



TO: Members of the Oregon State Legislature

FROM: Bobbie Singh-Allen, Executive Director

RE: Opposition SB 1519

DATE: February 2, 2012

On behalf of the Independent Lodging Industry Association and over 3,000 independent hotel members nationwide and more than 55 members in Oregon. We respectfully urge you to **Oppose SB 1519. Do not place an occupancy tax on services that benefit local lodges, inns and service providers in Oregon. Senate Bill (SB) 1519 would create a new tax in Oregon.**

SB 1519 would create a new tax on the service customers use to book rooms in Oregon, increasing the cost of tourism in Oregon.

Independent hotel owners rely on travel agents and online travel companies to help sell hotel rooms that would otherwise go unsold. Because they lack the marketing infrastructure of large hotel chains, independent hotel companies often find it helpful to partner with travel agents and online travel companies—particularly during slower travel seasons. In this way, owners of independent hotels can reach out-of-state visitors throughout the world who might never hear of these properties but for the marketing reach of their online partners.

The lodging industry has suffered in this weakened economy. Online Travel Companies (OTCs) such as Expedia, Orbitz, Travelocity, and others are playing a vital role in boosting room sales in these difficult times. The heads OTCs put in beds often is the difference between profitability or loss for many hotel operators

This, in turn, means that **proposals to raise taxes on travel agents and online travel companies threaten to cause disproportionate harm on the small business owners who operate independent hotels.**

Independents can't match large corporate hotel's marketing war chests, thus they rely heavily on OTCs to compete with branded hotels. Without a robust OTC channel, independent hoteliers will be put at a competitive disadvantage with chain hotels. It's critical that OTCs not be marginalized as it would diminish the ability of independent hotels to compete effectively.

Hotels, with the help of Online Travel Companies, boost the local economy by supporting jobs and increasing tourism. When people travel, many supporting businesses benefit. Every effort must be made to stimulate the economy and job growth.

For the sake of tourism and the small business owners who operate independent hotels in the state, I urge you to oppose any efforts to tax interactive travel services and SB 1519.

Thank you very much for your attention to this matter. If I can answer any questions about this bill or its impact on our membership, please do not hesitate to contact me.

Respectfully yours,

Bobbie Singh-Allen

Bobbie Singh-Allen, J.D.
Executive Director

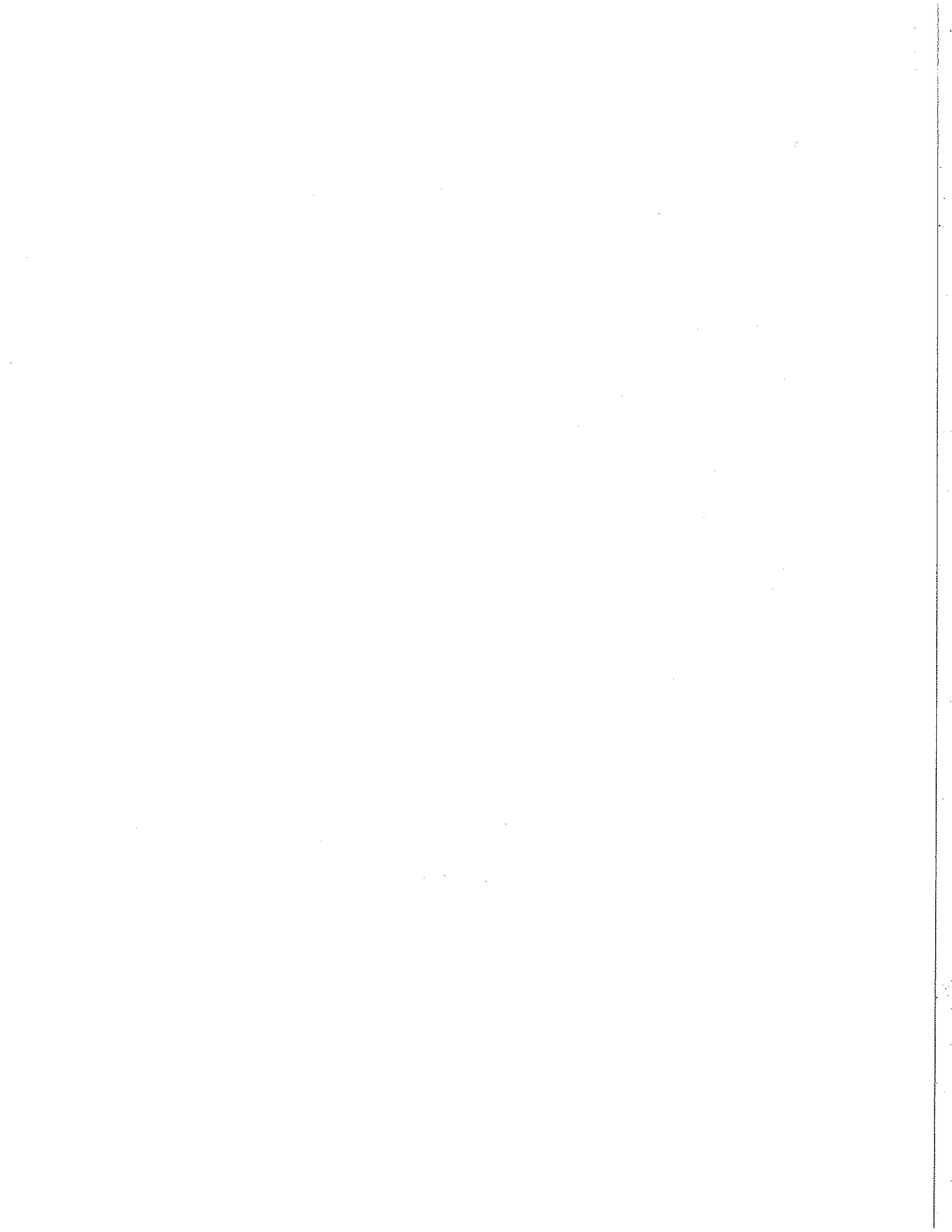
ILIA Members in Oregon (Partial List)

