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A fee too far for Allegheny County hotels

Allegheny County's 7 percent hotel room rental tax collections, ravaged by the prolonged coronavirus pandemic, began to bounce back in 2021, county data show. But a proposal to add a new fee on top of that tax is shortsighted, concludes an analysis by the Allegheny Institute for Public Policy.

"Given that it would be reasonable to take a 'slow and steady' approach to the coming year, why would there be an effort to pursue an increase in what travelers would pay to stay in Allegheny County?" asks Eric Montarti, research director at the Pittsburgh think tank (in *Policy Brief Vol. 22, No. 7*).

Allegheny County's hotel tax is used primarily for debt on the David L. Lawrence Convention Center and tourism promotion. Data from the County Controller's Office show 2021 tax revenue was $9.7 million above 2020's collections.

It remains below the pre-pandemic collections of 2019. But in a recent presentation to the local tourism community, a consultant forecasted that hotel stays, room rates and spending will "bounce back close to 2019 pre-pandemic levels."

It is encouraging news for hotel, motel and AirBNB operators required to collect the tax -- collected in addition the 7 percent state and county sales, use and hotel occupancy tax – and deposited in a special fund.

While the tax rate is 7 percent, that total is the result of two state statutes that permit the county to levy a 5 percent tax and a 2 percent tax. The distribution formula and revenue recipients are different for the two taxes.

Statutory disbursements from the former tax include allocations to the Municipality of Monroeville for tourism promotion; debt service on the David L. Lawrence Convention Center; Allegheny County for collecting the tax and VisitPittsburgh for tourism promotion.

The latter 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.

But there is a move afoot in the Pennsylvania General Assembly to enable Allegheny County, the only "county of the second class," to create "neighborhood improvement districts." Such districts would be able to levy a special assessment fee that could be passed on to travelers.

Philadelphia created the Philadelphia Hospitality Improvement District in 2017. It allows hotels with 50 or more rooms to levy a special assessment, currently 0.75 percent. It's stated purpose is to "fill hotel rooms by incentivizing conventions and large events to come to Philadelphia."

That is, it's a taxpayer subsidy.

Local officials argued last fall that authorizing such a special levy will "expand promotional activities and help local hotels" due to the pandemic. But, asks Montarti, "Wasn't that why new convention centers, stadiums and other cultural attractions were built?"

Proceeds from Allegheny County's proposed special levy also would benefit the city-county Sports & Exhibition Authority (SEA), the money used to maintain the convention center and the homes of the Pittsburgh Penguins, Pirates and Steelers. The SEA already receives a distribution from the Regional Asset District for that purpose.

"Why not ask the professional sports teams to do more?" Montarti says. "A better approach is to shelve the improvement district and the fee and let the 2 percent tax added in 1997 expire as it is supposed to," leaving a hotel tax of 5 percent.

Then those seeking a piece of the generated revenue can devise a plan how best to set a statutory distribution formula.

But raising the cost for the tourists you're seeking to attract would be anathema to the goal and the antithesis of sound public policy.

Colin McNickle is communications and marketing director at the Allegheny Institute for Public Policy (cmcnickle@alleghenyinstitute.org).

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