the office of
13 management and budget shall set the maximum monthly reimbursement for the
14 subsequent two-year period at an amount equal to thirty times ~~fifty-five~~sixty-five
15 percent of the daily lodging reimbursement in effect on that date as provided
16 under subdivision d of subsection 2 of section 44-08-04.

17 **SECTION 2. RETROACTIVE APPLICATION.** This Act is retroactive in application to
18 January 1, 2011. Upon the effective date of this Act, the director of the office of management
19 and budget shall recalculate the maximum monthly lodging reimbursement for members of the
20 sixty-second legislative assembly based upon section 1 of this Act to be effective beginning
21 January 1, 2011.

22 **SECTION 3. EMERGENCY.** This Act is declared to be an emergency measure.

Testimony of Robert Butterfield
General Manager, Fireside Inn
SB 2180

Dear Chairman and members of the Committee,

Please accept this letter as my testimony in favor of amending the ND Century Code 40-57.3.01 City lodging tax Imposition-Amount-Disposition, to eliminate the words "for periods of less than thirty consecutive calendar days or one month", along with other requested changes.

I am the General Manager of the Fireside Inn, in Devils Lake, ND, a board member of Devils Lake Tourism, and an executive board member of the Devils Lake Chamber.

As a manager of a large motel I see the effects of less money due to the current lodging tax, especially with over 500 full time construction workers in our area during the 7 month season. This impact affects everyone.

Thank you for considering this.

Sincerely,

Robert Butterfield
General Manager
Fireside Inn
215 Hwy 2 E
Devils Lake, ND 58301
701-662-6760
gmfireside@gondtc.com

devils lake

Tourism

January 18, 2011

Dear Chairman and members of the Committee,

Please accept this letter as my testimony in favor of amending the North Dakota Century Code 40-57.3.01. City lodging tax - Imposition - Amount - Disposition. to eliminate the words "for periods of less than thirty consecutive calendar days or one month," along with the other verbage requested to be removed.

I am the Executive Director of the Devils Lake Convention and Visitors Bureau and we are going through similar issues as the western side of the state. As you know, Devils Lake keeps rising and has provided our region a multitude of problems; one of those problems being access to our roadways. For the third time since 1997, we are raising our roads to meet a higher elevation from our lake. This construction will continue through 2013. In the summer of 2010, we had no less than 535 full-time employees come to our region because of work in road construction. In the years of 2011 and 2012, we will see even more full-time employees moving into our city.

The City of Devils Lake is currently going through a housing shortage. The rising of the lake water has also pushed families from their lakeside homes or farms, forcing them to move into town. There are new jobs developing in our area, also bringing new employees and business people to town. As a family or a single person, it is hard to find an apartment to rent in Devils Lake. At any given time, all of the apartments in our area can be full, and this past summer, were full. This forces the road construction workers to live temporarily in our motel rooms. We have 560 motel rooms to rent in Devils Lake, and 63 of those rooms are currently full with long-term renters, and 74 more of them are not taking reservations because of a hold out for long-term rentals from road construction workers. By eliminating the 30-day lodging exception, it will keep the revenue coming into our city and will help towards the promotions that will keep people coming back for hunting and fishing in our region. As many of you know, media buying has become expensive. It is important to keep this money flowing into the tourism departments to stay steady with their marketing efforts and keep our "Legendary" destination in front of our potential travelers who will spend money in our restaurants, motels, gas stations and stores. It is even more important for Devils Lake to continue advertising that our city "is open" and not shut down due to our road construction issues.

Again, I ask for your support of eliminating the 30-day lodging exemption. There are many businesses besides the motel operators that depend on an income, and the revenue from the lodging tax will support these entities.

Thank you for your time and consideration.

Sincerely,

Suzie Baisch
Executive Director

C



72 EAST MUSEUM DRIVE
DICKINSON, NORTH DAKOTA 58601
701.483.4988 | 800.279.7391
F: 701.483.9261
E: INFO@VISITDICKINSON.COM

www.visitdickinson.com

Testimony of Terri Thiel, Executive Director, Dickinson Convention & Visitors Bureau

Senate Bill: 2180

January 18, 2011

Chairman Cook and members of the Senate Finance & Taxation Committee, my name is Terri Thiel and I am the Executive Director of the Dickinson Convention & Visitors Bureau. The Dickinson Convention & Visitors Bureau is in support of House Bill 1245, relating to the 2% city lodging tax and stays of thirty days or more.

