

January 26, 2018

To: The Honorable Mario Scavello, Chairman, Senate Community & Economic Development Committee

The Honorable Lawrence Farnese, Minority Chairman, Senate Community & Economic Development Committee

Re: Senate Bill 721

Good morning Chairmen Scavello and Farnese and members of the Committee. My name is Fritz Smith and I am Vice President of Research and Industry Relations at VISIT PHILADELPHIA. On behalf of the fifty plus Destination Marketing Organizations in Pennsylvania, I am here to express our support for Senate Bill 721 which would compel on-line travel companies to pay the full retail rate on the hotel occupancy tax on transactions booked for hotel stays on their sites.

Additionally, the bill would direct funds collected from closing this loophole to the Pennsylvania Tourism Office, which has been severely underfunded during the last eight years, and would help to recover the market share, economic impact, and jobs lost while other destinations such as New York State, Virginia, Florida, California and Michigan have capitalized on our absence from the market place by boosting their promotional efforts.

We believe that successful passage of SB 721 would restore the legislative intent of the Tax Reform Code of 1971, which requires the consumer to pay the full tax rate. This is an enforcement/clarification/remittance issue – there is nothing “new” about this tax and it would not change the room rates.

Here is a quote from Maryland Governor Larry Hogan from a few years ago, just before they passed legislation to close the loophole:

“It doesn’t cost the taxpayers of Maryland anything at all. The online companies are charging a fee, a tax if you will, and not remitting that to the state. The consumers are already paying the money and (OTAs) are skimming it off the top . . . I wouldn’t constitute it as a tax increase.” (The

Daily Record, May 11, 2015)”

In the case of hotel rooms booked via on-line travel companies, the customer does actually pay the full tax rate, but not all of that money makes it to the State Treasury for reasons I will illustrate up on the screen.

(cue to Power Point Presentation)

Thank you for this opportunity to present to the Committee and I stand ready to answer any questions.