HOUSE COMMITTEE ON APPROPRIATIONS

FISCAL NOTE

HOUSE BILL NO. 794 **PRINTERS NO.** 1842 **PRIME SPONSOR**: Gillespie

COST / (SAVINGS)

FUND	FY 2014/15	FY 2015/16
County Funds	**$0**	**See "Fiscal Impact"**

SUMMARY: Increases the maximum hotel room tax from 3% to 5% for 54 counties currently authorized to impose the tax under two sections of the County Code. This legislation would take effect immediately.

ANALYSIS: This legislation amends and consolidates language from Sections 1770.2 and 1770.6 of the County Code that currently authorize certain counties to levy an optional county hotel room tax of up to 3% for tourism marketing and promotion purposes. Sections 1770.2 and 1770.6 of the County Code will be repealed, and the 54 counties covered under those sections will be governed by a new section, 1770.10.

Section 1770.10 carries over much of the language currently contained in Sections 1770.2 and 1770.6, with editorial and substantive changes added. The tax will continue to be imposed by the county and collected by hotels, with the revenue provided to the county's recognized tourist promotion agency (TPA) and spent on tourism and marketing according to law. The recognized TPA will continue to provide the county with an annual audit or financial statement.

Specific substantive changes under Section 1770.10 include:

- Permitting a county to increase its maximum hotel room tax rate from 3% to 5% by enacting an ordinance.
- Consolidating the spending provisions of the current sub-section (c) of Sections 1770.2 and 1770.6 from six to five by deleting "convention promotion" as a specific provision and including it instead under the business marketing provision. The paragraph allowing revenue to be spent on "projects or grants" that relate to tourism is amended to ensure that this spending is agreed-to by the recognized TPA, which is language currently used elsewhere in the spending provisions. The same language in paragraph 4 on noncompetition with the private sector is added to paragraph 5.
- Changing the definition of "hotel" to include cabins on campgrounds on state and private land, making those stays taxable. Charitable institutions, university residence halls occupied by students, hospitals, nursing homes, and educational and religious summer camps will not be considered taxable occupancy.

- Establishing an optional county administrative fee of up to 5% deducted from the revenue to cover the costs of collection.
- Imposing a 1.5% per month penalty on hotels for the failure to collect and remit the tax. The county can also file a lien.
- Adding a definition of "marketing" and "cabin."

The counties that will be consolidated under Section 1770.10 are as follows:

- Section 1770.2 – Blair, Cambria, Centre, Chester, Indiana, Lancaster, Lycoming, Mercer and York.
- Section 1770.6 – Armstrong, Beaver, Bedford, Bradford, Butler, Cameron, Carbon, Clarion, Clearfield, Clinton, Columbia, Crawford, Cumberland, Elk, Fayette, Forest, Franklin, Fulton, Greene, Huntingdon, Jefferson, Juniata, Lawrence, Lebanon, McKean, Mifflin, Monroe, Montour, Northumberland, Perry, Pike, Potter, Schuylkill, Snyder, Somerset, Sullivan, Susquehanna, Tioga, Union, Venango, Warren, Washington, Wayne, Westmoreland and Wyoming.

Another new section, 1770.11, creates a process to certify or decertify the county's recognized TPA. A county must adopt a resolution, which is then concurred in by resolutions from municipalities that represent more than 50% of the county population. A TPA remains recognized until it has dissolved or withdrawn its certification or is decertified by a similar process as certification, except that required municipal concurrence is more than 65% of the county population, and the county must hold at least one public hearing at least seven days prior to a resolution vote. A recognized TPA is the one certified by the county as of the effective date of this legislation or under Section 1770.11. A county can only have one recognized TPA at a time. The section will apply to TPAs recognized under the current provisions of Act 50 of 2008 or certified by the county under this section.

Counties that choose not to increase their tax rate do not have to enact a new ordinance as long as their current one is consistent with Section 1770.10.

FISCAL IMPACT: Of the 54 counties that are impacted by this legislation, 52 of them levy a hotel tax. These 52 counties generated approximately $34.7 million in hotel tax revenue in 2013. Allowing them to increase their rate up to 5% would allow these counties to increase revenue by approximately $19.6 million in the aggregate if they all increased their rates up to the 5% maximum. Adding cabins on campgrounds located on State land or private property to the definition of hotel would also generate some additional revenue for counties. That level of revenue is indeterminable at this point.

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House Appropriations Committee (R)

DATE: June 22, 2015

Estimates are calculated using the best information available. Actual costs and revenue impact incurred may vary from estimates.