Our non-profit organization receives the 2% lodging tax that is enacted by the ND Century Code, Section 40-57.3-01 and 10% of the 1% Lodging and Restaurant tax, Section 40-57.3-01.1 for annual operating functions that include three areas: personnel, general operating expenses and marketing. Two of the three are primarily fixed costs, personnel and general operating expenses. The marketing is determined by the remainder of the annual budget.

As our communities grow with the energy development, so should the marketing organization of our communities for several reasons. One, economic cycles are just that. Cycles. Full lodging rooms come and go, marketing must continue to reinforce the image of our communities when the down side occurs, bringing back visitor to our communities to experience all the things to see and do. Two, energy workers are also visitors. This is an opportunity to expand our marketing to them and their families. Many of these workers/visitors are from TX, LA, CA, OK, CO and other states. We have firsthand experience of families that have followed the primary energy worker entering into our office wishing to explore Dickinson and southwest North Dakota. Three, if energy is growing western ND, and growing it by all types of new businesses, our organization needs to continue to grow, keeping pace and exploring new ideas, to produce a variety of marketing tools for the future.

As the energy developments increase, many of the workers are housed in a variety of lodging facilities, apartments, residential homes, hotel/motels, campgrounds, campers on mobile home lots and man camps. The long term rental of hotel/motel rooms beyond 30 day stays prevent the collection of the 2% lodging tax - provided the same individual occupies the same rental room for the entire stay. This is a loss of income for a Convention & Visitors Bureau.

Explore
the WESTERN EDGE

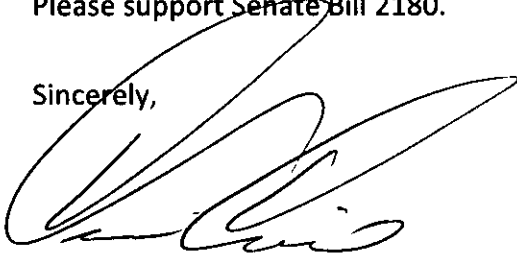
The marketing that our office does for the community of Dickinson also includes all of southwest North Dakota for many of our projects. We build our branding, our product, and our visitor experiences on the entire area surrounding us.

The campgrounds within our city limits are also promoted by our CVB, benefitting from Motor Coach Group Travel, independent travelers and workers.

The language of visitors committee relating to the number of appointed committee members and term of service is outdated based on the variety of North Dakota CVB bylaws. Most, if not all, have more than five appointed members, and terms can vary.

Please support Senate Bill 2180.

Sincerely,

A handwritten signature in black ink, appearing to read 'Terri Thiel', written over a large, stylized, and somewhat abstract signature graphic.

Terri Thiel
Executive Director

Dickinson CVB 2% Estimated Lost Revenue - 2010

850 Rooms x 365 nights = 310,250 room nights to sell
310,250 x 78% Occupancy = **241,995** room nights SOLD

	2% <u>Revenue</u>	2% <u>Received</u>	<u>Estimated Lost Revenue</u>	
241,995 X \$86 Average Daily Rate (ADR) = \$20,811,570	416,231	326,845	89,386	
241,995 X \$80 Average Daily Rate (ADR) = \$19,359,600	387,192	326,845	60,347	\$ 74,866.00
				Avg.

Figures of Occupancy and ADR are reported from monthly STR Report
Smith Travel Research

*November Year-to-Date figures used

Dickinson - 12 hotel/motels 850 Rooms
7 hotels - 643 Rooms reporting STR Report monthly
5 hotel/motels & 1 B & B - 207 Room not reporting STR

*2% Received - CVB Dec.09 - Nov. 10 figures



BY CHOICE HOTELS

Testimony of Melissa Johnson, General Manager, Comfort Inn, Dickinson, ND

Senate Bill: 2180

January 18, 2011

Chairman Cook and members of the Senate Finance & Taxation Committee, my name is Melissa Johnson, and I am the manager of the Comfort Inn and a current Board member of the Dickinson Convention & Visitors Bureau. As manager of the Comfort Inn and a CVB Board member, I am in support of Senate Bill 2180.

The Comfort Inn in Dickinson has enjoyed a positive year with customers that represent a variety of industries, vacation travelers, hunters, tour and sporting groups, and business travel. Throughout the year, our customers vary with the season, special events and business climate.

With the increased energy development, we have seen a larger number of long term stay workers at our hotel. Many of the workers contract rooms beyond thirty days. While this is secured revenue for the Comfort Inn, it also is a loss of income for our Convention & Visitors Bureau.

