



March 6, 2013

The Honorable Phil Barnhart
Chairman
Oregon House Revenue Committee
State Capitol, Room H-383
900 Court St. NE
Salem, OR 97301

Dear Chairman Barnhart:

I write today to express the American Society of Travel Agents (ASTA) Pacific Northwest Chapter's concerns about HB 2656 (Transient Lodging Taxes), which would impose a new tax on travel services by applying transient lodging tax to service fees charged by travel agents and other intermediaries for facilitating hotel bookings.

Pacific Northwest ASTA's territory includes the State of Oregon, where the travel agency industry consists of 186 retail locations that contribute 960 full-time jobs and \$26.2 million in direct economic impact to the state. These are predominantly small businesses, with 90 percent of them employing fewer than 10 people. Pacific Northwest ASTA's membership rolls include 105 Oregonians.

As you may know, debate over hotel occupancy tax bills like HB 2656 has been raging across the country for several years. Policymakers are often told that these proposed laws simply close a "loophole" that allows big online travel agencies (OTAs) like Expedia and Orbitz to shortchange state and local governments on hotel occupancy tax and will have no impact on traditional "brick and mortar" travel agents. I want you to know that this is simply not the case.

As with similar bills, HB 2656 definition of a "transient lodging intermediary" clearly captures traditional travel agents and thus any fees agents charge their customers for hotel bookings (or a package with a hotel component) would be subject to Oregon state and local taxation. As our industry has evolved, travel agents are relying less on commissions from travel suppliers and more on service fees charged to customers. In 2011, traditional travel agents booked \$12.4 billion worth of hotel rooms, while 44 percent of agents nationwide charged a service fee (averaging \$22) for hotel bookings and 50 percent of agents charged a fee (averaging \$40) for an air, hotel and car package. These fees are charged for a

service – saving consumers time and money by helping them navigate a marketplace that offers an overwhelming number of options and choices.

In the case of Oregon, agent fees that would become taxable under HB 2656 are only earned in the first place if and when agents succeed in promoting Oregon travel. If Oregon lawmakers wish to see the state grow as a travel and tourism destination, it makes no sense to penalize this particular business model through the tax system. That’s exactly what HB 2656 and similar legislation would do. If the law is so changed, agents will be forced to choose between passing the tax on to the customer, reducing their fees by a corresponding amount, or even urging the traveler to travel somewhere else.

Furthermore, there are administrative burdens to consider. Under HB 2656, travel agents – not just those in Oregon – who charge service fees and who seek to arrange travel to Oregon would have to register with state and local taxing authorities and be subject to detailed accounting and recordkeeping measures for each and every transaction. This burden would be substantial for our industry, 98 percent of whom meet the U.S. Small Business Administration’s definition of small business, and risks dampening demand for travel to Oregon.

Contrary to the misplaced notion of travel agents as a dying breed, travel agencies who have adapted to the internet era have not only survived but have thrived. Part and parcel of that evolution has been a shift in business model, from one based on commissions to one based on fees. Simply put, traditional travel agents do the things the big OTAs do and thus would be impacted by bills like HB 2656.

While we are under no illusions about the budgetary challenges facing state and local governments across the country, we respectfully urge you to oppose new taxes and administrative burdens on Oregon small businesses.

Thank you for considering our views on this important issue. If you have any questions, please do not hesitate to contact me at (425) 644-6496 or rroaches@hotmail.com.

Sincerely,

Robert Roach
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Roche’s Travel
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Bellevue, WA 98008

CC: Distinguished Members, House Revenue Committee