



PENNSYLVANIA ASSOCIATION
OF TRAVEL & TOURISM

One Industry. One Voice

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Testimony to the House Tourism and Recreational Development Committee

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&
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Good morning Chairman Stern, Chairman Kirkland and members of the House Tourism and Recreational Development Committee. My name is Joe Massaro. I'm the Chairperson of the Board of Directors of the Pennsylvania Association of Travel and Tourism.

PATT Recommendations

There is significant interest and support from the industry in creating a strategic approach to not only addressing the concerns with the "piecemeal" approach to Room Tax laws, but also taking the opportunity to address several other concerns with the enabling legislation.

We are recommending addressing the following areas:

1. PATT would support giving the counties within Act 142 (45 Counties), as well as the counties outlined in HB 1486, the option of raising the cap from 3% to no more than 7% - dependent on ensuring that 100% of this revenue goes towards marketing and promotion for tourism.
2. We would like to address our concerns with enforcement and collection of the Room Tax at the local and county level.
3. We would like to create stronger definitions that could be added to the law in regards to what the appropriate uses are for the Room Tax.

4. Create a more comprehensive/protective process at the county level around potential un-designation of a TPA, or the establishment of more than one designated tourism promotion, tourism development or travel destination development entities.
5. Consider expanding Room Tax definitions to include any facilities that take a fee for an overnight stay, i.e. Cabins, Campgrounds, Vacation Rentals, Colleges and Universities (excluding students enrolled in a degree program).
6. Future Room Tax Statutes should not be intended to fund “brick and mortar” or other non-tourism related projects or initiatives.
7. Establish a workgroup of stakeholders by September 1st to discuss these and other proposed recommendations. The goal would be to create a strategy and agreement on how to accomplish the recommendations and garner support from the stakeholders.

Recommendation #1 – Raise the Room Tax Rate from 3% to no more than 7% for those counties under Act 142 and those counties within HB 1486 (9 counties).

- PATT would support giving the counties within Act 142 (45 Counties), as well as the counties outlined in HB 1486, the option of raising the cap from 3% to no more than 7% - dependent on ensuring that 100% of this revenue goes towards marketing and promotion for tourism.

Benefits:

- We could address the interests of York County through their support of HB 1486 (which also includes the other 8 counties) by creating more of an omnibus bill that included the current 45 counties in Act 142 and the 9 counties that are impacted by HB 1486 – thus creating one less piece of Room Tax legislation.
- Franklin County’s desire to also go to 5% would be addressed by opening up Act 142 and changing the cap, because they are already include in Act 142 and they would not need SB 838 to do that.

Recommended Steps that would demonstrate ROI and Partnership:

- All the Room Tax dollars raised would have to go back to the designated TPA in or for that County.
- ANY increase in room tax – if allowable – should follow an outlined procedure that involves the hotels, TPA and TPA members.
- Submit an annual audit to the County Commissioners and DCED/Private- Public Partnership to demonstrate commitment and ROI/Economic Impact on the dollars being raised and spent. (***Under Act 142 – Section 2 TPA’s must submit an annual audited report to the County.***)
- Work with DCED/Public Private Partnership to continue to conduct an annual state-wide Economic Development Study/ROI, with the numbers broken down by County. The findings will be distributed to the County Commissioners, the TPA Board/Membership and the DCED/Private- Public Partnership.

Recommendation #2 - Address our concerns with collection and enforcement of the Room Tax at the local and county level.

- Create stronger language that provides more teeth to enforce the room tax legislation at the county level.
- Ask for County Commissioners to issue a statement to all properties explaining the law and encouraging remittance and compliance.
- Create or tighten up the protocol and procedures for room tax collection.
- This could establish and or strengthen a partnership between the TPA and the Commissioners.
- The TPA would help identify collection problems and new properties eligible to implement and collect the tax to the County Treasurer.
- At the beginning of each year, the TPA could submit a formal letter to the County Treasurer listing all properties within the County that should be collecting room tax and a list of future properties of which to be aware in the upcoming fiscal year.
- Subsequently, tax collection problems would be handled by the County Treasurer through an official notification process.

