

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301  
Indianapolis, IN 46204  
(317) 233-0696  
<http://www.in.gov/legislative>

**FISCAL IMPACT STATEMENT**

**LS 6494**

**BILL NUMBER: HB 1086**

**NOTE PREPARED:** Dec 19, 2003

**BILL AMENDED:**

**SUBJECT:** Sales Tax on Complimentary Hotel Rooms.

**FIRST AUTHOR:** Rep. Hinkle

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:**  GENERAL  
 DEDICATED  
 FEDERAL

**IMPACT:** State

**Summary of Legislation:** The bill retroactively provides that the furnishing of complimentary rooms to certain persons is exempt from the state sales tax. The bill allows refunds for taxes paid on exempt complimentary rooms after June 30, 2003.

**Effective Date:** July 1, 2003 (retroactive).

**Explanation of State Expenditures:** The bill will have a minimal administrative impact on the Department of State Revenue. Any impact could be absorbed using existing staff and resources.

**Explanation of State Revenues:** Repealing the Sales Tax on certain complimentary rooms is expected to have a minimal, although currently unquantifiable, impact on the state's Sales Tax receipts. The bill applies to any Sales Tax remittances made since July 1, 2003, allowing hotels to receive a refund for sales taxes paid on the exempted class of complimentary hotel rooms.

The bill will repeal the Sales Tax on complimentary hotel rooms in certain circumstances. Under the bill, complementary rooms offered to a hotel's employee, to a charitable organization, or to a person in an emergency would be exempt from the Sales Tax. Additionally, the bill exempts complimentary rooms offered to persons associated with a convention under certain circumstances.

The bill is not expected to have a significant impact on the Sales Tax remittances made by casino riverboats for the provision of complimentary rooms.

The Sales Tax on complimentary hotel rooms went into effect on July 1, 2003 and applies to complimentary rooms offered by all hotels, including those associated with casino riverboats. To date, collection reports on

the Sales Tax on complimentary hotel rooms have been received from four riverboat casinos. The DOR has not received reports on the amount, if any, of sales taxes paid on complimentary rooms from hotels not associated with the casino riverboats.

*Note: This fiscal note will be updated as more information becomes available.*

Beginning July 1, 2003, hotels became liable for paying the Sales Tax on a computed "rate" for complimentary hotel rooms used by guests. For Sales Tax purposes, the complimentary hotel room rate is based on the average daily rate received for rooms with paid occupancy. The Department of State Revenue (DOR) allows hotels to compute the average daily rate on a monthly or daily basis. The average daily rate is then multiplied by the number of complimentary rooms provided to arrive at a gross retail income received from complimentary rooms. This amount is subject to the state's 6% Sales Tax.

Sales Tax revenue is deposited in the: Property Tax Replacement Fund (50%), the State General Fund (49.192%), the Public Mass Transportation Fund (0.635%), the Commuter Rail Service Fund (0.14%), and the Industrial Rail Service Loan Fund (0.033%).

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** Department of State Revenue.

**Local Agencies Affected:**

**Information Sources:** Department of State Revenue.

**Fiscal Analyst:** John Parkey, 317-232-9854.