

e-mail testimony from , Robin Reck <rreck@traveltechnologyassociation.org>



March 5, 2013

The Honorable Phil Barnhart
Chair, House Revenue Committee
900 Court Street NE, H-383
Salem, OR 97301

Dear Chairman Barnhart:

The undersigned organizations write to strongly oppose any attempts to enact new taxes in Oregon to reach the service fees charged by travel agents, online travel companies, and tour operators. We believe that the passage of House Bill 2656 will have the unintended consequence of making Oregon less hospitable to business and tourism. **We therefore urge you and your colleagues on the House Revenue Committee to OPPOSE HB 2656.**

House Bill 2656 will subject tourism, services, and commerce of both the brick-and-mortar and online varieties to taxes not currently owed by travel intermediaries. It will reduce the number of visitors to Oregon, diminishing tax revenue. It will cost jobs in the travel community—notably among hotel employees, who are among the most economically vulnerable workers—and will be disproportionately affected by the tax. And it will impact every single Oregon resident who books a hotel room in the state using travel intermediaries.

In addition, House Bill 2656 will impose major compliance burdens for local businesses in Oregon. Any Oregon-based travel agent who uses the fee-for-service model for bookings and for assembling travel packages will have to take on the unprecedented responsibility of calculating and remitting the tax owed in multiple taxing jurisdictions. These added compliance costs will place a particular strain on traditional, brick-and-mortar travel agents, who already operate in a business climate marked by extremely low margins.

Similar taxes elsewhere have yielded counterproductive results. In New York City, which passed a similar tax in 2010, 80% of tour operators surveyed planned to reduce their NYC bookings due to the new ordinance, which was also ranked the second-worst Internet law in the country by the NetChoice Coalition. After Columbus, GA and South San Francisco applied such a tax, much business was redirected outside those cities; as a result, South San Francisco quickly repealed their tax.

No municipality in the country has successfully passed a “remarketer” tax that realized the intended results. Instead, the handful of attempts made in this area by places like New York and Washington, D.C. have led to confusion, protests from the tourism industry and legal challenges.

Corporate travel managers also take into account travel tax rates when comparing convention and meeting destinations for their businesses, potentially putting key destinations like Portland at a competitive

disadvantage, if House Bill 2656 is enacted. This bill will also dramatically affect package tours to Oregon. Because the law will require taxes to be collected on the consideration paid by the consumer for the hotel portion of all bookings, tour operators and travel agents outside of the state will be left with little choice but to reduce or eliminate bundled tour packages (hotels plus air, transfers, meals, and/or entertainment) or face potential audits over the breakdown of fees associated with those packages.

House Bill 2656 is also not about “closing a loophole.” There is no loophole. The proper amount of taxes is already being paid and courts and governments around the country have affirmed this, time and time again. The proposed new services taxes will extend the burden to nearly every participant in the travel value chain. Such new taxes will also effectively reverse the welcoming approach Oregon has long had to the travel and tourism industry—and in the process, will damage that vital industry, raise hotel prices, reduce the number of visitors to the Beaver State, create major paperwork responsibilities for small businesses, and cost jobs among the economically vulnerable.

All of this explains why so many organizations strongly oppose new taxes on service fees. This includes key groups such as the Independent Lodging Industry Association (ILIA) and the American Society of Travel Agents (ASTA) who represent the voices of independent hoteliers and travel agents, respectively.

Therefore, we respectfully urge you and your colleagues to oppose a new tax on service fees and not move forward with House Bill 2656.

Thank you for your attention to this matter.

Yours Sincerely:



Kevin Mitchell
Chairman
Business Travel Coalition



Simon Gros
Chairman
Travel Tech: The Travel Technology Association