



## Room Tax Primer

**TOURISM WORKS FOR US:** The history of room tax in Door County...

*Why and When.* In May of 2007 the Door County Tourism Zone Commission was established out of the hard work from a group of concerned citizens. This grass roots effort by a group called "Door County Peninsula Strategic Marketing Coalition" fundraised and volunteered their time to raise money for a market study. This idea didn't originate with local government officials; it began with the very people who make their livelihood in the tourism and hospitality industry in Door County.

*What did the market study show?* Door County needed new revenue sources to create and implement effective marketing to stop losing tourism market share. Membership dues simply weren't enough to effectuate a modern marketing program. In order for Door County to remain a sought after destination, the only option was to generate money for a broad and unified marketing campaign.

**TOURISM WORKS FOR US:** Why is Destination Marketing important and why should ROOM TAX fund it?

While some visitors are drawn to Door County by its natural beauty and the region's unique natural and historical attractions, other visitors need to hear why to visit and what they can do while they are here through marketing.

*Individual businesses are responsible for marketing themselves, but Destination Marketing must create the interest in visitation before an individual business can effectively market itself.*

**TOURISM WORKS FOR US:** How is marketing paid for? ROOM TAX revenue provides the mechanism that ensures the ongoing funding for the marketing of Door County. In the competitive marketplace where travelers have many options, Destination Marketing Funds allows Door County to be marketed and represented. Prior to 2007, Door County's marketing entity, the DCVB, had marketed Door County with a marketing budget of less than \$200,000 in comparison to 2017's budget of \$3 million from room tax revenues.

**TOURISM WORKS FOR US:** What is room tax and who has to pay it?

For the privilege of occupancy in any lodging facilities, each transient is subject to and pays a tax in the amount of 5.5% of the rent charged by each lodging provider. Lodging facilities come in many forms and must be permitted for transient rental. Common examples include: Hotels, motels, B&B'S, cabins, cottages, lodges, homes, condos or rental rooms. This is not an all-inclusive list. The Tourism Zone evaluates new forms of lodging for permitting requirements as types of lodging continue to develop and change.

*Room Tax Is A Pass Through Tax Similar To Sales Tax. Meaning, The Customer Pays It, The Lodging Provider Collects And Remits It Through Their Monthly Reporting.*

**TOURISM WORKS FOR US:** How is the room tax money used?

**The total tax collected is divided three ways:**

66% is directed to the contracted entity to use for marketing Door County and increasing overnight stays.

30% goes back to the municipalities in which it was collected for any use deemed necessary by that community's governmental body.

4% is retained by the DCTZC to cover administrative costs of the tax collection and enforcement.

**TOURISM WORKS FOR US:** How does room tax support the marketing of Door County?

Tourism marketing only succeeds as a public – private partnership. Advertising and promotion of Door County is essential. The Door County Visitor Bureau (DCVB) is responsible for marketing Door County as a tourist destination. With all nineteen (19) municipalities as members of the Door County Tourism Zone Commission (Tourism Zone) all of Door County is marketed.

**TOURISM WORKS FOR US:** What would happen if a municipality was not a member of the Tourism Zone?

The Door County Visitor Bureau could not market and or promote businesses in communities that are not members of the Door County Tourism Zone Commission as it would be a violation of the state statute enabling the local room tax ordinances.

When travel writers come to Door County or marketing efforts are coordinated **all** of Door County needs to be showcased. Marketing efforts have to communicate a unified brand. That doesn't work if there is an "outside the Zone, inside the Zone" terminology. Individually there is no way lodging providers can make the impact that we can make as a united front through Destination Marketing.

## **TOURISM WORKS FOR US: Effect on Local Government Revenues**

Beyond the 30% that is distributed back to municipalities and the Strategic Community Partnership (SCP) funds allocated out of the DCVB distribution, tourism benefits local municipalities in many other ways. Local government tax receipts increase when tourism and employment increase.

## **TOURISM WORKS FOR US: Tourism Contributions.**

**Expenditures** – Tourist expenditures by businesses patronized by visitors contributed \$358.7 million in 2017 which is an increase of \$10.9 million (3.14%) from the \$347.8 million visitors spent in 2016 in direct visitor spending in Door County.

**Jobs - Tourism is the number one economic driver in Door County.** The tourism industry in Door County supported a total of 3,225 jobs in 2017, an increase of 1.5% over 2016. The total labor income of \$78.5 million was generated for employees in Door County last year as a result of tourism spending, an increase of 4.37% over 2016.

**Tax Revenue** – Tourism in Door County generated \$38.5 million in state and local taxes in 2017, an increase of over \$1.1 million in state and local taxes collected in 2016. This amount far exceeds room tax revenue invested in tourism marketing to attract visitors. The result is that the tax revenue generated by tourism is a significant source of funds for non-tourism governmental services and operations.

**Return on Investment (ROI)** – The Door County Visitor Bureau’s (DCVB) efforts to promote Door County (funded by room tax) via earned media efforts passed the \$19 million mark in earned media coverage through the end of 2017. For every dollar of Door County advertising, we’ve been given back \$9.95 in media coverage measured in terms of ad value equivalency.

## **TOURISM WORKS FOR US: Door County’s Tourism Industry**

**Every** county directly benefits from tourism whether they are more rural or centralized to tourist activity. Exports, the purchase of products by those who don’t live where the product is made, are an important and valued component in any economy. The Door County Tourism Industry is an exporter, with the buyers living elsewhere and purchasing the Door County product. As the buyers take their memories home, they leave their money in Door County.

Destination marketing campaigns create a “halo effect,” lifting not only visitor- ship, but driving business development, real estate sales, and the purchase of second homes.

## **TOURISM WORKS FOR US: Room Tax Rates in Wisconsin**

Cities across the world have room tax (sometimes called bed tax, transient occupancy tax, tourist tax, etc.). Door County has one of the lowest room taxes in Wisconsin.

Adams County 5.5%	Ashwaubenon 9.9%	Milwaukee County 7.0%
Algoma 6.0%	Bayfield 6.5%	Racine 6.0%
Brown County 10.0%	Waukesha 8.0%	Walworth County 8.0%
Eau Claire 7.0%		Outagamie 10%
Appleton 10.0%		

## **IN SUMMARY... WHAT DOES ROOM TAX DO FOR US?**

- Helping visitors best enjoy Door County: Door County is recognized on a regular basis as a wonderful place to visit. As with any consumer product or service, destinations must be marketed in order to obtain awareness and consideration within the mindset of potential visitors. In order to compete we have to offer more: The vacation traveler needs to know what they can do once they arrive. Destination Marketing is essential to attracting visitors and protecting Door County’s Tourism Economy.
- We need to remember the vital role visitors play in strengthening our local economy. Visitors are brought here through marketing that is paid for by room tax.
- Quality of life: Door County could not support all the unique restaurants shopping, galleries, arts and other unique aspects of Door County lifestyle without the dollars from tourists. Tourism, like any other industry, brings money into the community, employs people and supports municipalities with tax revenue.
- Room tax is often misunderstood. Only overnight guests at lodging accommodations within Door County pay the tax.