The partnership of marketing between the hotels in Dickinson and the Convention & Visitors Bureau, assures that my property will benefit in the long term of the highs and lows of a business cycle. It would be a benefit to my hotel if the Convention & Visitors Bureau would be able to collect the additional revenue from the longer than 30 day stays. The additional funding would allow their marketing plans continue to increase as our community grows.

Referencing the removal of the language in the bill pertaining to the Visitors Committee appointments and terms, our Convention & Visitors Bureau is comprised of eleven board members, with terms in our bylaws that exceed the current statute.

Please support SB 2180.

Sincerely,

Melissa Johnson

Manager

100 E. ELKS DRIVE

DICKINSON, NORTH DAKOTA 58601

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Testimony of Sheri Grossman
President, Destination Marketing Association of North Dakota
Senate Bill 2180
January 18, 2011

Chairman Cook and Members of the Senate Finance and Tax Committee:

My name is Sheri Grossman and I am the Director of Sales for the Bismarck-Mandan Convention & Visitors Bureau and President of Destination Marketing Association of North Dakota (DMAND). DMAND is a cooperative association of independent Convention and Visitor Bureaus, as well as additional communities who share a broad-based community support and whose primary objective is the promotion of North Dakota.

Convention and Visitors Bureaus throughout the state, both large and small, are funded by lodging tax. Although some have other small funding sources such as membership dues, they primarily rely on lodging tax to fulfill their mission: to stimulate economic growth in the community by increasing visitor volume and visitor expenditures.

I ask for your support of Senate Bill 2180, which removes the 30-day stay lodging tax exemption. Convention and Visitors Bureaus need this lodging tax revenue to attract conventions, events, and tourists to our destinations.

Although this is currently a bigger issue in the western part of the state, at various times during the year, it affects cities throughout North Dakota. Convention and Visitors Bureaus work diligently to bring business to their destinations not just in the current year, but several years into the future. They need these funds to actively pursue convention and event groups for times when the hotel occupancy rate might not be as high as it is now.

At times, cities have to turn away visitors because a large portion of their hotel rooms are filled with occupants staying in excess of 30 days. They lose the tax revenue and in effect, have less money to use to market to bring visitors at a time in the future when the occupancy rate might be less.

Visitors have a significant impact on the economy in North Dakota and removing the 30-day tax exemption will help Convention and Visitors Bureaus as they work to bring future visitors to North Dakota. It is imperative to attract this business to fill our hotels, restaurants, gas stations, and stores.

Thank you for your time and consideration.

Williston CVB

(convention & visitors)
bureau

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Testimony of Amy Krueger, Executive Director, Williston Convention & Visitors Bureau

Senate Bill: 2180

January 18, 2011

Chairman Cook and members of the Senate Finance & Taxation Committee, my name is Amy Krueger and I am the Executive Director of the Williston Convention & Visitors Bureau. The Williston Convention & Visitors Bureau is in support of Senate Bill 2180, relating to the 2% city lodging tax and stays of thirty days or more.

Our non-profit organization receives the 2% lodging tax that is enacted by the ND Century Code, Section 40-57.3-01 for annual operating functions that include three areas: personnel, general operating expenses and marketing. We have been working on a limited staff, but with expanded budget we would be able to expand our overall marketing approach.

There is no question that our community has grown with the energy development; however with that growth there have been some growing pains that have impacted the growth of the marketing organization of our community. With the increased demands of the energy developments, the housing for the workers is varied from apartments, residential homes, hotel/motels, campgrounds, campers on mobile home lots and man camps. Providing the same individual is occupying the same room, the long term rental of hotel/motel rooms beyond a 30 day stay prevents the collection of the 2% lodging tax. This creates a loss of revenue for the Convention and Visitors Bureau.

The loss of revenue has impacted the growth of the marketing organization for the community, which is one component of making a more diverse economy. As these workers/business travelers come through our community they are also visitors and exploring our community. We need to be able to reach out to these travelers as well as keep up with the growth and needs of our future traveling potentials.

The Williston Convention and Visitor Bureau promotes all of the surrounding campgrounds and lodges within our region and they all benefit from our group travel promotions, independent travelers, and our current workers visiting our community.

Please support Senate Bill 2180.

