PENNSYLVANIA ASSOCIATION OF TRAVEL & TOURISM
One Industry, One Voice

Wednesday, July 31, 2013

Testimony to the House Tourism and Recreational Development Committee

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Good morning Chairman Stern, Chairman Kirkland and members of the House Tourism and Recreational Development Committee. My name is Rob Fulton. I'm the President and CEO of the Pennsylvania Association of Travel and Tourism.

The Pennsylvania Association of Travel and Tourism otherwise known as PATT is a statewide, nonprofit, bipartisan association representing the travel and tourism in Pennsylvania.

We were founded in July of 2012 and our mission is to unify and lead Pennsylvania's travel and tourism industry, presenting one voice within our industry.

Our objectives are to serve as an umbrella organization, lead the development and implementation of public policy, function as the primary advocate for emerging issues and assume responsibility for educating the public, public officials and industry of the economic, cultural and social impact of Pennsylvania's Travel and Tourism industry.

Our industry needs to develop a more coordinated, statewide policy on Room Tax issues.

We have supported local room tax legislation, when the law provided for consistency in rates and use. When room taxes are dedicated to tourism marketing purposes, everyone benefits, especially local communities, which are the primary beneficiaries of the economic development resulting from the tourism dollars spent. Increased visitation supports an increase in jobs, real estate taxes, income taxes, corporate taxes, state sales taxes and state occupancy taxes, thus benefiting all Pennsylvanians.

The debate over room taxes is becoming more common, especially during tough economic times. Faced with budget deficits and reduced funding, local communities in need of money for brick and mortar economic development projects, road repairs, community programs and basic services, view tourists as easy targets for increasing taxes that can be used for non-tourism marketing purposes. The tourism industry continues to oppose efforts to use all or part of room taxes for non-tourism marketing activities. Using these dollars to promote increased tourism, meetings and conventions etc... is instrumental to the financial success of the state's tourism industry, especially small businesses.

Additionally, if this tax is used for non-marketing purposes, our state and local destinations will lose market share to those with strongly funded marketing budgets. This will result in a decrease in jobs, real estate taxes, income taxes, corporate taxes, state sales taxes and state occupancy taxes.

History

A review of Pennsylvania's county hotel room tax legislation can be confusing and requires a detailed analysis because of the proliferation of different enabling Statutes for different counties.

- The adoption of Hotel Room Taxes in Pennsylvania has been on a "piecemeal basis" starting as early as 1977 in Allegheny County, and 1986 in Philadelphia County. The initial Statutes provided for Room Taxes to be used primarily to support the construction of convention centers (with some taxes going to the local Tourism Promotion Agency(s), (TPA's) for other tourism marketing and development purposes.)
- In 1982 there was legislation adopted to support convention centers serving Second Class A Counties (Montgomery, Delaware and Bucks County).

- It was not until the mid 1990's that legislation was first adopted to authorize the County collection of Hotel Room Taxes exclusively for general tourism and marketing purposes.
- Some of the Enabling Statutes define the enabled County in such a fashion that only one (1) County qualifies, including Home Rule Counties (e.g. Statutes focusing on Dauphin, Adams, Erie and Lackawanna County).
- Act 142 was the last Enabling Statute to be adopted and authorized all the Counties that had no other Room Tax legislation to collect Room Taxes. (Forty-five (45) counties.)
- Like most legislation, the Enabling Statutes are imprecise particularly with respect to the definition of some terms. They were written in a manner which results in some flexibility on a county by county basis. The philosophical thinking on this was to allow some room for hoteliers and TPA's to work with their own County Commissioners in developing an Ordinance under the Enabling Statue.
- Multi-county TPA's have had a particularly difficult time with respect to the administration of Room Taxes, especially where the TPA's counties each have different Enabling Statutes, with different authorized purposes for the Tax.
- An inherent tension is incorporated into the structure under the Enabling Statutes. The Statutes are explicitly clear that all of the tax monies collected (less the 2% administrative fee) are to go to the TPA for the specific purposes defined in the Enabling Statue.
- The "specific purposes" in the Enabling Statutes frequently involve ambiguous language. Some counties have interpreted the use of proceeds language to push for questionable uses or projects which the local TPA resists. Counties have significant leverage. If the TPA is non-cooperative, the county can designate another non-profit entity as its "Recognized Tourism Promotion Agency."
- Under Enabling Legislation the tax proceeds must be used in the following six (6) categories:
    1. Convention promotion.