- Notices sent by certified mail from the County Tax Collector to the property. Failure to comply results in a letter from the Attorney General's office detailing deadlines for compliance, consequences and fines.

Recommendation #3 - Stronger definitions should be added to the law in regards to what the appropriate uses for the Room Tax are.

- Better define the original intent of the Legislation that establishes a sound perspective beyond a TPA or County Commissioner's interpretation.
- Update and re-issue the letter from the House Tourism Committee in 2001 that was sent to all County Commissioners clarifying how the Room Tax dollars are to be used.

Recommendation # 4 – Create a more comprehensive/protective process at the county level around potential un-designation of a TPA, or the establishment of more than one designated tourism promotion, tourism development or travel destination development entities.

- One way to address the concerns of a TPA about being under the threat of un-designation would be to work with DCED/Public Private Partnership to re-establish and adopt criteria for a TPA Designation/Certification/Accreditation recognition. (Similar to what existed under the TPA Grant Program Guidelines and Requirements).
 - Similar to the following:
 - TPA must be a non-profit organization
 - The existence of sufficient tourism assets, such as lodging, service businesses and tourism attractions.
 - Ability to carry out essential marketing functions such as:
 - An interactive website

- A strategic tourism marketing plan
 - Comprehensive fulfillment services
 - Audited financials on how Room Tax monies are spent.
- Without these criteria designated TPA would be open to the potential process of de-certification (undesigned.)
- The goal would be that this would provide more protection at the county level. More steps in the process before a TPA could be undesigned.

Recommendation #5 - Consider expanding Room Tax definitions to any facility that takes a fee for an overnight stay, i.e. Cabins, Campgrounds, Vacation Rentals, state owned lodging facilities, Colleges and Universities (excluding students enrolled in degree programs).

Recommendation # 6- Future Room Tax Statutes should not be intended to fund “brick and mortar” or other non-tourism related projects or initiatives.

- In the future we should keep separate (a) enabling legislation for the development of brick and mortar facilities such as arenas, stadiums, convention centers and the like.
- We need to have clear definitions of what constitutes “brick and mortar.”
- Any Hotel Tax rate authorized for capital facilities would be separate and apart from those authorized under the marketing enabling statute.
- Future legislation needs to speak to addressing what happens to the Room Tax dollars once the bonds are paid off.

- It needs to state that once the expiration date is reached on the bonds that the monies need to revert back to the designated Tourism Promotion Agency for their marketing efforts.
- Address the re-financing options that these entities have that could keep those room taxes dollars tied up for the foreseeable future, rather than just paying off the bonds.

To the question of “Tourism Development?”

Act 142 establishes that funds generated by such a tax must be expended exclusively for “tourism, convention promotion, and tourism development” while, at the same time, allowing flexible interpretation of those terms. Second, a dynamic balance, not so readily understood by all parties concerned, is established, requiring that county commissioners levy the taxes and tourism promotion agencies administer the funds they generate, all within the framework of local collaborative agreement as to the objectives to be met by their expenditure.

- Recurring questions in the present debate address the degree of latitude permitted in expenditure of the taxes collected, and the flexibility available in their administration.
- Clearly, as long as there is local consensus that a proposed expenditure qualifies as “tourism, convention promotion, and tourism development”, that expenditure may be considered. Examples discussed in some counties include, beyond traditional marketing/promotion efforts, such projects as construction and operation of visitor centers, historic preservation (restoration of covered bridges and historic buildings), infrastructure (e.g. facilitation of pedestrian or vehicular access to facilities and attractions), and open space and agricultural preservation (when a tourist promotion agency marketing plan positions such among the strong visitor appeals of that county).

Recommendation #7 - Workgroup of stakeholders to be established by September 1st to discuss proposed recommendations and create a strategy and agreement on how to accomplish them.

Conclusion

The industry needs to develop a coordinated, statewide policy on not only defeating inappropriate uses of the hotel tax dollars but looking at changes in the law that would benefit Travel & Tourism and increase marketing dollars.

The more room tax dollars available to the TPA, the more marketing it can 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.

Thank you for the opportunity to share our thoughts about the most effective way to utilize local room tax dollars for the benefit of all Pennsylvanians. We will now entertain any questions.