



Accommodations Taxes

Updated August 2020

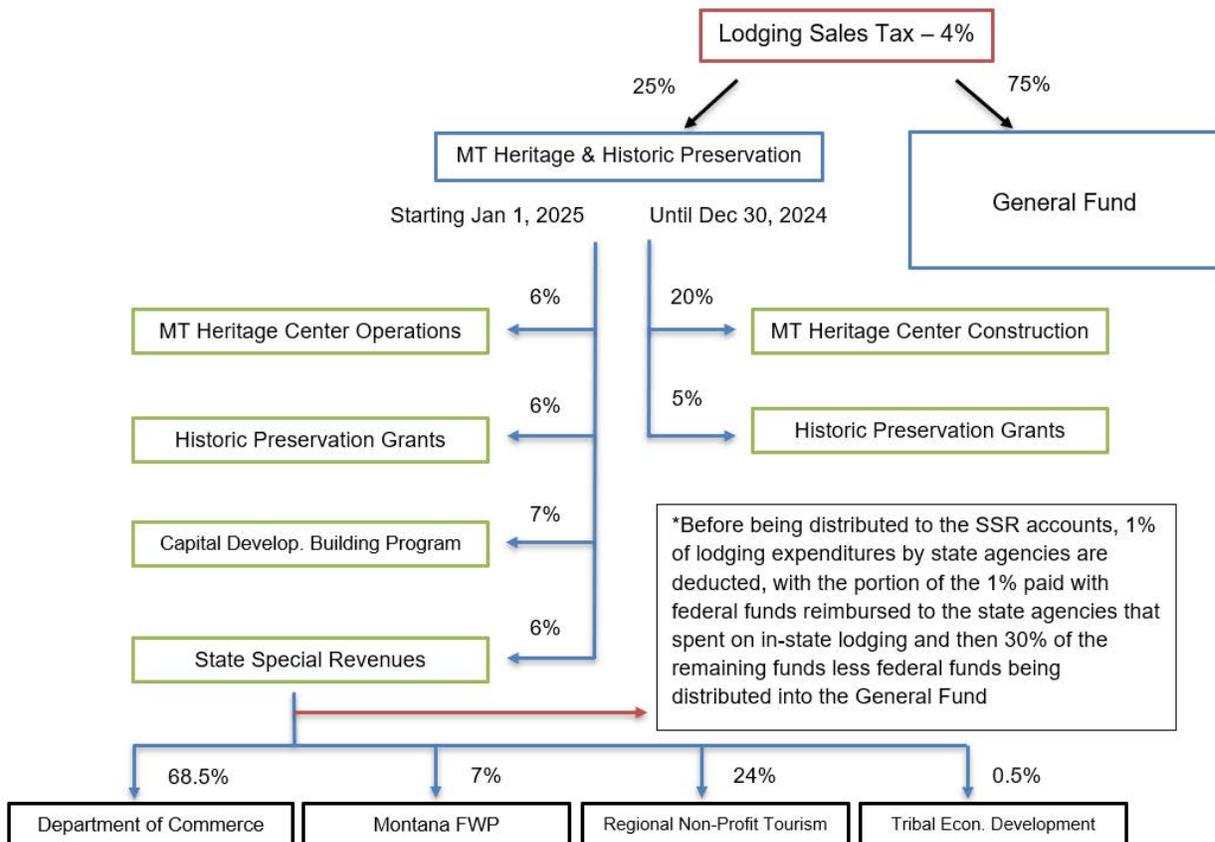
The State of Montana imposes two different tax rates on room charges from lodging facilities and campgrounds: a 4% lodging sales tax and a 4% lodging facility use tax.

