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**OLR Bill Analysis****sHB 6398*****AN ACT CONCERNING PERFORMANCE-BASED TOURISM MARKETING.*****SUMMARY:**

This bill creates a temporary funding stream for marketing programs and activities implemented by the state's three regional tourism districts. It creates a separate nonlapsing General Fund account and transfers to it up to \$3 million in potential increases in the gross sales tax revenue generated in FY 12 through FY 15 by specified tourism-related businesses.

The bill authorizes Culture and Tourism Commission's executive director to use the account to make grants to the regional tourism districts that match the grants with private dollars. The commission may adopt regulations for administering these grants.

EFFECTIVE DATE: July 1, 2011

**FUNDING MECHANISM**

The bill establishes the tourism supplemental revenue account and funds it with some of the increase in annual sales tax revenue tourism-related businesses generate. It establishes FY 11 as the base year for measuring the increase in each of the subsequent fiscal years until the start of FY 16. When the revenue in those years exceeds the FY 11 revenue by 3%, the revenue services commissioner must transfer the amount of the increase up to \$3 million to the account. The commissioner must do this in FY 12 through FY 15.

**TOURISM-RELATED BUSINESSES**

The bill identifies the 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commissioner must segregate sales tax revenue based on the Standard Industrial Classification (SIC) code (which has been replaced by the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 one. The categories from which the commissioner must segregate sales tax revenue 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 not reflective of 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 6398 establishes an identical, albeit permanent, mechanism to fund the Culture and Tourism Commission's statewide tourism promotion program. The Commerce Committee reported the bill favorably to the floor on March 8.

sHB 1002 transfers the Culture and Tourism Commission'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)