Sincerely,



Amy Krueger
Executive Director

February 1, 2011

PROPOSED AMENDMENTS TO SENATE BILL NO. 2180

Page 2, line 28, after "establish" insert "and administer"

Page 3, line 17, remove the overstrike over "~~and the gross receipts from the leasing or renting
of a hotel or motel room or~~"

Page 3, line 18, remove the overstrike over "~~tourist court accommodations~~"

Page 3, line 18, remove the overstrike over "~~for residential~~"

Page 3, line 19, remove the overstrike over "~~housing for periods of thirty or more consecutive
days~~"

Renumber accordingly

Testimony #1
p. 1

North Dakota

Tourism Alliance Partnership

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Bismarck, ND 58502
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2010/2011 MEMBERS

Basin Electric
Power Cooperative

Bismarck-Mandan CVB

Buffalo City Tourism

Days Inn - Grand Dakota Lodge

Destination Marketing
Association of North Dakota

Devils Lake CVB

Dickinson CVB

Fargo-Moorhead CVB

Fort Abraham
Lincoln Foundation

Grand Forks CVB

International Peace Garden

Lewis & Clark Fort
Mandan Foundation

Minot CVB

Municipal Airport Authority
of the City of Fargo

ND Tourism Division (ex-officio)

Newman Outdoor Advertising

Norsk Hostfest Association

Odney Communications Group

Select Inn of Bismarck

Spirit Lake Casino and Resort

State Historical Society of
North Dakota Foundation

Theodore Roosevelt
Medora Foundation

Three Affiliated Tribes
Tourism Dept.

Fort Belknap
Band of Chippewa Indians

Williston CVB

Woodland Resort, Inc.

Testimony of Bill Shalhoob
Tourism Alliance Partnership Chairman
SB 2180

Chairman Belter and members of the House Finance and Taxation Committee, my name is Bill Shalhoob and I am here representing the North Dakota Tourism Alliance Partnership (TAP). TAP is a coalition of tourism industry stakeholders including Convention and Visitors Bureaus (CVBs), state attractions, businesses and other organizations in the viable and growing tourism sector of North Dakota's economy. We are asking for your support for SB 2180 and urge a do pass on the bill. For your information, a companion bill was passed by the House, HB 1245, that does virtually the same thing except you amended out the state tax portion. The bills will have to be reconciled as one or both move forward.

The tourism industry is in full support of SB 2180. An amendment made to HB 1245 to remove the exemption on only the CVBs' portion of the lodging tax creates a split in our industry. Some hotels feel removing the exemption on only a select percentage of the lodging tax wouldn't be a problem, others do. Although North Dakota has a budget surplus, our state's tourism marketing budget continues to be underfunded and saw no increase this biennium, even though advertising costs continue to increase by about 5 percent each year. If you are unsure what to do with some additional state dollars, we'd highly recommend you consider investing in the tourism marketing budget

When guests check into a hotel room, they are charged whatever sales taxes are applicable on that stay. In most cities, there is a 5 percent sales tax, a 2 percent marketing or CVB tax, a 1 percent city tax and a 1 percent tax commonly referred to as a "bed and booze tax" used for infrastructure development and marketing. Total tax can vary by locality based on home rule additions to the various categories. There is an exemption from this tax in current state law for guests who stay 30 consecutive days or more.

Current hotel practice is to charge tax for the first 30 days and credit the bill for the tax amount when the stay threshold is met. In rules set up by the tax department to address abuse, it was determined the room must be occupied by the same guest during the entire stay to get the tax break. A company, even if paying the entire bill, cannot rent the room for 30 days and move people in and out based on schedule or need; however, it is up to the hotel to monitor the guest occupancy. I believe the theory behind creating this exemption was that we do not charge sales tax on apartments, as they are a living unit, and a hotel room occupied continuously for 30 days or more is more like an apartment transaction than a transient hotel sale.

Today we find ourselves in the unusual position of asking for a sales tax exemption to be rescinded, and we do so for two reasons. First, due to the oil activity in western North Dakota, our CVBs in particular, other benefiting political subdivisions and the state which receives the largest percentage of the tax, are losing what we believe are significant revenues because of the many occupants who are and will continue to be involved in the current oil play. We have all heard stories of the difficulty in getting rooms in the oil producing areas of the state. Second, hotels find it difficult or impossible to assure compliance with the same guest per stay requirement rightfully in rule from the tax department. On audit, always well after the sale, the deduction has been disallowed and, since it is very difficult to impossible to go back to the guest or company to collect the tax, the hotel usually ends up paying it on behalf of the room occupant.

Lodging tax revenues have increased recently due to increased occupancy and rates. However, losses are still reflected by area CVBs because of revenue projections from the lodging tax that should be collected for a given occupancy and daily average rate compared to what is actually being collected.