Bend Value Inn Bend
Brookings Inn Resort, An Independent
Magnuson Hotel
Budget Inn Albany
Budget Inn Ontario OR
Budget Inn Oregon City/Portland
Cameo Motel Portland
Cascade Lodge Bend
Clatskanie River Inn
Columbia Inn Astoria
Crown Pacific Inn Depoe Bay
Crown Pacific Inn Express Lincoln City
Dunes Motel Bend
Edgewater Inn Shady Cove
Eldorado Inn Baker City
Guest House Inn Junction City
Guest House Inn Junction City
Holiday Motel Bend
Inn at Cape Kiwanda
Interstate 8 Motel Lakeview
Lakeview Lodge Motel
Morgan Inn & Suites Walla Walla
Motel West Bend
Palace Inn & Suites Lincoln City

Parkway Inn Eugene
Red Carpet Motel Eugene
Royal Crest Inn Medford
Royal Inn Eugene
Seashore Inn on the Beach Seaside
St. Helen's Village Inn Motel
St. Helen's Village Inn Motel
Stockmans Motel
Sweet Breeze Inn II Winston
The La Grande Inn
The La Grande Inn
Three Rivers Inn Wasco/Biggs
Tradewinds Motel Rockaway Beach
Tradewinds Motel Rockaway Beach
Valley Inn Lebanon
Walla Walla Vineyard Inn
Walla Walla Vineyard Inn
Westward Ho Motel
Budget Lodge Eugene
Edgewater Inn Coos Bay
Edgewater Inn Shady Cove
Ontario Inn
Relax Inn Pendleton
Riverside Inn Dallas
Sunset Motel Hood River

About Us:

The Independent Lodging Industry Association (ILIA) is a national association with over 3000 members nationwide. It was founded in 2010 by the California Lodging Industry Association (CLIA). CLIA was established 65 years ago by a group of independent hotel owners and operators. Over the past several decades, independent hotels, independently owned franchised hotels, and owners have been impacted by decisions being made out of the halls of State Capitols to Washington, D.C. Chain hotels have dominated the policy making process. ILIA will level the playing field and allow independent hotels a seat at the table. For more information, please contact me at: bobbie@independentlodging.org or 916-826-2075.





The **Interactive Travel Services Association (ITSA)** is the association for online travel companies and global distribution systems. ITSA is the voice of the industry on public policy matters, and on educating policy makers, opinion leaders and the traveling public about the industry and matters of importance that affect travel and tourism.

ITSA Members

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TRAVEL FACILITATORS PROVIDE HIGH VALUE TO CONSUMERS, BUSINESSES, STATES & MUNICIPALITIES ALIKE

For decades, travel facilitators have helped consumers make informed choices and save money. Store front travel agencies still exist and are a vibrant part of the small business fabric of many communities, but they are now supplemented by larger travel agency networks and online travel web sites. These facilitators have proven to be high-value business partners to the airlines, hotel and hospitality industry, rental car companies, and the many related parties connected to the greater travel and tourism industry. Facilitators also foster increased travel and tourism to locales around the U.S., creating much-needed tax revenue for state and local economies.