The taxes are applied to any rooms or facilities used for overnight lodging to the public for compensation including hotels, motels, campgrounds (including public campgrounds such as Bureau of Land Management (BLM) or Forest Service, for example), resorts, dormitories, condominium inns, dude ranches, guest ranches, hostels, public lodging houses, bed and breakfast facilities, and vacation rentals such as Air BnB's. Facilities exempt from these taxes are health care facilities, facilities owned by non-profit corporations for use by youth for camping, facilities whose average daily charge is less than 60% of the amount the state of Montana reimburses for lodging, and facilities rented for 30 days or more.

Revenues generated from these taxes provide a substantial amount of funding to the state general fund, as well as many state special revenue funds. Revenue distributions by tax are outlined in more detail below.

Lodging Sales Tax

Before the 2019 Legislative Session, the lodging sales tax was 3% of room charges, and all revenue was distributed into the general fund. In 2019, SB 338 added an additional 1% to the sales tax in order to fund the new Montana Heritage Center and create the historic preservation grant program, bringing the total lodging sales tax to 4%. The original amount of revenue from before SB 338 is still allocated to the state general fund, which now amounts to 75% of the lodging sales tax revenue.



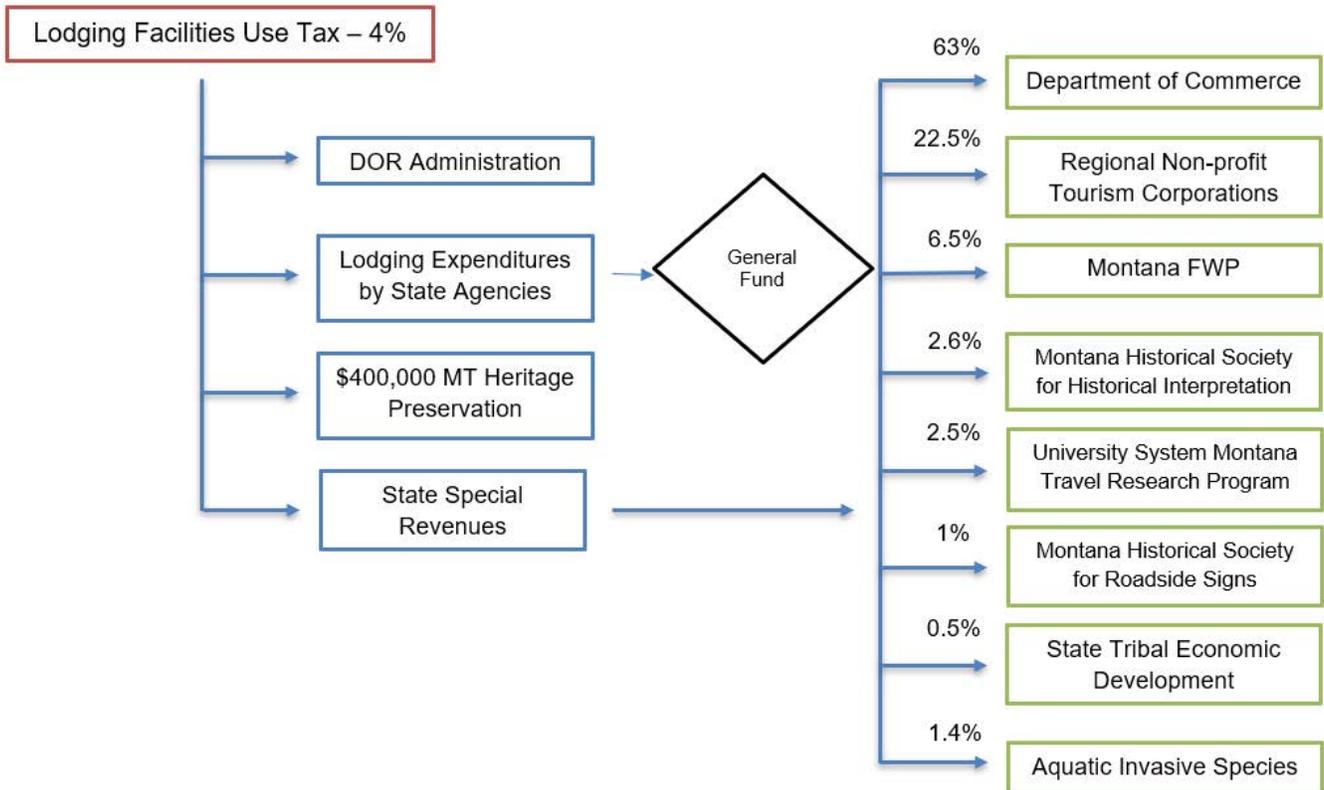
Funding for the new Montana Heritage Center construction began in 2020 and will run through December 30, 2024. Beginning January 1, 2025, the 25% of sales tax revenue that goes to Montana heritage and historic preservation will be reallocated in four ways: to fund the Heritage Center operations and maintenance, to slightly increase funding to the historic preservation grant program, to fund a variety of state special revenue funds (particularly for the Department of Commerce and Fish, Wildlife and Parks), and to fund the capital development building program.

