



Date: June 10, 2013

To: Chair Ginny Burdick and Members of the
Senate Finance & Revenue Committee

From: Bill Perry, Vice President of Government Affairs
Oregon Restaurant & Lodging Association

Subject: HB 2656 – Collection of Lodging Taxes

Chair Burdick and Members of the Committee,

For the record, I am Bill Perry from the Oregon Restaurant & Lodging Association, here today in support of HB 2656. HB 2656 clarifies how lodging taxes should be collected from lodging sales across the state, and establishes some uniformity on these collections.

Online travel companies (OTCs) typically choose to calculate state and local hotel occupancy taxes based on the wholesale cost they pay to a hotel for a room, rather than the retail price they receive from the customer. This practice results in lower taxes collected by state and local jurisdictions for rooms booked through an OTC, rather than directly with a hotel.

Statewide, a large portion of this money would go to tourism promotion efforts both at the state and local levels. Dollars would also be collected to assist with infrastructure support for communities that had taxes in place for this purpose before legislative changes enacted in 2003.

Many jurisdictions have become aware of this strategy and have filed lawsuits against some of the OTCs for what they contend are unpaid tax revenues. In response, these companies are seeking legislation in Congress that would protect this practice by making it a legitimate tax exemption through a federal preemption of state and local authority.

OTCs include Expedia, Orbitz, Travelocity, and others, are also referred to as “third party intermediaries” (TPIs). In some cases, a hotel enters into a contract with a TPI to provide rooms at the same rate as the hotel sells the room. The agreement allows the TPI to keep a portion of the room cost as a type of sales commission; the TPI then returns the remainder of the room sale to the hotel, i.e. the “wholesale cost.” This is referred to as the “wholesale booking model.”

The center of the dispute involves other instances that follow the “commission model,” which is similar to the model used by traditional travel agencies. When using the wholesale booking model, a TPI advertises a room to consumers at a normal rate but higher than what is called the “wholesale cost” and includes unspecified taxes and fees in its final price.

There is discussion at the federal level regarding legislation that would require the TPIs to disclose to consumers what portion of the “taxes and fees” are being passed on to the various government entities, and what portion of such is being retained by the TPI.

HB 2656 would create a uniform practice in statute on what many thought was already in place. ORLA believes that every local government in the state that collects lodging taxes could sue the OTC’s and recover the back taxes owed to these jurisdictions. However, we choose to go the legislative route, and concentrate on proper collections moving forward. Stakeholders in the lodging industry, in local government, and consumers in general, believe that taxes should be paid and collected on the retail price of the room. In fact, the state of Minnesota passed legislation that accomplishes this exact practice; several other states are also working to address this issue as well.

Tax collections should not suffer if hotels decide to give the TPI’s a larger commission on room sales. As people start to travel again, this money that should be going to local municipalities throughout the state, could add a much needed boost to our tourism promotion efforts.

Thank you for your time today. Please support HB 2656, and I would be happy to answer any questions you may have.

Bill Perry
Oregon Restaurant & Lodging Association



Thu Feb/28/2013 - Fri Mar/1/2013

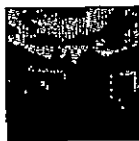
Itinerary

CONFIRMED

Confirmation #

Thu Feb/28/2013 - Fri Mar/1/2013, 1 room | 1 night

We have confirmed your hotel reservation with the property.



United States of America

Tel: 1

Checking in

- Check-in time starts at 3 PM
- Your room will be guaranteed for late arrival

Important Hotel Information

Although Expedia does not charge a fee to change or cancel your booking, may still charge a fee in accordance with its own rules & regulations.

- Cancellations or changes made after 6:00 PM (Pacific Daylight Time (US & Canada); Tijuana) on February 27, 2013 are subject to a hotel fee equal to 100% of the total amount paid for the reservation.
- View your online itinerary for additional rules and restrictions.

Award points and airline mileage may not be awarded when booking an Expedia Special Rate hotel.

Price Summary

Total	\$154.89
Collected by Expedia	
Room Price	\$154.89
1 night	\$139.00
Taxes & Fees	\$15.89

All prices quoted in USD.

Additional Hotel Services

The following fees and deposits are charged by the property at time of service, check-in, or check-out.

- Buffet breakfast fee: USD 8.95 per person (approximately)

The above list may not be comprehensive. Fees and deposits may not include tax and are subject to change.

Room

King Room

Includes: Free High-Speed Internet

Confirmation #:

Reserved for

Darren
2 adults

Requests

One King Bed, non-smoking room

Darren
333 108th Ave Ne
Bellevue WA 98004

Room: 155
Room Type:
Number of Guests: 2
Rate: \$118.15
Clerk:

28Feb13	Room Charge	118.15
28Feb13	Room Tax	11.22
28Feb13	State Occupancy Tax	1.18
	Balance:	130.55

As a you could have earned points toward your free dream vacation today. Start earning points and elite status, plus enjoy exclusive member offers. Enroll today at the front desk.

