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Allegheny Institute Op-Ed

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### Questions abound over proposed hotel tax hike

By Colin McNickle

Legislation introduced in Harrisburg allowing Allegheny County to increase its 7 percent hotel tax to as high as 9 percent raises more questions than answers, say scholars at the Allegheny Institute for Public Policy.

And if the money truly is needed -- and there are serious questions if it is -- there is a far more efficient way to generate and apply it, say Eric Montarti, a senior policy analyst at the think tank, and Jake Haulk, the institute's president.

"A new tax should not be the first option," they say (*in Policy Brief Vol. 17, No. 15*).

The tax hike request euphemistically is called a "tourism promotion fee." Its backers' stated goal is to create a "sports commission" whose role would be to attract marquee events to the county.

While the legislation would allow up to a 2 percentage point increase in the hotel tax, backers say they would, at least initially, only tap 1.25 percent. The Greater Pittsburgh Hotel Association supports the tax hike. Hotel bills would rise negligibly, proponents say.

Other entities would share in the proceeds (about \$6 million based on last year's occupancy) -- from Visit Pittsburgh and Visit Monroeville, the respective tourism agencies, to the Pittsburgh Film Office and the Pittsburgh-Allegheny County Sports and Exhibition Authority (SEA).

Even Allegheny County would take a cut -- more than a quarter-million dollars annually *to collect and distribute the new tax receipts*. But of course.

However, Montarti and Haulk note that the same arguments being made now for the hotel tax increase were made for the Regional Asset District (RAD) tax, for the construction of new sports stadiums, for a new convention center and for use of gambling proceeds.

"In short, (the argument was to) produce more and better things to do and places to visit for out-of-town folks who will need hotel rooms while visiting," they say.

When it comes to government and taxation, nothing ever seems to be enough. And this tax increase proposal is punctuated with question marks, the Allegheny Institute scholars say.

Not only is the legislation not clear about whether some of the allocations are one-time outlays or recurring, specifics about how the new commission's reserve fund would be administered are lacking, Montarti and Haulk say.

There also are significant questions about the function of the sports commission. Three duties are specified -- ranging from "construction, upgrades and maintenance of amateur sports-related tournament locations in parks," to upgrading county swimming pools, to "enhancing the marketability of sports-related events" in those county parks.

But as the think tank scholars remind, hundreds of millions of dollars have been spent on these parks over the last two decades. Multiple millions also have been spent on the Pittsburgh convention center.

Furthermore, plans by the SEA to use proceeds from the higher hotel impost to "enhance the convention and sports experience for clients" of Pittsburgh's convention center -- with everything from stadium-style seating and multiple playing courts for (but not limited to) basketball, volleyball, soccer and lacrosse -- should really raise eyebrows.

"Does this mean the convention center would become another multi-sport venue?" ask Montarti and Haulk. "If it is, what impact will that have on its existing facilities and what does it imply for the center's intended use as a facility to host conventions, trade shows, etc."

And what of other existing facilities -- including PPG Paints Arena, PNC Park and Heinz Field (and also heavily taxpayer-subsidized) -- that are better suited to host such events?

"One must wonder why the city and region would focus so intensely on growing a sector that has already received so much public money for the purpose of getting visitors to the city and county," they add.

There is a better way, the researcher say. That is, if a sports commission actually has merit.

"Wouldn't it be refreshing for the hotel association to ask its members to establish a fund in which each member would commit an annual contribution to create a sports commission?" Montarti and Haulk ask.

"If the tax is only 1.25 percent, why not just boost room rates (by) one percent and use that for the sports commission? If the tax is not going to be noticed by clients, why would they notice a tiny room rate increase?

"Why ask for another tax?" the researchers press, noting how that only results in more work for the county and the state Legislature -- "more strings and government oversight."

Then again, that just might be the goal of this latest attempt in Pittsburgh and Allegheny County to tax us back to prosperity.

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