

Testimony of Barry Kidd
On behalf of the Pennsylvania Restaurant & Lodging Association
House Tourism and Recreational Development Committee
July 31, 2013

Good morning Chairman Stern, Chairman Kirkland and members of the House Tourism and Recreational Development Committee. Thank you for the opportunity to testify today regarding local hotel taxes and their vital importance to tourism marketing and the hospitality industry. My name is Barry Kidd, and I am the vice president of hotels for Dommels Hotels Inc.

Tourism is Pennsylvania's second largest industry—right behind agriculture. It employs more than 450,000 people and impacts the state economy by \$32.9 billion annually. Unfortunately, Pennsylvania is quickly losing its grip on the out-of-state market for tourism, overshadowed by New Jersey (Stronger than the Storm), New York (I Love NY/Summer in NY) and California (Life in California).

Funding for tourism has steadily declined over the last several years, both at the state and local levels. The Department of Community and Economic Development is responsible for promoting the Commonwealth, while tourism promotion agencies (TPAs) promote their local area to in-state and out-of-state visitors. I'm here today to discuss the need to return to the original intent of hotel taxes.

Currently, TPAs are primarily funded by local hotel tax revenues. However, these revenues, originally intended to 100 percent fund tourism promotion of local communities, are being carved apart and repurposed for non-tourism related activities by cities, townships, municipalities and counties, resulting in significant decreases to the TPAs' funding stream.

The hotel industry supported the original intention of the tax because it was viewed as an investment in the local economy and, therefore, the industry. Our members and our industry would like to see hotel taxes return to their original purpose—tourism promotion with 100 percent of the funds going toward tourism marketing. Any legislation that allocates percentages of hotel taxes to other projects or entities goes against the intent of the tax and takes away from tourism promotion that is already drastically underfunded.

Clarifying this in the statute is critical for improving tourism promotion in the Commonwealth. Pieces of legislation are introduced every session that aim to change the enabled tax rate in multiple counties. Many of these bills also legislate how the money should be spent, making enforcement difficult.

PRLA would consider supporting a broad-based tax-enabling bill that would cap the tax at 5 or 6 percent, so long as all hotel tax revenue goes toward tourism promotion. Cutting the grass or paving a roadway—while important in their own individual right—do not promote tourism.

The local hotel tax provides a variety of untapped revenue sources. For example, this tax should be applied to all short-term stays, meaning any overnight accommodation should be subject to the tax. In addition, we recommend closing the hotel tax loophole where online travel companies can remit less sales and hotel tax than in-state accommodations. Closing this loophole ensures all taxes are remitted on the amount charged for a room, potentially generating an additional \$3-\$4 million in state sales tax and hotel tax.

We are willing to work with you to identify solutions that would ensure the tax is remitted by all businesses in the industry. However, we believe the cost of this enforcement should not be borne by the hotel tax itself.

Tourism is vital to our local economies. By returning the local hotel taxes to their original intent of promoting tourism, we can ensure our Commonwealth's second largest industry can re-establish its footing in the competitive out-of-state market. Thank you for allowing me to testify today, I will be happy to take any questions.

Room tax laws in PA

Tax Reform Code of 1971

Section 209 et seq. – State hotel occupancy tax

County Code

- Section 1770.2 – Blair, Cambria, Centre, Chester, Indiana, Lancaster, Lycoming, Mercer, York
- Section 1770.4 – Lackawanna
- Section 1770.5 – Dauphin
- Section 1770.6 – Third- through eighth-class counties that did not have room tax authority prior to Act 142 of 2000
- Section 1770.7 – Adams
- Section 1770.8 – Lehigh and Northampton
- Section 2399.23 (hotel room rental tax provisions of the Third Class County Convention Center Authority Act) – Berks, Luzerne, Lancaster
- Section 2399.72 (hotel room rental tax provisions of the Third Class County Convention Center Authority Act (Alternative Provision)) – Erie

Title 64 Pa.C.S

Section 6025 – Philadelphia

Act 174 of 1998

Sections 10 and 11.1 – Philadelphia

Title 53 Pa.C.S.

Section 8721 – Allegheny, Bucks, Delaware, Montgomery

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