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# An Assessment of the Resort Tax: Collections and Usage in Montana Communities

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# An Assessment of the Resort Tax

## Collections and Usage in Montana Communities

Kara Grau, M.S.

10/12/2016



This report attempts to quantify resort tax collections in Montana communities which have adopted the tax, as well as to assess the benefits of the collected taxes to those communities.

## **An Assessment of the Resort Tax**

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## Abstract

This report focuses on ten Montana communities that have been designated resort areas by the Montana Department of Commerce and voters in those communities have approved a local Resort Tax. The Resort Tax, according to state statute, cannot exceed three percent, and can be collected on luxury items and on goods and services sold at establishments that cater to travelers, such as hotels and restaurants. The intent of the Resort Tax is to provide revenue to aid the communities in maintenance or improvements to infrastructure as well as having the potential to fund other community improvements or programs. Resort tax revenues can offset the burden of a small community hosting a large number of tourists, whether it be throughout the year, in a community such as Big Sky, or seasonally, such as in Craig.

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## Introduction

The intent of the resort tax in Montana is to allow communities with small populations but relatively high numbers of visitors to offset the cost of hosting those visitors. Despite the fact that those visitors provide a significant benefit to the local economy when they spend time and money in the area, they put pressure on the infrastructure of the community. Likewise, hosting a large number of people in a community with only a small number of residents may mean that there simply is not an infrastructure in place to support that many people. Resort tax revenues can be used to benefit the communities, which in turn can benefit the visitors. There have been many improvements within resort tax communities that would not have been possible without resort tax funds.

## Local Resort Tax in Montana

As described by the Montana Department of Revenue (<http://revenue.mt.gov/localresort-tax>):

### Local Resort Tax Information

Resort taxes serve the function of creating a funding source for some communities and resort areas to finance a variety of services. They are collected in certain Montana communities and areas that meet specific population and economic conditions.

The maximum resort tax rate is 3 percent (7-6-1503, MCA), and at least 5 percent of the resort tax revenues must offset municipal property taxes (7-6-1507, MCA). Before collecting resort tax revenue, a community (incorporated) or area (unincorporated) must first be designated by the Department of Commerce as a resort community/area (7-6-1501, MCA). Then, a resolution outlining the tax must be approved by the local electorate (7-6-1504, MCA).

### How to Designate a Town or Area

Under Montana State Law (7-6-1501, MCA), the Montana Department of Commerce is responsible for designating a town or unincorporated area as a resort community or resort area. The process for making this designation includes certifying the population of the community is less than 5,500 for an incorporated town and less than 2,500 for an unincorporated area based on population figures from the most recent federal census. Also, the Montana Department of Commerce must conclude that the major portion of the community or area's economic well-being is derived from businesses catering to non-business travelers.

### After a Community Has Been Designated

Once a community has been designated a resort community or area, a ballot initiative is required to implement the tax. Once voters approve the initiative, implementation of the resort tax

begins on the designated day. As shown in Table 2 six of the ten current resort area communities impose a tax twelve months of the year. Four of the areas collect the tax only during the months in which they have more tourists: Craig (April 1 – November 15), Gardiner (June 1 – September 30), Virginia City (April 1 – October 1) and Wolf Creek (April 1-November 15). The local electorate must decide on the rate, the duration of the tax, the effective date, and how the revenue is to be allocated. Section 7-6-1503, MCA explains,

- (a) The resort tax is a tax on the retail value of all goods and services sold, except for goods and services sold for resale, within the resort community or area by the following establishments:
- (i) hotels, motels, and other lodging or camping facilities;
  - (ii) restaurants, fast food stores, and other food service establishments;
  - (iii) taverns, bars, night clubs, lounges, and other public establishments that serve beer, wine, liquor, or other alcoholic beverages by the drink; and
  - (iv) destination ski resorts and other destination recreational facilities.
- (b) Establishments that sell luxuries shall collect a tax on such luxuries.

Luxuries are defined as any gift or luxury item normally sold to the public or tourists with the exception of: unprepared food, medicine or medical supplies, appliances, hardware supplies and tools, or any necessities of life (7-6-1501, MCA). Existing resort tax resolutions include sporting good rentals, books, magazines, souvenirs, and even antiques as luxuries.

## Resort Tax Revenues

It is up to each community to determine a system for administration and allocation of resort tax revenues. The funds generally support infrastructure improvements and community projects. Past allocations of funds in the various resort areas are listed in Table 1.

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Table 1 - Projects Funded with Resort Tax Revenue

Community	Projects Completed	
<b>Big Sky</b>	Arts Council	Parks District
	Chamber of Commerce	Post Office
	Community Corporation	Recycling
	Fire Department	School District
	Food Bank	Search and Rescue
	Gallatin Canyon Bike Path	Sheriff
	Gallatin County Emergency Management	Shooting Range
	Gallatin County Planning-Zoning Map	Skating and Hockey
	Gallatin River Task Force	Ski Education
	Habitat Study	Snowmobile Association
	Jack Creek (Madison Conservation)	Tennis Courts
	Land Trust	Transportation District
	Library	Visit Big Sky
	Morningstar	Warren Miller Performing Arts Center
	MSU Big Sky Institute	Water and Sewer
	Noxious Weeds	Women In Action
Owners Association		
<b>Cooke City</b>	Community Center construction	Snowmobile trail grooming equipment
	Equipment upgrades for fire department and EMS	Upgrades to water system
<b>Craig</b>	New Training Center roof	Easements for land for wastewater project secured
	Training Center renovations and repairs	Wastewater project engineer contracted
<b>Gardiner</b>	Electric Peak Arts Council - portable sound system	Gardiner Chamber of Commerce - flagpoles and lighting in front of Park Street Visitor's Center
	Entre Nous - maintenance on Scout House	Greater Gardiner Community Council - structural analysis and preservation of Community Center
	Upper Yellowstone Roundup Association - bleachers and bucking chutes at Rodeo Grounds	Greater Gardiner Community Council - Highway 89 South Pocket Park by Outlaw's Plaza
	Greater Gardiner Community Council - sidewalk work on north side of town	Gardiner Park County Water and Sewer District - water and sewer improvements
<b>Red Lodge</b>	Water line replacement	Purchase of equipment for water and sewer department
	Sewer line replacement	Purchase of police vehicles
	Purchase of equipment for public works	Park improvements (trees, walking paths)