Lodging Facility Use Tax

The Lodging Facility Use Tax is 4% of room charges, and revenues are distributed to a variety of state special revenue funds, with a majority going to the Department of Commerce for tourism promotion.

In addition to funding the Department of Commerce, revenues from this tax also fund the Montana heritage preservation and development account, the Montana Historical Society, the university system, Montana Fish, Wildlife and Parks, state tribal economic development, and the aquatic invasive species account.

Before being distributed to the state special revenue funds, revenue from lodging facility use tax is distributed to the Department of Revenue for the costs of collecting and disbursing the proceeds of the tax. The department deducts 4% of the amount spent on in-state lodging by state agencies for each reporting period and distributes a portion of that 4% deduction that was spent with federal funds back to those agencies, and then deposits 30% of the amount deducted minus the portion paid with federal funds into the general fund. Finally, a set amount of \$400,000 each year is deposited into the Montana heritage preservation and development account.



Distributions

(15-65-121 - Lodging Facility Use Tax, 15-68-820 - Lodging Sales Tax)

- General Fund – Other than the distributions to the MT Heritage Center and historic preservation grants, all revenue from the lodging sales tax is distributed to the general fund, which amounts to 75% of the revenue from the sales tax.
- Department of Commerce – The Department of Commerce receives a majority of the revenue from the lodging facility use tax, with 63% that goes directly to the department, 22.5% that is distributed to regional nonprofit tourism corporations, 2.6% to the Montana Historical Society historical interpretation state special revenue account, and 0.5% to the state tribal economic development commission that is established for activities in the Indian tourism region.
- Montana Heritage Center – Funding for the construction of the MT Heritage Center began in 2020 and will run until December 30, 2024. The heritage center is funded by the tax increase of 1% to the lodging sales tax from the passage of SB 338 in the 2019 Legislative Session. The heritage center construction will specifically receive 20% of the lodging sales tax revenue until December 30, 2024 and will then receive 6% of the sales tax revenue for operations and maintenance after January 1st, 2025.
- Historic Preservation Grant Program – Similar to the MT Heritage Center, the historic preservation grant program was also a result of the 1% tax increase to the lodging sales tax from SB 338 in the 2019 session. This program will receive 5% of the sales tax revenue until December 30, 2024, and then will receive 6% of the sales tax revenue after January 1st, 2025.
- Montana Heritage Preservation and Development – The Montana Heritage Preservation and Development receives a set amount of \$400,000 from the lodging facility use tax.
- Montana University System – The Montana university system receives 2.5% of the revenue from the lodging facility use tax for the travel research program.
- Montana Fish, Wildlife, and Parks – The Department of Fish, Wildlife, and Parks receives 6.5% of the revenue from the lodging facility use tax for maintenance of state park facilities that have both resident and non-resident use.
- Aquatic Invasive Species – The aquatic invasive species state special revenue account receives 1.4% of the revenue from the lodging facility use tax.