HOW TRAVEL FACILITATORS OPERATE

It is important that public officials, business leaders and the news media who care about travel and tourism understand the manner in which travel facilitators operate. A specific line of business referred to as the “merchant model” has been the source of debate and confusion. The merchant model reflects the process by which a travel facilitator negotiates a discounted rate with a hotel operator, then actively merchandises the property, charging a higher (but still discounted) price to cover the sales, marketing and processing costs. The customer is then charged a total price that includes the undisclosed rate charged by the hotel to the facilitator, all applicable state/local taxes, and the facilitator’s margin.

Overview of Travel Facilitator’s Business Model (Merchant Model)

Hotel agrees to allow the facilitator to arrange room reservations for customers.



Facilitator offers reservation arrangement services via Internet.



Customer books hotel reservation and facilitator charges the credit card.



Hotel then invoices the facilitator for the room rate and tax recovery.



Facilitator retains only their margin and service fee.



Hotel remits required taxes to their taxing authority/ treasury.

SETTING THE RECORD STRAIGHT ON ONLINE TRAVEL COMPANIES AND HOTEL OCCUPANCY TAXES

The Interactive Travel Services Association (ITSA) works diligently to educate the public, authorities, elected officials and the news media to explain the OTC-hotel relationship and business model. In the context of this discussion, here are a few clarifications about OTCs:

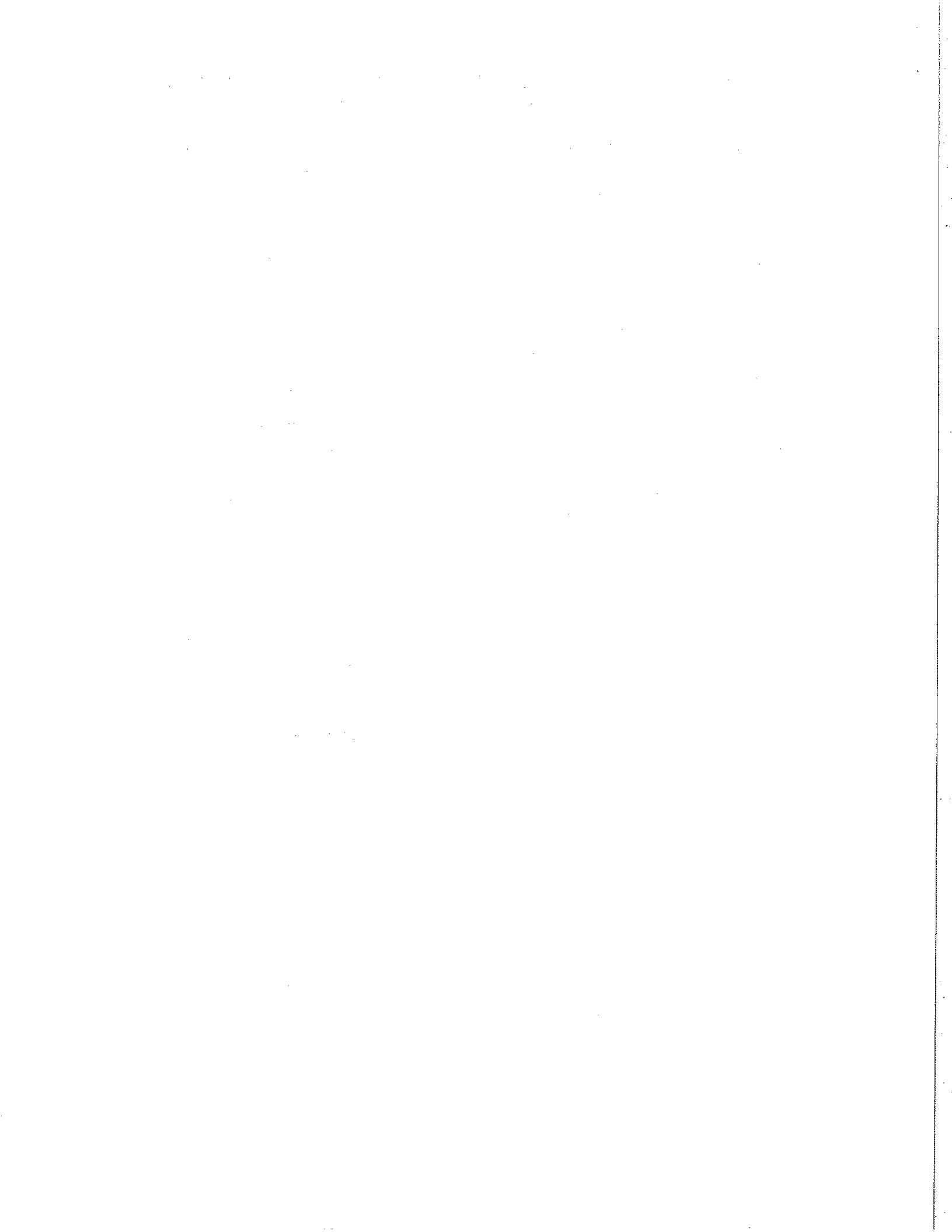
OTCs DO...

