



# Senate Committee on Community, Economic and Recreational Development

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Senate Bill 656, Printer's No. 980

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Sponsor: Senator Ward

{CERD Hearing: Tourism}

## Bill Summary

Senate Bill 656, Printer's No. 980, amends The County Code (Act 130 of 1955) by **repealing sections 1770.2** (relating to authorization of excise tax) **and 1770.6** (relating to authorization of hotel tax) and providing for a **Hotel Room Rental Tax** in 3rd through 8th class counties through the addition of a {new} sections that would consolidate these provisions, while reflect various reforms, an increase in the maximum tax rate allowed **from 3% to 5%** and for certification of recognized tourist promotion agencies (TPAs).

{Section 1}

**Repeals sections 1770.2** (relating to authorization of excise tax) **and 1770.6** (relating to authorization of hotel tax).

{Section 2}

Adds {new} section 1770.10 (relating to Hotel Room Rental Tax in third through eighth class counties). Significant portions of the language carried over (including the bulk of existing six categories of allowed spending, excepted as noted below) into {new} section 1770.10 is similar to the language currently contained in the sections being repealed (sections 1770.2 and 1770.6). The tax continues to be authorized and imposed by the county and collected and remitted by hotels with the revenue continuing to go to a county's recognized tourist promotion agency (TPA). TPAs would continue to be required the county with an annual audit {new} (or financial statement).

The reforms would include clarifications and modifications meant to ensure revenues from the **Hotel Room Rental Tax** are in fact used by Tourism Promotion Agencies for the marketing and promotion of tourism and travel.

- The six existing categories of allowed spending are condensed to five categories by repealing the convention promotion category and incorporating it instead into the business marketing provision.
- {Paragraph 4} Programs and grants category is tweaked to ensure TPA deems it necessary (related language already existed elsewhere in the spending provisions). Language added to precluded competition with private sector. Finally, language is added

to further emphasize tax revenues to be spent primarily on marketing and promotion (vs. private entity signage, maintenance, capital or economic development, except for a Pennsylvania Visitor Information Center).

- {Paragraph 5} Any other tourism marketing or promotion program or project category is tweaked to ensure TPA deems it necessary (related language already existed elsewhere in the spending provisions). Language added to precluded competition with private sector. Finally, language is added to further emphasize tax revenues to be spent primarily on marketing and promotion (vs. maintenance, capital or economic development, except for a Pennsylvania Visitor Information Center or county-owned minor league baseball stadium).
- **4%** administrative fee (currently section 1770.2 provides for a deduction for direct and indirect costs and section 1770.6 provides for a 2% admin. fee).
- Imposes a **1.5%** penalty per month on the hotel operator for the failure to collect and remit the Hotel Room Rental Tax and allows the county to impose a lien on the hotel.
- Defined terms – Incorporates many of the terms contained in sections 1770.2 and 1770.6 along with some tweaks and additions to those terms that are represented in part by the following:
  - {new} “Cabin.” A permanent structure with beds located on a campground that is available to provide overnight lodging for consideration to persons seeking temporary accommodations.
  - {tweaked} “Hotel” definition is amended to include any “cabins” (which is now also a defined term) on campgrounds located on State land or private property.
    - The term does not include provision is amended to also specify it does not include any charitable institution, or university residence halls occupied by students, hospitals, nursing homes, educational or religious summer camps will not be consider taxable, or part of a campground that is not a cabin.
  - {new} “Marketing.” An Action by a recognized tourism promotion agency that includes, but is not limited to, promoting and encouraging visitors to visit a specific county, counties or geographic region.

Any county currently imposing a local excise tax/hotel tax or that establishes a Hotel Room Rental Tax in the future under these {new} provisions, regardless of the rate of taxation would be subject to the various proposed reforms.

These reform provisions would apply to a total of **54 counties** currently covered by the two sections that would be repealed and consolidated within the proposed {new} section.

- Section 1770.2 – Blair, Cambria, Centre, Chester, Indiana, Lancaster, Lycoming, Mercer and York.
- Section 1770.6 – Armstrong, Beaver, Bedford, Bradford, Butler, Cameron, Carbon, Clarion, Clearfield, Clinton, Columbia, Crawford, Cumberland, Elk, Fayette, Forest, Franklin, Fulton, Greene, Huntington, Jefferson, Juniata, Lawrence, Lebanon, McKean, Mifflin, Monroe, Montour, Northumberland, Perry, Pike, Potter, Schuylkill, Snyder, Somerset, Sullivan, Susquehanna, Tioga, Union, Venango, Warren, Washington, Wayne, Westmoreland and Wyoming.

Also adds {new} section 1770.11, which creates a process to certify or decertify the county’s recognized tourist promotion agency (TPA).

- May not have more than one recognized TPA.

- Certification of recognized TPA is done by resolution of a county and concurred in by resolutions from municipalities that represent in aggregate more than **50%** of the county's population.
- TPA remains recognized until it is dissolved, withdrawn its certification or decertified.
- Decertification is done by a resolution of a county and concurred in by resolutions from municipalities that represent in aggregate more than **65%** of the county's population.
  - There must be at least one public hearing held by the county on the decertification (not less than 7 days before meeting to adopted decertification resolution).

{Section 3}

Existing TPA continue to exist and do not have to enact a new ordinance if the ordinance imposing the tax is otherwise consistent with the provisions of {new} section 1770.10.

This act shall take effect immediately.

### **Other legislation**

House Bill 794 (Gillespie) has also been introduced and is similar legislation, although it is less restrictive in terms of how the tax revenues can be spent.

Both House Bill 794 and Senate Bill 656 can trace their roots to the efforts and input by the Pennsylvania Association of Travel and Tourism (PATT), Pennsylvania Restaurant and Lodging Association (PRLA) and County Commissioners Association of Pennsylvania (CCAP) Task Force on Hotel Room Rental Tax.

### **Existing Law**

The act of August 9, 1955 (P.L.323, No.130), known as The County Code.