

# County bill targets online travel sites

## Wants them to pay full tax on hotel rooms

By ALLISON BOURG, Staff Writer

10/12/11

County officials want to collect more tax dollars from online travel agencies.

Piggybacking on a national trend, County Executive John R. Leopold has asked the County Council to introduce legislation targeting websites such as Travelocity, Orbitz, Expedia and a slew of others. The law would require these businesses to pay taxes on the rate they charge consumers for hotel rooms - not the discount price at which they bought them.

The county's current hotel tax ordinance was written long before online travel agencies existed, Leopold said. "It's a tax fairness issue," Leopold said. "A lot of jurisdictions have passed similar legislation."

The council is scheduled to hold a hearing on the issue at its meeting Monday.

Alan Friedman, Leopold's director of government relations, told the council during a work session this week that the legislation would charge online travel agencies on the retail rate instead of the wholesale rate.

Online travel agencies buy hotel rooms in bulk at a bargain and then sell them to the customer for a profit.

For example, a website such as Orbitz might buy a bunch of rooms at \$80 a pop, then charge \$100 for each, Friedman said.

The website pays Anne Arundel County's 7 percent hotel tax on \$80, not \$100.

The difference - in that example, \$5.60 in taxes versus \$7 - can add up to a few hundred thousand dollars a year, officials say.

"It's not going to be \$6 million, but every little bit helps," Friedman said.

The county collects about \$15 million each year in hotel taxes, money that funds the county Arts Council and Economic Development Corp.

"The only people benefitting from this loophole are the Internet providers," said David Plymyer, assistant county attorney. "That's why it's being litigated everywhere."

Jurisdictions across the country and the state are hitting up online travel agencies for what they say is their fair share of tax revenue. Baltimore city and Worcester County, home to Ocean City, have sued travel websites for back taxes.

Leopold was mum yesterday on whether the county would sue.

David Reel, president of the Maryland Hotel and Lodging Association, called the proposed legislation "proactive, not reactive."

Reel, whose association represents 200 hotels and motels, said he'll speak out in favor of the legislation Monday.

"It's not a new tax. It's not a tax increase," Reel said. "The consumer should not be concerned."

Councilman Jerry Walker, R-Crofton, expressed concerns that the law might cause online travel agencies to raise rates.

Reel thinks that's unlikely.

"It's a very competitive business, and consumers are very savvy," Reel said. "And most consumers who use online travel sites are price sensitive."

Joe Rubin, spokesman for the Interactive Travel Services Association, a trade group representing online travel agencies, said Leopold's proposal isn't surprising.

"State and localities are desperate for revenue, and there's a perception that online travel companies are not local," Rubin said.

But he says the association has "very serious concerns" about this type of legislation and said similar laws have been challenged in other states. Such legislation can lead travel websites to stop listing hotels in a particular area, resulting in lost business for the hotels.

Connie Del Signore, president and CEO of the Annapolis and Anne Arundel County Conference and Visitors Bureau, said the county is home to 80 hotels with more than 10,000 hotel rooms. Most of them are near BWI Thurgood Marshall Airport.

Once travel websites began popping up online, there was a huge flurry of interest from consumers, she said.

"That's leveled off, but it's still a strong number," Del Signore said.

---

[abourg@capgaznews.com](mailto:abourg@capgaznews.com)