- Pay ALL taxes collected to hotel operators, who in turn remit the proper and FULL amount to their designated treasury
- Provide full price disclosure with no misleading language or deception to customers
- Create global marketing reach for hotel operators, especially helping Main Street small businesses which may not have the means to widely advertise themselves
- Hold a favorable decision record of approximately 75% in hotel occupancy tax litigation court decisions
- Promote consumer choice, access, confidence, protection and information in a rapidly growing world of online travel

OTCs DO NOT...

- Own or operate hotels
- Control hotels
- Purchase, sell or resell hotel rooms
- Furnish accommodations
- Charge rent or gross proceeds
- Collect and pocket tax dollars
- Act as an agent on behalf of hotel operators
- Receive commissions from hotels, under the merchant model
- Exploit tax loopholes or avoid paying taxes

For more information, please contact the Interactive Travel Services Association at (202) 557-4180 or Jrubin@interactivetravel.org.



Online Travel Companies Do Not Collect and Fail to Remit Taxes

Every court that has addressed the false allegation that online travel companies (“OTCs”) have collected but failed to remit taxes has rejected it. No court or hearing officer or jury has ever found that the OTCs have collected but failed to remit taxes.

Case	Result on this issue
<i>City of San Antonio et al. v. Hotels.com et al</i> , Civil No. SA-06-CA-381-OG, Verdict of the Jury (Oct. 30, 2009).	For OTCs: OTCs have <u>not</u> “converted alleged tax monies belonging to the Cities.”
<i>City of Findlay v. Hotels.com</i> , 2010 WL 4806850 (N.D. Ohio Nov. 18, 2010).	For OTCs: As to “whether [OTCs] have deceived consumers by pocketing amounts charged as taxes,...there is no evidence [OTCs] have done so here.” <u>(Court found no evidence that OTCs collect but do not remit taxes even after giving plaintiffs two years to conduct discovery on that claim.)</u>
<i>Expedia v. City of Anaheim</i> , No. JCCP 4472, slip op. at 5 (Cal. Super. Ct. 2010).	For OTCs: “OTCs use the net rate to calculate the transient occupancy tax...”
<i>City of Atlanta v. Hotels.com</i> , 710 S.E.2d 766 (Ga. May 16, 2011).	For OTCs: “OTCs calculate the hotel occupancy tax amount based on the wholesale rate the OTC negotiates with hotels...and not on the retail room rate the OTC charges the customer.”
<i>Travelscape, LLC v. South Carolina DOR</i> , 705 SE2d. 28 (S.C. Jan. 18, 2011).	For OTCs: “The tax recovery charge, which is based on the net room rate, corresponds with the sales tax owed by the hotel.”
<i>Travelscape, LLC v. South Carolina DOR</i> , Docket No. 08-ALJ-17-0076-CC at ¶¶6, 11, State of South Carolina Department of Revenue Commission (02/12/2009).	For OTCs: “Petitioner does not impose Tax Recovery Charges on the Margin or fees it charges as compensation for its services.”
<i>City of Philadelphia v. Expedia</i> , Docket No. 36HRMERZZ9933, Philadelphia Tax Review Board (July 67, 2010).	For OTCs: “[Expedia] would collect an amount equal to the City’s Hotel Room Rental Tax as a percentage of the net amount charged by the hotel, and not on its facilitation fee.”
<i>Orange County, FL v. Expedia et al</i> , Case No. 48-2006-CA-2104-O, Ninth Judicial Circuit Court, Orange County, FL (Jan. 20, 2011).	For OTCs: “In calculating the amount of taxes owed, the contracts between the Defendants and the hotels call for calculation and payment of taxes on the ‘wholesale’ price of the room, not the ‘retail’ price paid by the ultimate consumer.”
<i>City of Gallup v. Hotels.com</i> , No. 2:07-cv-00644-JEC-RLP (D.N.M. 2010).	For OTCs: “Even if Defendants could nonetheless be characterized as trustees of taxes, Plaintiffs have not established that Defendants collected taxes over and above what they have remitted to the vendors.”