Although lodging tax revenues have risen, this doesn't change the fact that additional marketing revenue opportunities for the CVBs and smaller Community Tourism Councils are not being collected. Communities are

experiencing growth in hotel numbers, and it is imperative these new facilities are marketed to ensure rooms remain filled. These marketing dollars are being lost due to this exemption. As marketing costs continue to rise, these additional dollars would provide for those costs along with dollars for community marketing projects that may not have been possible earlier. Inevitably, the oil activity will slow in and around many communities, and it is important to ensure marketing efforts have been made to secure stable and steady hotel activity and visitation in the future.

Although some questions have been raised as to whether or not legislators would have to pay additional taxes on rooms occupied during the legislative session, this is not an issue. According to Myles Vosberg, Director of Tax Administration, legislators would not need to pay this tax even if SB 2180 was adopted as NDCC Section 44-08-04, which is referenced in 54-03-20, states the room reimbursement rate already includes all applicable taxes on the room.

Eliminating the lodging tax exemption ultimately comes down to sustainability, displaced business and fairness. Although occupancy rates are increasing at this time, can CVB budgets be sustained if occupancy rates begin to decrease and this tax break is still in effect? Additionally, rooms that would traditionally generate revenue for CVBs are being occupied by long-term occupants that are tax exempt, and visitors that would traditionally support local businesses are displaced. Finally, this tax is charged to companies that stay two to three days per month but not to companies that stay 30 days or more. Most often tax is collected from North Dakota businesses that spread their businesses across the state, but not from out-of-state companies who are more likely to stay in a community for 30 days or more. It would appear more beneficial to the state's communities to capitalize on increased revenue from out-of-state businesses and charge all occupants the city lodging tax.

Mr. Chairman and members of the committee, thank you for the opportunity to appear before you today in support of SB 2180. I would be happy to answer any questions.

Testimony
#2
p. 1

devils lake

Tourism

March 2, 2011

Dear Chairman and members of the House Finance & Taxation Committee,

Please accept this letter as my testimony in favor of SB 2180 amending the state law to eliminate the words "for periods of less than thirty consecutive calendar days or one month," along with the other verbage requested to be removed to allow the taxation of lodging tax, for any length of time.

I am the Executive Director of the Devils Lake Convention and Visitors Bureau and we are going through similar issues as the western side of the state. As you know, Devils Lake keeps rising and has provided our region a multitude of problems; one of those problems being access to our roadways. For the third time since 1997, we are raising our roads to meet a higher elevation than our lake. This construction will continue through 2013. In the summer of 2010, we had no less than 535 full-time employees come to our region because of work in road construction. In the years of 2011 and 2012, we will see more than 700 full-time employees moving into our city.

The City of Devils Lake is currently going through a housing shortage. The rising of the lake water has also pushed families from their lakeside homes or farms, forcing them to move into town. There are new jobs developing in our area, also bringing new employees and business people to town. As a family or a single person, it is hard to find an apartment to rent in Devils Lake. At any given time, all of the apartments in our area can be full, and this past summer, were full. This forces the road construction workers to live temporarily in our motel rooms. We have 560 motel rooms to rent in Devils Lake, and at least 63 of those rooms are currently full with long-term renters, and 74 more of them are not taking reservations because of a hold out for long-term rentals from road construction workers. By eliminating the 30-day lodging exception, it will keep the revenue coming into our city and will help towards the promotions that will keep people coming back for hunting and fishing in our region.

As many of you know, media buying has become expensive. It is important to keep this money flowing into the tourism departments and local CVBs to stay steady with their marketing efforts and keep our "Legendary" destination in front of our potential travelers who will spend money in our restaurants, motels, gas stations and stores. It is even more important for Devils Lake to continue advertising that our city "is open" and not shut down due to our road construction issues. Our community thrives on the fact that we are a premier hunting and fishing destination in the United States. Because of this we produce hunting and fishing shows. We need to produce these a year or two in advance in order to hit the season just right, and to do this we need advertising dollars. Thinking into the future, we need to be producing shows this summer and this upcoming winter to run next year and keep our face in front of our visitors. The revenue that may be produced now by these construction workers that may be staying less than 30 days is "false" revenue. It is income that is generated by a group of individuals that would normally not visit Devils Lake. My worst fear is that because of our construction, these hunters or fishermen will find a new destination and not come back to Devils Lake. As a local CVB, we need to be on top of this issue and continue or marketing campaigns to the individuals that come to our area on a daily basis.

#2 p. 2

Again, I ask for your support of eliminating the 30-day lodging exemption. There are many businesses besides the motel operators that depend on this income, and the revenue from the lodging tax will support all of these entities.