As requested, a final copy of your bill will be emailed to you at: See "Internet Privacy Statement" on Marriott.com.

The undersigned agrees to make immediate payment upon receipt of statement. In the event such payment is not made within 30 days after receipt of the original statement, it is agreed that the hotel may impose a late payment charge at a rate of 1 1/2% per month (annual rate of 18%), or the maximum allowed by law, on the unpaid balance, and the reasonable cost of collection, including attorney's fees.

Lodging taxes need legislative clarification in online age



By The Oregonian Editorial Board

– May 06, 2013

The emergence of online travel sites has led to confusion over how some lodging taxes are collected and distributed. House Bill 2656 seeks to provide clarification.

Efforts to reach agreement on whether and how to tax online transactions have fallen into a common Washington, D.C., trap. Quite a few people agree there should be a way to improve the current system, a complicated patchwork that relies on local laws and applies only in states where online companies have a physical presence. But very few agree on how to fix the system.

Congress is talking about Internet taxes again, but the topic still could wilt as the temperature rises in the House. A narrower online tax conversation in Salem should bear fruit, however. House Bill 2656 would clarify the rules for the collection of online lodging taxes. In this case, consumers already are paying the taxes. The question in debate is who should get the money.

Various municipalities assess transient lodging taxes. For example, Portland's tax is 6 percent and Multnomah County's 5.5 percent, for a combined tax rate of 11.5 percent. A visitor in a \$100-a-night room within the city pays \$11.50. If the visitor books the room directly with the hotel -- whether by phone, online or in person -- the hotel sends that \$11.50 to Portland, which sends the county its share.

But if the visitor books through a third-party online travel company -- Priceline and Expedia are two examples -- the formula changes.

In testimony before the House Revenue Committee, Bill Perry of the Oregon Restaurant & Lodging Association provided receipts showing that an unidentified online company kept \$2.20 of taxes collected on a \$139 room. That amount was equal to 15 percent of the taxes collected, the same as the company's commission.

In other cases, particularly in the past, online companies would buy rooms in bulk at a discount, then resell them. The companies would apply the tax to the bulk rate that they paid. In either case, the result is the same: Not all of the taxes paid by consumers go to the local governments who assess the tax.

The city of Portland is among governments nationwide that have filed lawsuits challenging the online travel companies' practices. The online companies argue that the spread between the wholesale and retail price, or the commission, should be considered a fee for their "facilitation services" rather than "rent." Portland's lawsuit is still in discovery, and similar cases have produced mixed results.

The proposed legislation would not affect Portland's lawsuit. It would, however, provide much-needed clarity going forward. "The tax is being collected from consumers but not going to the intended purposes," Perry told The Oregonian editorial board. We agree. Whether they like paying taxes or not, consumers assume that the price of rooms goes to businesses and taxes go to local governments.

The principle is particularly important in Oregon, which does not have a sales tax. Lodging taxes and rental car taxes are primary avenues for collecting revenue from tourists to pay for their use of highways, airports and other infrastructure. Also, in most cities (Portland is an exception), at least 70 percent of the taxes go toward tourism promotion, which helps attract more visitors and create jobs.

With the economy improving, travel should pick up. But for Oregon to fully benefit, the taxes need to stay home.

From the Statesman Journal

Level the playing field for online travel firms

May 9, 2013



Scott Snyder, General Manager, Grand Hotel in Salem / KRISTI REED

Written by **Scott Snyder**, Guest Opinion

How would it make you feel if you thought you were paying for something that had a dedicated purpose only to find out that a loophole existed that allowed a company to pocket part of that money as profit?

When a guest reserves a hotel room and pays the charges, a “transient occupancy” tax is paid over and above the posted room rate. The hotel collects this tax on behalf of the city or county in which it is doing business. The city or county reinvest these tax revenues for many different purposes ranging from tourism promotion to parks beautification, historic building upkeep and supporting cultural events.

The Oregon Legislature is considering House Bill 2656. This is an important piece of legislation intended to address a tactic used by online travel companies, such as Expedia and Travelocity. This common-sense bill should have the full support of lawmakers from both parties.

HB 2656 would ensure that online travel companies pay the lodging tax on the full retail amount actually paid by the guest, rather than the discounted wholesale amount the company pays the hotel reselling the room to the guest on the company’s website.

This bill has no negative impact on the consumer or on the lodging facility; the only entities affected are the online travel companies.

Under the current practice, the online travel company reimburses the hotel for the lodging tax due on the wholesale amount only and pockets as additional profit the difference in lodging tax that the guest paid to the company.

Writing your representative and senator urging their support for HB 2656 will ensure that Oregon remains an attractive destination and that people outside the state find out about the many treasures we have. In order to maintain this success, everyone — including online travel companies — should pay their fair share of the lodging tax actually collected.

Scott Snyder of Salem is chairperson for the Salem Area Lodging Association and general manager of the Grand Hotel in downtown Salem. Contact him at scott.snyder@grandhotelsalem.com.