

 **POSITION STATEMENT**

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STATE SALES AND USE TAX

POSITION:

The Pennsylvania Association of Convention and Visitors Bureaus opposes an increase in the state sales and use tax.

CURRENT BILLS:

In February, Governor Rendell presented his proposed 2007-2008 budget plan to the Pennsylvania General Assembly. To fund the budget, he has proposed a 1% increase in the state sales and use tax rate.

SUMMARY:

The sales and use tax rate would increase by 1 percent, from 6% to 7%, effective July 1, 2007. The 1% increase is expected to generate \$1.246 billion during 2007-2008: \$826 million would remain in the General Fund, and \$420 million would be transferred to the Property Tax Relief Fund to provide additional tax relief for Pennsylvanians. Beginning July 1, 2008 and thereafter, 50% of the proposed rate increase would be deposited in the Property Tax Relief Fund. The sales tax rate in Philadelphia and Allegheny Counties would be pushed to 8%, or a total of 14% total tax paid by a guest for a hotel room. Adding the 1% sales tax to the hotel tax would place these two destinations among the highest hotel room tax rates (15%) in the country. According to the Chicago Convention & Tourism Bureau's 15th Annual Competitive Analysis Report. Columbus, Ohio and San Antonio, Texas are the highest at 16.75.

DISCUSSION:

The 1% increase in the sales and use tax rate would also increase the state hotel occupancy tax by 1%. Statewide, lodging facilities collect a 6% excise tax on the rent of every occupied room or rooms. Revenues generated from this tax are directed to the state General Fund. An increase in the state hotel occupancy tax would make it more difficult to raise county hotel room rental taxes in the future. Generally, revenues generated from the county room taxes are directed to local tourist promotion agencies and are used for tourism marketing purposes on the local level. Currently, several counties have an interest in raising the county hotel room taxes in their respective counties. An increase in the state hotel occupancy tax and an increase in the county hotel tax would be problematic. A combined total tax increase of 2% would make the tax burden uncompetitive compared to other room tax percentages in the country, and would result in a reduction in room sales and associated visitor spending. Also, the additional tax revenue from the 1% percent increase in the Governor's proposal would not provide property tax relief for businesses.

4/5/07 - Approved by Board of Directors

5/22/07