



Oregon Restaurant
& Lodging Association

Date: March 6, 2013

To: House Revenue Committee

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

Subject: HB 2656 – Collection of Lodging Taxes

For the record, I am Bill Perry from the Oregon Restaurant & Lodging Association, here today in support of HB 2656 (HB 2508). 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



[Redacted]
Thu Feb/28/2013 - Fri Mar/1/2013 | Itinerary | [Redacted]

CONFIRMED
Confirmation # [Redacted]

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

We have confirmed your hotel reservation with the property.



[Redacted] United States of America

Tel: 1 [Redacted]

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, [Redacted] 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 Collected by Expedia	\$154.89
Room Price 1 night	\$154.89
Taxes & Fees	\$139.00
	\$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 #: [Redacted]

Reserved for
2 adults

Darren [Redacted]

Requests
One King Bed, non-smoking room



[REDACTED]

[REDACTED]

[REDACTED]

Room: 185	Room Type:	Number of Guests:	Clerk:
		Rate: \$139.00	

Room Charge 139.00
 Room Tax 13.21
 State Occupancy Tax 1.39
Balance: 153.60

28Feb13
 28Feb13
 28Feb13

As a [REDACTED] 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: [REDACTED] See "Internet Privacy Statement"

[Faint, illegible text, possibly a signature or stamp]

[Redacted]

28Feb13 Darrell [Redacted] Room 155
28Feb13 333 108th Ave NE Room Type [Redacted]
28Feb13 Bellevue WA 98004 Number of Guests 2
Rate \$118.15 Clerk [Redacted]

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

As a [Redacted] 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: [Redacted] See "Internet Privacy Statement" on Marriott.com.

[Faint, illegible text, possibly a signature or stamp]

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.

