



# HOUSE COMMITTEE ON APPROPRIATIONS

## FISCAL NOTE

HOUSE BILL NO. 1511

PRINTERS NO. 4253

PRIME SPONSOR: M. Quinn

### REVENUE INCREASE / (DECREASE)

| FUND                   | FY 2018/19        | FY 2019/20        |
|------------------------|-------------------|-------------------|
| General Fund           | \$600,000         | \$1,800,000       |
| Tourism Promotion Fund | \$7,100,000       | \$21,800,000      |
| Local Government Funds | See Fiscal Impact | See Fiscal Impact |

**SUMMARY:** House Bill 1511, Printer's Number 4253, amends the Tax Reform Code further providing for definitions and imposition of tax in hotel occupancy tax and establishing a restricted revenue account to be known as the Tourism Promotion Fund.

**ANALYSIS:** House Bill 1511 adds language defining the terms "accommodation fee", "booking agent" and "discount room charge". Furthermore, the bill amends the definitions of "operator" and "rent" to clarify the manner in which a booking agent must collect and remit the hotel occupancy taxes on the rent paid for the occupancy of a room.

The hotel occupancy tax is levied at the rate of 6% on the rent to occupy a room or rooms within the Commonwealth. This legislation amends the term "rent" to include accommodation fees and any other amount charged by a booking agent. Accommodation fees are defined to be the amount by which the rent exceeds the discount room charge. The discount room charge is defined as the amount charged by the hotel operator to a booking agent in connection with the sale of an accommodation by the booking agent. An operator shall not be liable for the tax owed regarding an accommodation fee.

If a booking agent, acting for an operator, collects payment for the rent, the booking agent must collect and remit the tax imposed under this section and any additional or optional hotel tax imposed under (1) the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class, (2) the Community and Economic Improvement Act, (3) 64 PA.C.S. CH 60 (Relating to Pennsylvania Convention Center Authority), (4) Articles XVII and XXIII of the County Code and (5) the Second Class County Code. A booking agent shall not be required to separately disclose the amount of taxes imposed on the discount room charge and the accommodation fee.

The legislation establishes a restricted revenue account within the Treasury Department to be known as the Tourism Promotion Fund. The tax collected by a booking agent on accommodation fees shall be deposited into the Tourism Promotion Fund. Monies in the fund shall be disbursed upon appropriation for the purpose of promoting tourism in the Commonwealth.

The Department of Community and Economic Development shall promulgate guidelines, rules and regulations as necessary to achieve this purpose. No monies in the fund shall be used until 30 days after publication of guidelines, rules and regulations in the Pennsylvania Bulletin.

The act shall take effect in 90 days.

**FISCAL IMPACT:** Enactment of this legislation will result in the collection of state hotel occupancy tax revenues on accommodation fees and any other amount charged by a booking agent. Assuming an effective date of February 1, 2019, the Department of Revenue (DOR) estimates additional revenue collections to be \$7.7 million in 2018-19 and \$23.6 million in 2019-20. For fiscal year 2018-19, \$7.1 million will be deposited into the Tourism Promotion Fund and \$600,000 will accrue to the General Fund. For fiscal year 2019-20, \$21.8 million will be deposited into the Tourism Promotion Fund and \$1.8 million will accrue to the General Fund. According to DOR, the small General Fund gains are attributable to short-term rental entities that do not currently remit hotel occupancy taxes. Monies in the Tourism Promotion Fund are subject to appropriation by the General Assembly for the purpose of promoting tourism in the Commonwealth.

DOR estimates that the current State hotel occupancy tax generated \$210 million in 2017-18. Therefore, enactment of this legislation is estimated to increase the State tax base by approximately 10%. Information from the Department of Community and Economic Development (DCED) indicates that local hotel and room rental taxes in total from all counties generates approximately \$200 million annually. To the extent that local ordinances and resolutions already include the accommodation fee in the tax base or are amended to include the accommodation fee in the tax base, enactment of this legislation will result in increased local hotel and room rental tax collections. Using the information from DOR and DCED, if all counties currently levying a hotel or room rental tax include the accommodation fee in the tax base, the total increased amount of local revenues for all counties would approximate \$20 million annually. The increased collections will be deposited in accordance with the local county ordinance or resolution.

**PREPARED BY:** Ritchie LaFaver  
House Appropriations Committee (R)

**DATE:** October 17, 2018

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