



House of Representatives

General Assembly

File No. 185

January Session, 2011

Substitute House Bill No. 6396

House of Representatives, March 23, 2011

The Committee on Commerce reported through REP. BERGER of the 73rd Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

AN ACT CONCERNING FUNDING FOR TOURISM.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. (NEW) (*Effective July 1, 2011*) If, during any fiscal year, the
2 sales tax revenue collected by the Commissioner of Revenue Services
3 from businesses in Standard Industry Classification Codes (1) 5811,
4 eating places only; (2) 5812, eating and drinking places; (3) 5813,
5 drinking places—alcoholic beverages; (4) 7010, hotels, motels and
6 tourist courts; (5) 7020, rooming and boarding houses; (6) 7030, camps
7 and trailer parks; (7) 7033, trailering parks and campsites; (8) 7041,
8 organization hotels and lodging house; (9) 7920, producers, orchestras
9 and entertainers; (10) 7940, commercial sports; (11) 7990, miscellaneous
10 amusement and recreation; (12) 7991, boat and canoe rentals; (13) 7992,
11 public golf courses and swimming pools; (14) 7996, amusement parks;
12 (15) 7998, tourist attraction; (16) 7999, amusement not elsewhere
13 classified; and (17) 8420, botanical and zoological gardens exceeds the
14 amount collected during the fiscal year ending June 30, 2011, by more
15 than three per cent, the commissioner shall segregate the amounts

16 collected beyond such three per cent and transfer such amounts to the
17 state-wide tourism marketing account established pursuant to section
18 10-395a of the general statutes. The amount segregated pursuant to this
19 section shall not exceed three million dollars during any fiscal year.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>July 1, 2011</i>	New section

CE *Joint Favorable Subst.*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 12 \$	FY 13 \$
Commission on Culture and Tourism - State-wide Tourism Marketing Account	GF - Revenue Gain	Up to 3,000,000	3,000,000
Department of Revenue Services	GF - Revenue Loss	Up to 3,000,000	3,000,000

Note: GF=General Fund

Municipal Impact: None

Explanation

The bill diverts up to \$3 million in additional sales tax revenue from specific tourism-related businesses to the state-wide tourism marketing account in the Commission on Culture and Tourism. This transfer is applicable only if the total sales tax revenue from these businesses exceeds the total FY 11 amount by 3%.

The diversion of these revenues would decrease unrestricted resources in the General Fund. Any transfer would decrease future surpluses and could increase future deficits in the General Fund.

Background

The estimated FY 11 sales tax revenue in these sectors is \$300 million. Any transfer in subsequent years would require these businesses to collect and remit over \$309 million in total sales tax. Were these businesses to remit \$312 million or more in total sales tax, then the Commissioner of Revenue Services would transfer the full \$3 million allowed into the account.

The Out Years

Assuming positive inflationary increases in the future, it is anticipated that the revenue diversion will be at the \$3 million cap.

Source: Department of Revenue Services

OLR Bill Analysis**sHB 6396*****AN ACT CONCERNING FUNDING FOR TOURISM.*****SUMMARY:**

This bill diverts increases in sales tax revenue from specified tourism-related businesses to fund the Connecticut Commission on Culture and Tourism's (CCCT) statewide tourism marketing program. It does so by establishing FY 11 as the base year and, if sales tax revenue from the specified businesses in subsequent fiscal years exceeds FY 11 revenue by more than 3%, requires the revenue services commissioner to transfer up to \$3 million of the revenue to the General Fund's nonlapsing statewide tourism marketing account.

EFFECTIVE DATE: July 1, 2011

TOURISM-RELATED BUSINESSES

The bill identifies the types of businesses from which the revenue services commissioner must segregate sales tax revenue based on the Standard Industrial Classification (SIC) code (which has been replaced by the North American Industrial Classification System). The code groups businesses into categories and assigns a number to each. The categories of businesses are:

1. eating places only (SIC 5811);
2. eating and drinking places (SIC 5812);
3. drinking places – alcoholic beverages (SIC 5813);
4. hotels, motels, and tourist courts (SIC 7010);
5. rooming and boarding houses (SIC 7020);

6. camps and trailer parks (SIC 7030);
7. trailering parks and campsites (SIC 7033);
8. organization hotels and lodging houses (SIC 7041);
9. producers, orchestras, and entertainers (SIC 7920);
10. commercial sports (SIC 7940);
11. miscellaneous amusement and recreation (SIC 7990);
12. boat and canoe rentals (SIC 7991);
13. public golf courses and swimming pools (SIC 7992);
14. amusement parks (SIC 7996);
15. tourist attractions (SIC 7998);
16. amusements not elsewhere classified (SIC 7999); and
17. botanical and zoological gardens (SIC 8420).

BACKGROUND

Business Classification Codes

SIC is a system for classifying businesses developed during the 1930s. It initially consisted of separate codes for manufacturers and other types of businesses and was periodically revised to reflect changes in the way goods were made and services delivered. But despite the revisions, users and analysts criticized SIC as outmoded and out of sync with the economy.

The North American Industrial Classification System (NAICS), developed pursuant to the North American Free Trade Agreement, groups businesses that use the same or similar processes to make goods or deliver services. Consequently, NAICS reflects the greater role service businesses play in the economy.

Related Bills

sHB 6396 establishes an identical, but temporary, mechanism to fund the regional tourism marketing matching grant program it creates. The Commerce Committee reported the bill favorably to the floor on March 8.

sHB 1002 transfers CCCT's duties and powers to the Department of Economic and Community Development (DECD). In doing so, it changes the commission into a committee advising the DECD commissioner. The Commerce Committee reported the bill favorably to the floor on March 17.

COMMITTEE ACTION

Commerce Committee

Joint Favorable Substitute

Yea 17 Nay 0 (03/08/2011)