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Corporate tax cheats cost Florida millions

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Pam Bondi should pursue the online travel companies.



Newly disclosed documents from a Georgia lawsuit show that major online hotel booking services have systemically schemed since at least 2004 to avoid paying full sales and bed taxes in Florida and across the country. Earlier this year, those companies almost succeeded in duping the Florida Legislature into legitimizing the practice. Now it's up to the governor and Cabinet — particularly Attorney General Pam Bondi — to ensure the state's tax code is fairly enforced. It's past time to bring these tax cheats to justice.

The state Department of Revenue believes Florida has lost as much as \$440 million in sales tax collections over the last 12 years from hotel bookings made by online travel companies such as Orbitz and Expedia because the companies only remit taxes based on the wholesale price for hotel rooms instead of the retail price the consumer paid. Local governments with optional bed taxes, such as Pinellas County, have also been cheated to the tune of an estimated \$30 million annually.

The result has been a slew of lawsuits across the country, including one from Pinellas and other Florida counties. Bondi's predecessor, Bill McCollum, in the midst of a gubernatorial campaign, filed a suit on the state's behalf in 2009. But he failed to follow through, never alerting the companies they were being sued. Bondi, who took office in January, also waited after being alerted that the Republican-led Legislature might change state law to favor online travel companies. Luckily, the Senate refused to go along.

Now it's clear that the tax cheats' plan all along has been to win special tax loopholes. Though claiming in Tallahassee and elsewhere they were obeying the law, those companies' advisers as early as 2003 were saying the opposite, according to documents in a lawsuit filed by the city of Columbus, Ga. The companies purposely obfuscated the

amount of tax being collected by lumping "taxes and fees" together on their customer receipts. At least some companies set up reserve funds in case they got caught and were forced to pay up. And the companies banded together to defend the lawsuits and lobby legislatures around the country to try to legitimize their unfair competitive advantage by claiming it would be a "tax increase on consumers."

A special master in a Georgia state court, charged with reviewing evidence the companies claimed was privileged, said it was clear why at least one company, Expedia, engaged in the elaborate subterfuge: By cheating governments of tax dollars, the company grossed an estimated 13 percent more on the margin between what it paid for hotel rooms and taxes and what it collected from consumers.

So far most Republicans in Tallahassee haven't been able to see the difference between tax increases and a fair application of the current tax law. The online travel companies' chicanery is cheating Floridians twice: first by shifting the tax burden to law-abiding in-state businesses and residents, and then by undercutting in-state businesses' competitiveness.

Rep. Rick Kriseman, D-St. Petersburg, deserves credit for keeping this issue at the forefront, as it was his letter to Bondi last month that compiled the Georgia documents for wider distribution. The revelations should squelch any talk among state lawmakers to grant these corporate tax cheats a break. It also should inspire Gov. Rick Scott, Bondi, Chief Financial Officer Jeff Atwater and Agriculture Commissioner Adam Putnam to make this their cause on behalf of all Floridians.