

## FREQUENTLY ASKED QUESTIONS, SENATE BILL 164

The Indiana General Assembly is currently considering [Senate Bill 164](#), which would increase the Innkeepers Tax Rate in St. Joseph County from 6% to 8%. To better understand the proposal, we have developed the following list of **frequently asked questions** to help the public better understand the proposal.

### 1. **How are the funds used now, and what is being proposed?**

An Innkeeper's Tax was implemented in St. Joseph County in 1974 to coincide with the construction of a new Convention Center and for the promotion of Tourism in St. Joseph County. It has been amended from time to time, and currently stands at 6%. The proposal is to raise the rate to 8%, and a breakdown of how those funds are currently distributed and how they are proposed to be distributed are included in the chart below.

St. Joseph County Innkeepers Tax			
Current		Proposed	
Recipient	Rate	Recipient	Rate
Century Center and VSBM	5%	Century Center and VSBM	5%
Mishawaka Sports Complex	.6%	Mishawaka Sports Complex	1%
Potawatomi Zoo	.4%	Potawatomi Zoo	.5%
Morris Performing Arts Center	0%	Morris Performing Arts Center	.5%
Tourism Capital Improvement Fund	0%	Tourism Capital Improvement Fund	1%
Total	6%	Total	8%

### 2. **Why are additional funds needed?**

The chief objective of the use of the funds is to drive additional hotel room nights, which in turn leads to additional economic impact and jobs for our community. Visitors currently spend more than \$700 million in the local economy, and support 8300 jobs. St. Joseph County boasts the 2<sup>nd</sup> busiest tourist attraction in the State of Indiana in the University of Notre Dame, and the funds collected from the tax will help further develop additional product for visitors to experience while they are here.

### 3. **Who decides how this money is spent?**

The St. Joseph County Hotel-Motel Tax Board is the governing body that approves the allocation and utilization of the funds. The Board has representatives appointed by the Mayors of South Bend and Mishawaka, and by the St. Joseph County Commissioners.

**4. How does our proposed rate compare to other Indiana Counties?**

The Counties that include Indianapolis, Ft. Wayne and Evansville all have an Innkeeper’s tax rate of at least eight percent. The Counties that include Kokomo, Plainfield and Terre Haute are all at the eight percent level. Please see the chart below for more information on the current rate of some of Indiana’s larger counties. For additional information, you can also visit: <https://www.in.gov/dor/business-tax/tax-rates-fees-and-penalties/county-innkeepers-tax/>

Indiana Innkeepers Tax, by County			
Rank	County (Major City)	Population	Current Rate
1	Marion (Indianapolis)	951,869	10%
2	Lake (Hammond/Gary)	485,707	5%
3	Allen (Ft. Wayne)	372,575	8%
4	Hamilton (Carmel)	323,117	5%
5	St. Joseph	270,216	6%
6	Elkhart	204,558	5%
7	Tippecanoe (Lafayette)	191,553	5%
8	Vanderburgh (Evansville)	181,291	8%
9	Porter (Valparaiso)	168,636	5%
10	Hendricks (Plainfield)	163,799	8%
17	Vigo (Terre Haute)	107,459	8%
19	Howard (Kokomo)	82,331	8%
Clark, Floyd, Knox Counties also currently at 6%			

**5. Who pays the tax?**

The tax is paid by visitors at every hotel in St. Joseph County, at a rate of 6% of the room rate, per room, per night. In addition, hotel guests will pay 7% of the room rate, per room, per night in Indiana Sales Tax. Both taxes are collected by the Hotel/Motel and distributed to appropriate taxing agencies.

**6. What will this mean in “real” dollars to a consumer?**

This is best illustrated in the chart below. For ease of visualization, we have used the average daily room rate (pre-pandemic 2019) and shown a comparison of a current bill and what a new bill would look like should the rate be increased.

Sample Cost of Innkeepers Tax Cost to Consumer			
Current (Sample Bill)		Proposed (Sample Bill)	
Avg. Daily Rate (2019)	\$110.57	Avg. Daily Rate (2019)*	\$110.57
IN Sales Tax (7%)	\$7.74	IN Sales Tax (7%)	\$7.74
Innkeeper Tax Rate (6%)	\$6.63	Innkeeper Tax Rate (8%)	\$8.85
Total	\$124.94	Total	\$127.16
		Difference	+\$2.22
*We used 2019 Avg. Daily Rate for comparison because pre-pandemic			

**7. When would a change go into effect?**

The Indiana General Assembly process is the first of a couple of steps necessary for final approval. The General Assembly will only “enable” the tax to be increased, it then must be approved by the St. Joseph County Council for final implementation. The bill will go through several steps at the General Assembly first, between now and the end of April. If it is approved, we would anticipate the County Council considering local action in May or June. The Council action will make a final determination on when the increase would take effect.

**8. Why now? Won’t this hurt an industry that has already been devastated by the pandemic?**

We don’t think so. Remember, the hotels themselves don’t pay this, they only collect it, it is paid by visitors. Almost every community in the Country has a similar tax, this effort is really to bring our local rate more in line with others and give our community the tools it needs to compete with those other communities for visitor spending. Conversely, there is belief that the product development that will happen in conjunction with this effort will instead catalyze and stimulate economic growth and help the hotels

recover quicker than they might otherwise without this product development.

9. **One new item on the list is the Tourism Capital Investment fund. Help me better understand what that is and how it might work?**

The Tourism Capital Investment Fund (TCIF) is intended to influence, ignite, and leverage investment in capital development to enhance and expand the tourism product of St. Joseph County. All projects that are presented must fully demonstrate their ability to attract overnight visitation to St. Joseph County, thereby impacting the local economy and further increasing the revenue generated from its source. The full benefit of the TCIF is a leveraged investment in the tourism product of St. Joseph County, coupled with an ongoing overall investment in the local economy meant to impact the community for decades.

The St. Joseph County Board of Managers for Hotel-Motel Tax (Tax Board) will administer fund allocations. All proposals will be reviewed to ensure they present an opportunity to generate additional hotel room nights, improve the community, and generate a sound return on investment (ROI). This application and review process will occur annually, with all funds generated from 1% of the St. Joseph County Innkeepers' Tax.

Any TCIF submission will be required to provide matching funds, presenting the opportunity to leverage the impact of the TCIF with additional dollars and additional investment in the community. A sliding scale, directly based on the project submission's ability to generate new and additional hotel room nights, will be implemented to ensure the largest awards go to the most impactful projects.

The matching program will reflect the specified terms of the TCIF, with room nights being the most heavily weighted factor. The greater number of room nights generated, the higher the percentage of matching funds available. Proposals that generate significant additional room nights could be eligible for funding up to 90% of the total project cost, whereas

proposals that generate smaller number of room night might be limited to matching funds of 10% of their total project cost.

Eligible applicants would be any St. Joseph County-based not-for profit organization, including municipalities, parks departments, attractions, schools, sports organizations and venues, and other qualified organizations. Non-profits are welcome to partner with private sector, for-profit entities, as well. All project submissions must demonstrate the ability to match the funds granted within their overall project budget.