



May 26, 2021

Policy Brief: Volume 21, Number 20

Allegheny County's hotel tax fell sharply in 2020

Summary: Allegheny County levies a 7 percent hotel room rental tax that is used primarily for debt on the David L. Lawrence Convention Center and tourism promotion. Data from the County Controller's Office show 2020 tax revenue was \$22.7 million below 2019's collections.

2020 was a very bad year for the hospitality industry, nationally and locally. Events were postponed or canceled and business and leisure travel was curtailed. As a result, bookings for hotel stays and revenue fell dramatically. According to Visit Pittsburgh 485 business and sports events were canceled or postponed. Hotel occupancy averaged a meager 34 percent in Allegheny County.

Operators of hotels, motels and, in recent years, AirBNB-type rentals, are required to collect a 7 percent hotel room rental tax for Allegheny County (this is in addition to the 7 percent state and county sales, use and hotel occupancy tax). The tax revenue is deposited in a special fund administered by the county treasurer.

Hotel tax revenue is reported by the county on a one-month lag; thus, the December 2020 collections reflect November activity. Each reference to a month in this *Brief* will be to the month revenue was reported.

Total hotel tax revenue in 2020 was \$15.0 million, which was \$22.7 million (60.2 percent) below 2019 revenue. There were two months where revenue exceeded the same month in 2019—January and February. Every other month afterward was down from 2019 as the pandemic took hold. June and July year-over-year losses were \$6.1 million combined.

Hotel Tax Revenue, 2019 and 2020 (\$000s)

Month	2019	2020	\$ Difference	% Difference
January	2,670	2,921	251	9.4
February	2,011	2,065	54	2.7
March	2,184	2,069	-115	-5.3
April	3,198	940	-2,258	-70.6
May	3,146	257	-2,889	-91.8
June	3,482	400	-3,082	-88.5
July	3,612	591	-3,021	-83.6
August	3,574	1,218	-2,356	-65.9
September	3,754	1,158	-2,596	-69.2
October	3,692	1,257	-2,435	-66.0
November	3,750	1,362	-2,388	-63.7
December	2,702	806	-1,896	-70.2
Annual	37,775	15,044	-22,731	-60.2

On a percentage basis, May revenue was 91.8 percent lower than the previous May and represents the biggest year-over-year drop in 2020. The best month on a year-over-year basis was January when revenue was 9.4 percent greater than January 2019.

Data from the county treasurer’s website show that annual hotel tax revenue climbed from \$30.2 million in 2013 to \$38.2 million in 2019. Aside from a slight decrease in 2017, annual collections grew each year over the previous year during that period. Compared to those years, 2020’s collections represent five or six months’ collections.

While the tax rate is 7 percent, that total is actually the result of state statutes that permit the county to levy a separate 5 percent tax and a 2 percent tax. Each have a different distribution formula and recipients that benefit from the tax. Statutory disbursements from the 5 percent tax include allocations to (1) the Municipality of Monroeville for tourism promotion (the municipality receives a percentage of hotel tax revenue generated within Monroeville); (2) debt service on the David L. Lawrence Convention Center; (3) Allegheny County for collecting the tax and (4) VisitPittsburgh for tourism promotion. Any remaining money is used for discretionary disbursements for operations and maintenance at the Convention Center and for tourism events or organizations.

The 2 percent tax was added by the 1997 state law that authorized the Regional Renaissance Initiative ballot question. After paying Monroeville’s distribution under the same formula used as the 5 percent tax, the remainder goes to debt service on the Convention Center. There are no disbursements for the county, VisitPittsburgh or discretionary use from the 2 percent tax.

Each of the statutory disbursements was smaller in 2020 than in 2019 with reductions ranging from 22 percent for debt service to 81 percent for VisitPittsburgh.

As an example, monthly disbursements for the Convention Center debt service were \$1.1 million in 2019, or \$13.8 million total. The monthly amount stayed the same for the first three months of 2020. Dwindling tax receipts lowered the amount disbursed in every other month in 2020—with the exception of October and November. Reserves from the fund bolstered disbursements and \$13.4 million was disbursed for debt service last year.

Total statutory and discretionary disbursements from the hotel tax were \$19.0 million, down from \$35.7 million in 2019. The disbursements in 2020 were \$3.9 million greater than tax revenue, which caused the fund balance to fall from \$14.3 million in January of 2020 to \$10.4 million at the end of the year.

What do the coming months portend? With the state removing pandemic mitigation orders at the end of May, will hotel business bounce back quickly? Or will it take several months or even years for travel-related activity to get back to pre-pandemic levels? The county's fiscal plan for 2021 forecasted that by 2023 collections will total \$29.1 million but will stay under \$30 million for the following two years, well below the \$38 million collected in 2019.

Recall a few years ago the local tourism industry backed a further 2 percent increase in the hotel tax to boost tourism and events. It would have funded the creation of a sports commission and provided money to other local entities. The proposal did not advance and was essentially preempted when the General Assembly repurposed a stream of slot machine revenue that was used for the Convention Center's operating deficit to create the sports commission.

One thing is clear. The 2 percent tax added in 1997 should be allowed to expire as the statute requires, when the convention center bonds secured by the tax are retired or in 2027, whichever is first. Special purpose, time limited taxes such as the 2 percent add-on hotel tax must not become permanent. That simply ratchets up government involvement in the economy. Something Allegheny County could use less of, not more.

The Institute will continue to monitor the monthly collections and allocations from the hotel tax, as well as any money from federal stimulus packages that might go towards beneficiaries from the tax, in 2021.

Eric Montarti, Research Director

Policy Briefs may be reprinted as long as proper attribution is given.

Allegheny Institute for Public Policy
305 Mt. Lebanon Blvd.* Suite 208* Pittsburgh PA 15234
Phone (412) 440-0079
E-mail: aipp@alleghenyinstitute.org
Website: www.alleghenyinstitute.org
Twitter: [AlleghenyInsti1](https://twitter.com/AlleghenyInsti1)