Thank you for your time and consideration.

Sincerely,

Suzie Baisch

Suzie Baisch
Executive Director

Testimony
#3 p.1

Testimony of Robert Butterfield
General Manager, Fireside Inn & Suites, Devils Lake North Dakota
SB 2180

Chairman Belter and members of the House Finance and Taxation Committee, my name is Robert Butterfield and I am here representing the Fireside Inn & Suites. We are a medium-sized motel operating in the city limits of Devils Lake and collect the lodging tax mentioned in Senate Bill 2180. As a motel operator, I am asking for your support and urge you to pass this bill.

Currently, guests that check into our motel are charged, among others, a city CVB tax of 2%, a 5% sales tax and a 1% tax for the ND state tourism infrastructure development and marketing. There is an exemption from this tax in the current state laws for guests who stay 30 consecutive days or more. This hurts the motel industry because if a guest has paid for less than 30 days in advance and decides to extend their stay to more than 30 days, the motel needs to refund the tax collected back to the guest, which usually results in this money coming out of the cash register of the motel operator. Because of the way the state law is written, the motel must also monitor who is staying in the room because it must be occupied by the same guest for more than the 30 consecutive days. With construction and oil companies in the west reserving the rooms for their employees, it is hard to regulate who is staying in said room.

Construction companies have moved into Devils Lake for the next three years to raise our roads, highways, and the dike that protects our city. With limited apartments and houses, these workers are filling up our motel rooms because of the housing shortage our town is currently facing. Although this is good for the economy, it is also "false" revenue in terms of what is the norm for our community. We are a premier hunting and fishing destination in America, and while our motels are usually filled with people from around the United States here to take advantage of our great destination, the rooms are booked with temporary housing for construction workers, making it harder for the hunter or fisherman to visit our area. The local Convention & Visitors Bureau does a great job with marketing but they are always thinking into the future. To have a fishing show on Devils Lake, it needs to be produced a year or two in advance, to catch the right season. The money is needed in the next couple of years, during our construction crisis to keep the momentum going, and keep on the radar as a premier hunting and fishing destination. The worst thing that could happen during these next few years of construction is for these visitors to find a different lake to visit, fall in love with and never come back to Devils Lake. As a community, we need to keep the momentum going to make sure they realize that yes, we are open, we want your business and will do whatever it takes to get you here and stay with us.

As a motel, we market where and when we can, but we need the help from our local CVB. They are out at the sports shows, producing television shows, bringing in events to fill our motel, marketing nationwide and putting out marketing materials such as their website and visitor guide. Without their help, I would lose out on a tremendous amount of marketing dollars. Taking away this exemption would not only help the Devils Lake Convention and Visitor's Bureau, it would help all the businesses in the community, including the motels.

As a tourism business, I also benefit from the marketing on the state level. North Dakota currently has one of the lowest marketing budgets in the nation, and the amount of money it takes to market a state raises yearly. I also utilize their efforts, especially with their marketing efforts in the rest areas, hunting and fishing shows and winter activities, and their marketing grants. The momentum for marketing into the future is also the same on the state level. The state of North Dakota needs to keep the momentum going on their marketing, and even increase it into the future to keep the state of North Dakota on the minds of the travelers.

Mr. Chairman and members of the committee, thank you for the opportunity to appear before you today in support of SB 2180.

Testimony #4
p. 1



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Testimony of Terri Thiel, Executive Director, Dickinson Convention & Visitors Bureau

Senate Bill: 2180

March 2, 2011

Chairman Belter and members of the House Finance & Taxation Committee, my name is Terri Thiel and I am the Executive Director of the Dickinson Convention & Visitors Bureau. The Dickinson Convention & Visitors Bureau is in support of Senate Bill 2180, relating to the 2% city lodging tax and stays of thirty days or more.

The annual operating functions of a CVB include three areas: personnel, general operating expenses and marketing. Two of the three are primarily fixed costs, personnel and general operating expenses. The marketing is determined by the remainder of the annual budget. In smaller communities that collect the 2% lodging tax, for the most part the dollars are used for marketing only, primarily because those small communities may not have paid staff or office space.

There are 33 ND communities that currently collect a 2% lodging tax. Each of these communities, large or small, used the lodging revenue to promote and market to outside visitors. Some have Convention & Visitors Bureaus, some have Chambers and some have volunteer local tourism groups within their towns that receive the benefits of the lodging tax.

