



OFFICE OF COUNTY TREASURER

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CATHERINE McCLARY, CPFO
TREASURER

WASHTENAW COUNTY ACCOMMODATION ORDINANCE 2009 Annual Report from the Treasurer

The Board of Commissioners adopted the Washtenaw County Accommodation Ordinance in 1975 to collect an excise tax, which, under Michigan law, applies to the operators of hotels, motels, and bed & breakfast businesses and is charged to each transient guest.

The Accommodation Ordinance Commission oversees the collection and use of the tax. The County Treasurer is responsible for the administration and enforcement of the Ordinance.

The accommodation excise taxes are used to market Washtenaw County as a destination to potential groups, meetings, and visitors and to develop tourism to improve the economy. The Ordinance allows the Board of Commissioners to contract with non-profit agencies to carry out the purpose of the Ordinance. Since inception, the County has contracted with the Ann Arbor Area Convention and Visitors Bureau and the Ypsilanti Area Convention & Visitors Bureau for marketing and tourism efforts.

The Treasurer collects, receipts, and accounts for the money. The Treasurer handles the banking, cash management, accounting services, and investment of the money. Treasurer's staff prepares monthly reports for the Ordinance Commission and the Treasurer attends their meetings. Staff in other County departments provides administrative support to the Commission and its work and Corporation Counsel's Office assists the Treasurer in enforcement efforts. The County contracts with outside attorneys to secure judgments so that the Treasurer can collect unpaid taxes in difficult collection situations.

Collections

The Washtenaw County Treasurer collects the accommodation excise tax each month. The tax is due by the 15th of each month and was equal to 2% of the total charge for accommodations for the period of January and February 2009. The Board of Commissioners amended the Washtenaw County Accommodation Ordinance of 1975 to increase the excise tax from 2% to 5% on accommodations effective on March 1, 2009. There are 58 overnight facilities in Washtenaw County subject to the tax. Most bed and breakfast establishments pay on a quarterly basis. The total collected for 2009 was \$3,039,774, an increase of \$1,563,229 or 105.87%, over the 2008 collections.

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Disbursements

The total distribution of the accommodation tax for 2009 was broken down as follows:

Ann Arbor CVB	75% of taxes after admin fee	\$ 2,159,134.00
Ypsilanti CVB	25% of taxes after admin fee	719,711.00
Washtenaw County	5% admin fee	<u>160,929.00</u>
		\$3,039,774.00

Impact of Increasing the Excise Tax to 5%

The excise tax increased from 2% to 5% effective March 1, 2009

Total Collections 2008	\$1,476,545
Total Collections 2009 ACTUAL at 5%	\$3,039,774
Total Collections 2009 IF REMAINED at 2%	<u>\$1,305,659</u>
Impact of increasing excise tax to 5%	\$1,734,115

Investments

The County Treasurer is authorized by the Michigan Constitution and State law to serve as the County's banker and investment officer.

- Receipts and accounts for \$400 million in public funds annually
- Generates nearly \$10 million in new revenue each year to pay for essential public services throughout the County
- Safeguards public funds and records
- Manages the County's investment portfolio of approximately \$140 million
- Earned over \$2 million in investment income for Washtenaw County
- Collected nearly \$1.5 million in accommodation excise taxes for marketing Washtenaw County as a destination to develop tourism and improve the economy

The County Treasurer uses best practices for making investments, adhering to State law and the County's investment policy. Legal investments for public funds include: U.S. Treasury and Agency securities, certificates of deposit, Commercial Paper, obligations of the State or local units of government, mutual funds and other investment pools. The County's investment policy requires that funds be invested to provide safety, liquidity, and yield. The Treasurer earned .473% in 2009 on investment of public funds; once again exceeding the benchmark return.

Accommodation Ordinance Commission Policy Changes in 2009

At their September 2009 meeting the Accommodation Ordinance Commission made a substantial change to assist in enforcement efforts. They voted to withhold marketing support

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from those hotels, motels, and bed and breakfast establishments that are behind in remitting their accommodation excise tax to the Treasurer or who have delinquent or unpaid remittances. Under this new policy, several establishments have been removed from the annual Visitor's Guide and suffered loss of ongoing marketing efforts including website visibility and print brochures.

Establishment Changes and Collection Efforts in 2009

A "Welcome Letter" was sent to Ross School of Business, Claire's Guest House closed, and the County continues to experience slower payments with many establishments. There were eight (8) establishments that had marketing services removed when the policy was first implemented. Half of them paid the taxes. At year-end, there were four (4) Bed and Breakfasts and one (1) Hotel which have proven to be difficult collection challenges and are still delinquent.

We secured large collections from a number of establishments in 2009 and incurred legal expenses for court judgments.

Hawthorne Suites Court judgment collection in amount of \$22,347.80

Microtel Court judgment collection in amount in excess of \$7,000.00

Upcoming Goals for 2010

The Ordinance provides funding to the Board of Commissioner's County General Fund for administration purposes in an amount not to exceed 10% of the excise tax collected. Since 1975 the amount disbursed for administration has been 5% of the tax collected. The two Visitors Bureaus received 95% of the tax collections and 5% of the tax has been used by the County for administration. Beginning with the 2010 contracts with the Visitors Bureaus, the County will begin receiving 10% of the tax collections in order to cover its costs.

While the Treasurer's Office has sufficient staff to receipt voluntary collections, there is not sufficient staff to enforce collections when taxes are not paid timely or to conduct financial record inspections of establishments to ensure accurate reporting and proper compliance. Poor economic times have made it much more difficult to collect from establishments and have created a much larger delinquency problem than in the past. Enforcement of collections has proven to be time consuming and expensive and there are fewer remedies relative to collecting delinquent real property taxes.

The Visitors Bureaus hosted a meeting with the Treasurer, Ordinance Commission members, and hoteliers to begin discussions regarding effective use of the policy to withdraw marketing services. The Treasurer has recommended implementing routine and periodic inspections of the books and records of establishments, more proactive collections calls in person, withholding marketing support, and filing lawsuits if unable to collect. It is anticipated that the increase in administrative fees would be allocated to increased enforcement and reporting efforts.

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