



**PENNSYLVANIA ASSOCIATION
OF TRAVEL & TOURISM**

One Industry. One Voice

**Testimony of Bill Fitzgerald
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Pennsylvania Association of Travel and Tourism (PATT)
House Tourism & Recreational Development Committee**

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Good morning Chairman Stern, Chairman Kirkland and members of the House Tourism and Recreational Development Committee. Thank you for the opportunity to speak with you today regarding the bills being introduced by Representative Day. My name is Bill Fitzgerald and I am President of the Valley Forge Convention and Visitors Bureau/

I am also here today representing the Pennsylvania Association of Travel and Tourism which is the state wide organization that represents Pennsylvania's Travel and Tourism Industry. Our organization's members are the forty-nine convention and visitors bureaus (CVBs), the various regional marketing organizations, as well as the many private sector business representing our travel and tourism industry throughout Pennsylvania – wineries, arts and culture,

hotels, B&B's, retail outlets, ski areas, snowmobiling, amusement parks and so the many other travel and tourism related businesses.

I am here today to comment on the package of bills that Representative Day has introduced (HB 871 – HB 875). These bills would close the current loophole that permits online travel companies to remit less tax than in-state lodging establishments. PATT supports the closing of this loophole – this has been an issue that has been on our priority list for many years.

Currently, the Commonwealth and Counties are losing money because online travel companies (OTC's) are remitting taxes on a lesser amount than the actual cost at which they sell a hotel room. When a customer books an overnight stay directly with a lodging establishment, the lodging establishment charges the appropriate tax on the billed cost of the room and remits the taxes to the state and to the local county.

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. Millions of dollars are being lost both at the state and local levels.

At issue is the difference between the tax that would be due on the posted room rate (which hotels remit if booked directly through them) and the tax calculated on the "wholesale rate" (the contract rate with hotels), which is the amount OTCs currently remit.

Looking at the bigger picture – Travel and Tourism in Pennsylvania is losing its National prominence as a top destination. For many years we have held firm at the number 4 most visited state in the Country, we are now at number 7. At issue is the lack of funding that is available to market and promote the Commonwealth.

At our tourism funding peak in 2000, the state invested about \$44 million dollars to fund Travel and Tourism marketing both at the state and local/regional levels. This year Pennsylvania's Tourism's budget is about \$3 million and there no dollars available to support tourism efforts at the local and regional levels.

The designated tourism promotion agencies and their stakeholders rely on their local share of the room tax to fund their marketing and promotion efforts for their respective counties and regions – these room tax dollars are in many cases being targeted by other entities for non-tourism related purposes.

We shared with this committee at the Hotel Tax Hearing on July 31st that we are working with PRLA and other stakeholders to address our concerns with what is happening around Pennsylvania with Room Taxes at the local level – one of the solutions is closing this loophole so that these additional room tax funds are being remitted and available at the local and state level to help to make up that shortfall in tourism and marketing funds that are not currently available.

In closing, I would like to thank Representative Day for his introduction of this package of bills, Chairman Stern, Chairman Kirkland and this committee for their support of our industry. It is important for us to be working together on these important legislative initiatives.

I would be happy to answer any questions.

Thank you.