



CITY OF DOVER PROPOSED ORDINANCE #2024-06

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

3
 4 That Chapter 102 - Taxation of the Dover Code Lodging Tax be amended by inserting the text
 5 indicated in bold, blue font and deleting the text indicated in red strikethrough as follows, as follows:

6
 7 **ARTICLE VII - Lodging Tax**

8
 9 **Sec. 102-190. - Local lodging tax.**

10
 11 (a) A local lodging tax is hereby levied of up to three percent of the cost of the rent, in addition to
 12 the amount imposed by the state and the county, for any room or rooms in a hotel, motel or tourist
 13 home, as defined in 30 Del. C. §6101, within the boundaries of the city. The tax will be
 14 implemented beginning July 1, 2020, at the rate of one-half of one percent for 2020; one percent
 15 for 2021; and one and one-half percent for subsequent years **ending upon the effective date of**
 16 **this ordinance. The tax shall be set at three percent effective 30 days after the adoption of**
 17 **this ordinance.**

18
 19 (b) The local lodging tax, pursuant to this article, is the responsibility of the occupant of the room
 20 and shall be collected at the time the rental is paid. Operators of the hotel, motel or tourist home
 21 are responsible for the collection of the local lodging tax and the remittance of the taxes to the city
 22 within 20 days after the end of each calendar month, in accordance with procedures established by
 23 the city manager and using forms designated by the city finance department. The tax imposed shall
 24 be shown on the billing to the occupant as a separate and distinct item.

25
 26 ~~(c) Lodging tax receipts will be accounted for in a committed fund balance account to be used only~~
 27 ~~for infrastructure.~~

28
 29 **(c) Failure to remit the lodging tax due, shall result in an overdue balance statement from**
 30 **the city finance department, based upon records of lodging tax paid to the State of Delaware**
 31 **for such period, and subject to penalty, license, or tax lien in accordance with city policies.**

32
 33 ~~(d) No local lodging tax pursuant to this article shall be collected for reservations or contracts for~~
 34 ~~lodging executed or completed before July 1, 2020.~~

35
 36 **(d) Alternatively, the city manager is authorized to engage the Delaware Division of Revenue**
 37 **to collect the city’s portion of the lodging tax simultaneously with the receipt of the state tax,**
 38 **to seek collection from operators, enforce rules relating to failure to file and failure to pay,**
 39 **and remit funds to the city.**

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

43
44 **(f) No local lodging tax pursuant to this article shall be collected for reservations or contracts**
45 **for lodging executed or completed before July 1, 2020.**

46
47 ADOPTED: *

48
49 **SYNOPSIS**

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

57
58 Note: The lodging tax at 1.5% generated about \$500,000 in FY 2023. Estimated revenue at the 3%
59 level is approximately \$1.0 million. The city bills and processes over 100 lodging tax statements
60 each month, but there are a few facilities whose operators do not remit the required tax. Whether
61 these operators collect and pocket the tax or simply ignore the requirement is unknown. The city
62 has contacted the Division of Revenue to compare lists of operators (the state can impose penalties
63 based on audit for failure to file a tax return and failure to pay an amount due – we do not have
64 that provision in the Code).

65
66 The increase in the burden on the person renting a room, based on rates quoted on local websites
67 which show hotel/motel rooms in Dover falling within a \$99-\$180 range, is an additional \$1.50 to
68 \$2.70, likely not a significant increase.

69
70 Millsboro, one of the previous holdouts, is considering adopting a lodging tax.
71 (SPONSORS: ANDERSON AND NEIL)

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73
74 Actions History
75 03/11/2024 – Scheduled for Final Reading – City Council
76 02/26/2024 – First Reading – City Council
77 02/13/2024 – Introduction – Legislative, Finance, and Administration Committee