

A Resolution in opposition to any preemption of taxing authority over online travel companies (OTC).

Whereas, Minnesota's Hospitality Industry is concerned that premature and damaging legislation may be introduced in the Minnesota Legislature in an effort to circumvent the ongoing legal process regarding OTC's and remittance of hotel occupancy taxes;

Whereas, OTCs such as Expedia, Travelocity, Orbitz, Priceline, and Hotels.com contract with hotels to sell their rooms. For the rooms they re-sell, OTCs pay discounted rates to hotels. The OTCs then charge consumers a marked-up retail rate, including collecting hotel taxes based on the higher price;

Whereas, some online travel companies, only remit the hotel taxes on the 'wholesale price' and not the 'retail price' of the hotel room sale. Some state / local governments and Destination Marketing Organizations (commonly referred to as CVB's) feel that they are owed the taxes on the higher retail rates and these OTCs pocket the differences between the amount consumers pay in taxes and what the OTC paid when they bought the room.

Whereas, an effort to collect hotel taxes owed, there are at least 40 lawsuits filed by local governments against online travel companies. State and local governments are not proposing a new tax on internet commerce but rather the collection of taxes on the full retail rates charges by the OTC's.

Whereas, well before the establishment of online travel companies, hotel occupancy taxes have been collected and hotel taxes are important funding sources for many local destination marketing efforts and government initiatives. Whereas, most of these taxes are dedicated to funding tourism costs, such as hotel-to-convention center transportation, convention centers, visitor centers and historic restoration projects. Especially in these difficult economic times local government budgets also are affected when taxes are not paid.

Whereas, If legislative action is taken against the OTC's or the lodging industry in Minnesota prior to the existing lawsuits being resolved, potential retaliatory action against Minnesota's hospitality and lodging industry would be imminent from the OTC's and their parent companies. Whereas, high demand has made the hospitality and lodging industry a leader in online commerce, booking over \$39 billion in travel and accounting for over 40 percent of all online spending.

Therefore, we strongly oppose any legislation to preempt state and local taxing authority of OTCs until the full legal process on this most important issue has been exhausted and examined.

*Prepared 10/22/09. Please make comments or suggestions by November 10 to:
info@minnesotacvbs.com*