

**SENATE APPROPRIATIONS COMMITTEE
FISCAL NOTE**

BILL NO. Senate Bill 838

PRINTER'S NO. 2274

AMOUNT

No Fiscal Impact

FUND

General Fund

DATE INTRODUCED

June 27, 2013

PRIME SPONSOR

Senator Alloway

DESCRIPTION AND PURPOSE OF BILL

Senate Bill 838, as amended, amends The County Code (Act 130 of 1955) in fiscal affairs, further providing for authorization of hotel room rental taxes in certain counties and authorizes the imposition of a hotel room rental tax in a certain township.

The County Code currently allows counties to impose a hotel room rental tax. Senate Bill 838 adds new sections with respect to certain counties as follows:

- A county of the third class having a population under the 2010 Federal decennial census in excess of 430,000 residents, but less than 440,000 residents (York County), may impose an additional hotel room rental tax not to exceed 2%, the revenue from which will go to the county's recognized tourist promotion agency ("TPA"). This section does not repeal the county's current 3% tax, and so the total effective authorized county hotel room rental tax will be 5%. The county may deduct and retain an administrative fee, which is the lesser of 2% of all taxes collected or \$50,000, adjusted annually for inflation.
- A county of the fourth class having a population under the 2010 Federal decennial census in excess of 149,000 residents, but less than 152,000 residents (Franklin County), may impose an additional hotel room rental tax not to exceed 5%. This section does not repeal the county's current 3% tax, and so the total effective authorized county hotel room rental tax will be 8%. The county may deduct and retain an administrative fee, which is the lesser of 4.5% of all taxes collected or \$95,000, adjusted biannually for inflation. The revenues will be distributed as follows:
 - 75% of the tax revenues received shall be used by the county's recognized Tourist Promotion Agency.
 - The remaining 25% shall be distributed as follows:

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- 50% shall be used for economic development and historic preservation and the arts. Furthermore, 10% of the funds received under this paragraph shall be used for grants to municipalities that each have at least 20,000 residents.
- 50% shall be used for grants to municipalities that have a municipal police department employing at least two full-time police officers or are a member of a regional police department that have provided full-time police services for a minimum of two years prior to receiving the grant. Furthermore, grants under this paragraph shall be distributed to municipalities in proportion to the number of hotel rooms within the municipality as a percentage of the total number of hotel rooms in municipalities meeting the police department requirements.
- A county of the fourth class having a population under the 2010 Federal decennial census in excess of 148,000 residents, but less than 149,000 residents (Schuylkill County), may impose an additional hotel room rental tax not to exceed 2%, the revenue from which will go to the county's recognized TPA. This section does not repeal the county's currently authorized 3% tax, and so the total effective authorized county hotel room rental tax will be 5%. The county may deduct and retain an administrative fee, which is the lesser of 2% of all taxes collected or \$50,000, adjusted annually for inflation.
- A county of the fourth class having a population under the 2010 Federal decennial census in excess of 180,000 residents, but less than 190,000 residents (Butler County), may impose an additional hotel room rental tax not to exceed 2%, the revenue from which will go to the county's recognized TPA. This section does not repeal the county's current 3% tax, and so the total effective authorized county hotel room rental tax will be 5%. The county may deduct and retain an administrative fee, which is the lesser of 2% of all taxes collected or \$50,000, adjusted annually for inflation.
- A county of the fourth class having a population under the 2010 Federal decennial census in excess of 205,000 residents, but less than 210,000 residents (Washington County), may impose an additional hotel room rental tax not to exceed 2%, the revenue from which will go to the county's recognized TPA. This section does not repeal the county's current 3% tax, and so the total effective authorized county hotel room rental tax will be 5%. The county may deduct and retain an administrative fee, which is the lesser of 2% of all taxes collected or \$50,000, adjusted annually for inflation.

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- A county of the sixth class having a population under the 2010 Federal decennial census in excess of 88,800 residents, but less than 90,000 residents (Indiana County), may impose an additional hotel room rental tax not to exceed 2%, the revenue from which will go to the county's recognized TPA. This section does not repeal the county's current 3% tax, and so the total effective authorized county hotel room rental tax will be 5%. The county may deduct and retain an administrative fee, which is the lesser of 2% of all taxes collected or \$50,000, adjusted annually for inflation.

Senate Bill 838, as amended, allows a township of the second class having a population under the 2010 Federal decennial census in excess of 60,000 residents, but less than 61,000 residents (Bensalem Township located in Bucks County) to impose a 3% hotel room rental tax, the revenue from which will be deposited into a special fund to be used by the township for the provision of police and emergency services.

The legislation, as amended, provides that the definition of "permanent resident" as it relates to whether a person has established a non-taxable permanent residence in a hotel does not apply to a hotel room rental tax imposed by a county of the fourth class having a population during the 2010 Federal decennial census in excess of 205,000 residents but less than 210,000 residents (Washington County).

The act shall take effect immediately.

FISCAL IMPACT:

Senate Bill 838 will have no adverse fiscal impact on Commonwealth funds.

The Department of Community and Economic Development's Internet website contains county financial reports, which include hotel room rental tax collection amounts. Additionally, the department's website indicates that York, Franklin, Butler, Washington and Indiana counties currently levy a 3% hotel room rental tax, but Schuylkill County presently levies the tax at 2%. The following table uses historical tax revenue collection data from DCED to estimate the additional hotel room rental tax revenue collections per year if levied at the current rate plus the additional rate:

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COUNTY	2012 HOTEL ROOM RENTAL TAX COLLECTIONS	ESTIMATED ADD'L HOTEL ROOM RENTAL TAX COLLECTIONS (SB 838)
York	\$1,567,531	\$1,045,021
Franklin	\$584,697	\$974,495
Schuylkill	\$223,620	\$223,620
Butler	\$1,259,592	\$839,728
Washington	\$1,500,637	\$1,000,425
Indiana	\$427,990	\$285,327

Townships are not currently authorized to levy a hotel room rental tax, and so there is no historical tax collection data on which to base a revenue estimate. However, judging by county collection data and Bensalem Township’s population, it appears that a 3% hotel room rental tax in Bensalem Township will generate less than one million dollars per year to be used for police and emergency services.