



CITY OF DOVER ORDINANCE #2024-06

BE IT ORDAINED BY THE MAYOR AND COUNCIL OF THE CITY OF DOVER, IN COUNCIL MET:

That Chapter 102 - Taxation of the Dover Code Lodging Tax be amended to read as follows:

ARTICLE VII - Lodging Tax

Sec. 102-190. - Local lodging tax.

(a) A local lodging tax is hereby levied of up to three percent of the cost of the rent, in addition to the amount imposed by the state and the county, for any room or rooms in a hotel, motel or tourist home, as defined in 30 Del. C. §6101, within the boundaries of the city. The tax will be implemented beginning July 1, 2020, at the rate of one-half of one percent for 2020; one percent for 2021; and one and one-half percent for subsequent years ending upon the effective date of this ordinance. The tax shall be set at three percent effective 30 days after the adoption of this ordinance.

(b) The local lodging tax, pursuant to this article, is the responsibility of the occupant of the room and shall be collected at the time the rental is paid. Operators of the hotel, motel or tourist home are responsible for the collection of the local lodging tax and the remittance of the taxes to the city within 20 days after the end of each calendar month, in accordance with procedures established by the city manager and using forms designated by the city finance department. The tax imposed shall be shown on the billing to the occupant as a separate and distinct item.

(c) Failure to remit the lodging tax due, shall result in an overdue balance statement from the city finance department, based upon records of lodging tax paid to the State of Delaware for such period, and subject to penalty, license, or tax lien in accordance with city policies.

(d) Alternatively, the city manager is authorized to engage the Delaware Division of Revenue to collect the city's portion of the lodging tax simultaneously with the receipt of the state tax, to seek collection from operators, enforce rules relating to failure to file and failure to pay, and remit funds to the city.

(e) The first one and one-half percent of lodging tax receipts will be accounted for in a committed fund balance account to be used only for infrastructure.

(f) No local lodging tax pursuant to this article shall be collected for reservations or contracts for lodging executed or completed before July 1, 2020.

ADOPTED: March 11, 2024

SYNOPSIS

The amendment increases the local lodging tax of up to 3% of the cost of the rent, in addition to the amount imposed by the State and the County, for any room or rooms in a hotel, motel, or tourist home, as defined in 30 Del. C. §6101, within the boundaries of the City of Dover. The ordinance adds provisions addressing failure to remit and authorizes the City Manager to engage the Delaware Division of Revenue to collect and remit lodging tax proceeds if desired. The first 1 ½% will continue to be dedicated to the infrastructure fund. Any additional amount will be budgeted as normal general fund revenue.

Note: The lodging tax at 1.5% generated about \$500,000 in FY 2023. Estimated revenue at the 3% level is approximately \$1.0 million. The city bills and processes over 100 lodging tax statements each month, but there are a few facilities whose operators do not remit the required tax. Whether these operators collect and pocket the tax or simply ignore the requirement is unknown. The city has contacted the Division of Revenue to compare lists of operators (the state can impose penalties based on audit for failure to file a tax return and failure to pay an amount due – we do not have that provision in the Code).

The increase in the burden on the person renting a room, based on rates quoted on local websites which show hotel/motel rooms in Dover falling within a \$99-\$180 range, is an additional \$1.50 to \$2.70, likely not a significant increase.

Millsboro, one of the previous holdouts, is considering adopting a lodging tax.
(SPONSORS: ANDERSON AND NEIL)

Actions History

03/11/2024 – Final Reading – City Council

02/26/2024 – First Reading – City Council

02/13/2024 – Introduction – Legislative, Finance, and Administration Committee