The additional revenue would flow to community organizations such as Bowman for example, who also uses lodging revenue to support their local volunteer tourism group, not just larger organizations that represent a community. The remove of the 30 day stay language could allow the Bowman Tourism Committee to look at additional ways to market their community because of additional revenue.

Communities will continue to promote on the budgets that they receive, however this would enable some additional dollars to flow to those community organizations. The additional tax that could be collected would flow back to both large and small communities.

As our communities grow with the energy development, so should the marketing organization of our communities for several reasons. One, economic cycles are up and down. Full lodging

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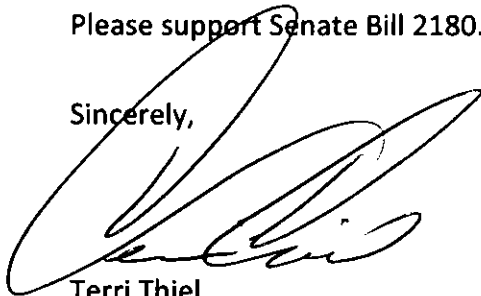
rooms come and go, and marketing must continue to reinforce the image of our communities when the down side occurs, bringing back visitor to our communities to experience all the things to see and do. Two, energy workers are also visitors. This is an opportunity to expand our marketing to them and their families. Many of these workers/visitors are from TX, LA, CA, OK, CO and other states. We have firsthand experience of families that have followed the primary energy worker entering into our office wishing to explore Dickinson and southwest North Dakota. Three, if energy is growing western ND, and growing it by all types of new businesses, our organization needs to continue to grow, keeping pace and exploring new ideas, to produce a variety of marketing tools for the future.

As the energy developments increase, many of the workers are housed in a variety of lodging facilities, apartments, residential homes, hotel/motels, campgrounds, campers on mobile home lots and man camps. The long term rental of hotel/motel rooms beyond 30 day stays prevent the collection of the 2% lodging tax – provided the same individual occupies the same rental room for the entire stay. This is a loss of income for a Convention & Visitors Bureau or a Tourism Council in a smaller community.

The marketing that our office does for the community of Dickinson also includes all of southwest North Dakota for many of our projects. We build our branding, our product, and our visitor experiences on the entire area surrounding us.

Please support Senate Bill 2180.

Sincerely,



Terri Thiel
Executive Director

Testimony #5
p. 1



Testimony of Sheri Grossman

President, Destination Marketing Association of North Dakota

Senate Bill 2180

March 2, 2011

Chairman Belter and Members of the House Finance and Tax Committee:

My name is Sheri Grossman and I am the Director of Sales for the Bismarck-Mandan Convention & Visitors Bureau and President of Destination Marketing Association of North Dakota (DMAND). DMAND is a cooperative association of independent Convention and Visitor Bureaus, as well as additional communities who share a broad-based community support and whose primary objective is the promotion of North Dakota.

Convention and Visitors Bureaus throughout the state, both large and small, are funded by lodging tax.

Although some have other small funding sources such as membership dues, they primarily rely on lodging tax to fulfill their mission: to stimulate economic growth in the community by increasing visitor volume and visitor expenditures.

I ask for your support of Senate Bill 2180, which removes the 30-day stay lodging tax exemption.

Convention and Visitors Bureaus need this lodging tax revenue to attract conventions, events, and tourists to our destinations.

Although this is currently a bigger issue in the western part of the state, at various times during the year, it affects cities throughout North Dakota such as spring flooding, power line construction, etc. Convention and Visitors Bureaus work diligently to bring business to their destinations not just in the current year, but several years into the future. They need these funds to actively pursue conventions and event groups for times when the hotel occupancy rate might not be as high as it is now.

At times, cities have to turn away visitors because a large portion of their hotel rooms are filled with occupants staying in excess of 30 days. They lose the tax revenue and in effect, have less money to use to market to bring visitors at a time in the future when the occupancy rate might be less.

Although the lodging tax collected in some cities has increased due to larger inventory of rooms or higher rates, advertising and marketing costs are increasing too. The budget for the North Dakota Tourism Division has not increased and is underfunded in comparison to our surrounding states (our biggest competitors for attracting visitors), leaving the CVBs or local entities with the responsibility of using additional funds to attract visitors to their destinations.

Removing the 30-day lodging tax exemption would not be an additional tax burden for many North Dakotans. The majority of rooms booked for 30-days or more are occupied by out-of-state guests, not North Dakotans. It is also an issue of fairness. People from out-of-state who stay in hotels are exempt from this tax because they stay more than 30 consecutive days. However, many North Dakotans stay in hotels several days each month on business and pay lodging tax.

