

Veto No. 2006-11

HB 2282

November 9, 2006

To the Honorable, the House of Representatives
of the Commonwealth of Pennsylvania:

I am returning House Bill 2282 without my approval. I regret doing so since this bill offers a tax benefit to National Guard members enabling them to exempt from their income active duty pay earned during the period of deployment for national or international emergencies. This element of the bill was part of my original Support Our Troops package that I proposed on Memorial Day in 2005. Unfortunately, the bill that provided this benefit for our National Guard members was hijacked as a vehicle to resolve litigation pending between internet hotel booking services and the City of Philadelphia.

In addition to using a bill intended to benefit the National Guard to respond to the request of internet hotel reservation services seeking to cap what they must pay for local hotel taxes, this bill also includes substantive drafting errors which would require, if House Bill 2282 were enacted, new corrective legislation or costly litigation to resolve. I am attaching a memo from the Chief Counsel for the Pennsylvania Department of Revenue that confirms that as written the bill may be understood to cap the hotel occupancy tax rate and/or it may mean to narrow the base of the locally defined hotel room rental tax rate – it's impossible to know what the intent or impact of the bill will really be. Beyond my substantive opposition to measures that would roll-back the hotel tax in the two major tourism centers of our state, the lack of precision of the language alone gives me cause to veto this bill.

Finally I veto this bill, and would do so if subsequent legislation came to me again, because it will result in a substantial loss of revenue to localities. In Philadelphia, over the next five years the City could have to forgo anywhere from \$55 million to more than \$200 million depending on how the bill is interpreted. Likewise, Allegheny County could lose at least \$28 million in local revenues in the same time period. In both counties the proceeds of these taxes are pledged to pay the debt on their convention center bonds. As such, rolling back and capping this tax will require each municipality to tap other revenues that are pledged to local services, their school districts and other capital expenditures to pay the shortfall in hotel taxes caused by this bill.

I recognize that the introduction of internet hotel reservation services raised new questions for our state and local tax codes. I strongly believe that we must ensure that local and state government as well as Pennsylvania businesses are not adversely affected by internet based companies who seek legislation to avoid duly imposed taxes.

For the reasons stated above I am returning HB 2282 without my signature. I urge the legislature to pass legislation that offers our active duty National Guard members the tax benefits intended for them when this bill was first introduced on December 5th, 2005. If that legislation comes to me without other objectionable and unrelated provisions I will sign it immediately.

EDWARD G. RENDELL