2. Marketing the area served by the agency as a leisure travel destination.
3. Marketing the area served by the agency as a business travel destination.
4. Using all appropriate marketing tools to accomplish these purposes, including, but not limited to, advertising, publicity, publications, direct marketing, direct sales and participation in industry trade shows.
5. Projects or programs that are directly and substantially related to tourism within the county, augment and do not unduly compete with private sector tourism efforts and improve and expand the county as a destination market.
6. Any other tourism marketing or promotion program deemed necessary by the recognized tourist promotion agency.

Current Room Tax Climate in Pennsylvania

Our association and membership are very concerned about the erosion and continued attempts on the county, township and municipal level to divert the Room Tax dollars away from the appropriate uses.

We are also very concerned about the piece meal approach on a county by county basis. It puts the industry in a difficult position and continues to create a fragmented approach.

As you know there are currently two Room Tax bills in the General Assembly.

There are currently two bills in the Legislature this session:

- **HB 1486** - This legislation would increase the maximum county hotel room tax for nine specific counties from 3 percent to 5 percent. The bill amends Section 1770.2 of the County Code, which applies to the following counties: ***Blair, Cambria, Centre, Chester, Indiana, Lancaster, Lycoming, Mercer and York***.

- **SB 838 – This legislation** would amend the County Code to provide counties of the fourth class (populations 145,000 – 209,999) the option to raise the ceiling on hotel room tax from 3% to 5% in order to generate more revenue for tourism promotion.

  75% of all revenue collected for the hotel room tax will be used by the county's Tourism Promotion Agency (TPA) for the promotion, advertising, and marketing of tourism and special events and for administrative costs.

  25% of all revenues received shall be distributed as follows:

  - 50% shall be used by the county commissioners for the purpose of economic development and historic preservation, and the arts.
  - 50% shall be used by the county commissioners for grants to municipalities that have a municipal police department employing at least two full-time police officers assigned to law enforcement duties and who work a minimum of two hundred days per year or are a member of a regional police department that provides full-time police services to the municipality pursuant to an agreement or contract.

There are also a number of other Room Tax Related Issues that we would like to address as we move forward.

30 Day Rule

There has been no legislation introduced this legislative session yet but there are plans to do so. This legislation would increase or remove the 30 day cap which would mean Room tax could be collected beyond 30 days on anyone that is staying a property long term. Currently this is capped at 30 days.

PATT does not have an official position on this currently but will be surveying our membership to determine an interest in addressing this issue and what some proposed solutions might be.

Online Travel Company (OTC) Issues

PATT supports the closing of this loophole. Currently, the Commonwealth is losing money because online travel companies are remitting taxes on a lesser amount than the actual cost at which they sell a hotel room. It puts in-state hotels that collect and remit the tax properly at a competitive disadvantage.

When a customer books an overnight stay with an online travel company (such as Expedia, Travelocity, Orbitz), these companies are only remitting taxes on the wholesale cost the company paid for the room, not the actual (higher) cost the customer pays.

The Commonwealth is losing valuable sales tax revenue because the full tax is not being remitted back to the state.

Counties are losing valuable hotel occupancy tax revenue that is intended for tourism promotion because the full tax is not being remitted to the county.

Conclusion

Thank you for taking the time to join us today and to listen to our thoughts on these very important issues. I hope you will leave here today with the confidence that our industry is ready to rise to the challenge of working in a more collaborative way and working with this committee to set some specific time lines and objectives to create a healthy and vibrant travel and tourism industry.

The more room tax dollars available to the TPA, the more marketing it can to do attract tourists and visitors to come and stay overnight. This visitor spending money will help support a wide array of local, county and regional businesses and business owners. These Room Tax revenues generate much needed visitor spending in these local communities.

Joining me today is Joe Massaro who is the General Manager of the Harrisburg Hilton and PATT's Board Chair. I would like to give Joe an opportunity to talk about some specific recommendations that PATT is offering that could go a long way to addressing our Room Tax concerns. I have shared an attachment with you as part of my testimony that outlines our Draft Room Tax Platform which goes into more detail.

I would like to leave you with what we would like the outcome to be from this hearing. We would like to establish a workgroup of stakeholders by September

1st that can begin strategizing about proposed recommendations that have been made today and create a strategy and agreement on how to accomplish them. We think this is a critical next step.

Thank you again for your time and I would be happy to answer any questions that you have after Joe lays out our platform.