Visitors have a significant impact on the economy in North Dakota and removing the 30-day tax exemption will help Convention and Visitors Bureaus as they work to bring future visitors to North Dakota. It is imperative to attract this business to fill our hotels, restaurants, gas stations, and stores.

Thank you for your time and consideration.

Testimony #6

Williston CVB

(convention & visitors)
bureau

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Testimony of Amy Krueger, Executive Director, Williston Convention & Visitors Bureau

Senate Bill: 2180

March 2, 2011

Chairman Belter and members of the House Finance & Taxation Committee, my name is Amy Krueger and I am the Executive Director of the Williston Convention & Visitors Bureau. The Williston Convention & Visitors Bureau is in support of Senate Bill 2180, relating to the 2% city lodging tax and stays of thirty days or more.

The 2% lodging tax collected is a significant makeup of our non-profits overall annual operating budget. With the energy development and growth, Williston has experienced a significant increase in lodging tax. This is mainly due to increased occupancy and nightly room rates. Though this increase is great and has allowed us to participate in marketing opportunities that we previously limited from, this scenario could change at any moment. A large part of Williston's hotel inventory is being leased and occupied by energy industry companies and employees, leaving little inventory to accommodate other travelers. This group of other travelers is very important in diversifying and sustaining our market. With the Housing needs facing Williston, we are seeing more inventories come onto the market; however they are being leased to "long term guest". In the past year we have added approximately 158 rooms to our market. I am estimating that over half of these rooms are occupied by one guest staying 30 days or more, making them exempt from the lodging tax. Though we still have added inventory to market and sustain.

We have been working on a limited staff, but with an expanded budget we would be able to expand our overall marketing approach. The look of the Williston Convention and Visitor's Bureau has changed drastically in the past few years. We are now in our own Visitor's Center, which provides better access to our guest. We no longer receive staffing assistance from the City of Williston, and we have drastically increased the number of people requesting information and our services. One example of this is, 3 years ago we had budgeted and planned for distributing 5 to 7,000 brochures for a year. Today we are distributing about 20,000 brochures per year. We have also had to drastically change our marketing approach due to some of the press received from the developments in the energy industry. We are working diligently to accommodate all travelers, but having to send very strong messages to plan ahead. This has taken increased marketing efforts, of which marketing buys have also increased.

Williston, like many of the other smaller communities in our state, has experienced some drastic turns in the economy. The elimination of the 30 day exemption would help to sustain our marketing efforts of our community. Sustainability of occupancy in all of the properties is a key component to a sustainable and diverse economy for the future of our community and the entire state.

Please support Senate Bill 2180.

Amy Krueger
Executive Director

www.visitwilliston.com



Testimony #7

Testimony of Wendy Howe – Executive Director
Minot Convention and Visitors Bureau
March 2, 2011

Chairman and members of the Finance and Taxation Committee:

I am here to speak to you today on the behalf of the Minot Convention and Visitors Bureau to request your support for Senate Bill 2180. SB2180 looks to amend the section of the ND Century Code that relates to the collection of city lodging tax and state sales tax applying to stays of 30 days or longer. Currently the way the code is written, individuals occupying a room for longer than 30 days are exempt from paying the tax.

As many things have changed on our state with the recent economic growth, too has changed the number of long term stay visitors that are occupying our hotels, motels, and campgrounds. As many of you are aware the main source of funding for CVB's comes directly from hotel/motel tax. These funds are used to market and promote attractions, events, and our communities to visitors. You are also aware that these visitors have a tremendous economic impact on our communities and the state as the shop, dine, purchase gas, take in many of attractions, and events, as well as experience the vast outdoor beauty of North Dakota.

Attracting visitors to our communities has become more challenging in the last few years with higher occupancies and much of that occupancy long term stays. Locating lodging for business and leisure travelers, sports tournaments, events, meetings, and conventions has become harder. And although we welcome this long term business to our community, it is impacting the revenues to the Bureaus and therefore the funds we have to market our communities. In the end I believe it comes down to sustainability and fairness. Occupancy rates are higher at this time but can our budgets sustain if those rates change and the exemption is still in effect and many of the rooms being occupied by long term stays. Additionally business travelers staying less than 30 days are being charged the tax, so many of our in state and local businesses are paying the tax, but not the out of state traveler, thus the fairness issue.

Again I would like to ask for your support of Senate Bill 2180. These revenues are not only important to the Convention and Visitors Bureaus, but also to the communities and the State.

Thank you for your time and consideration.