

Florida Attorney General sues Expedia, Orbitz over lost taxes on hotel rooms

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Florida Attorney General Bill McCollum has sued Expedia and Orbitz, two of the leading Internet travel companies, saying they failed to pay the right amount of state tax on hotel room rentals.

Meanwhile, six Florida counties — including Lee — are pursuing legal action of their own to try to get online booking companies to start paying their fair share of local tourist taxes. Collier County has not joined the lawsuit.

Florida counties collect the tourist tax on all hotel rooms and other short-term rentals primarily to help support marketing campaigns that draw visitors. In Lee, it's a 5 percent charge.

There is no estimate for how much Lee County might have lost because online companies aren't paying the full amount of taxes on what they charge customers, said Nancy Hamilton, a spokeswoman for the Lee County Visitor & Convention Bureau.

But getting any share of that money the county is now losing would be beneficial, she said.

"Any funding that we can receive to put toward the promotion of the destination is good," she said.

The five other counties joining Lee in the lawsuit are Manatee, Flagler, Pinellas and Polk.

Collier County leaders have been reluctant to spend the money on legal fees, but are concerned about the lost tourist tax money. An estimate about a year ago put losses in the county at about \$500,000 a year, said Jack Wert, executive director of the Naples, Marco Island, Everglades Convention and Visitors Bureau.

He said county leaders in Collier hoped the state would take action and it may sway them to join the other lawsuit. The state's lawsuit alleges that the online travel companies are keeping part of the state taxes they owe as profit. This practice is allegedly illegal and denies the state millions of dollars every year.

“Consumers are already paying ‘taxes and fees’ when buying a Florida hotel room online, yet the online travel companies have been keeping too much of those taxes as profit,” McCollum said in a statement.

“If these taxes are due to the state, the companies should pay them for the benefit of the people of Florida.”

For transactions not done by an Internet travel company, Florida hotels pay the “transient rentals tax” - similar to a sales tax - on the rate they charge the consumer for the room. The hotels are responsible for paying the money to the Florida Department of Revenue.

According to the lawsuit, Internet travel companies purchase inventories of rooms at lower, wholesale rates they negotiate with hotels. The companies then resell the rooms to consumers at a much higher rate and keep the difference.

Orbitz and Expedia have admitted they do not pay taxes to the state based upon the amount a consumer is charged for the hotel room, according to the lawsuit. Consumers are unaware that taxes haven’t been paid to the state on the rate they are charged.

Additionally, Florida hotels have no way of knowing the retail rate consumers pay on the Internet.

Florida is the first state to file such a lawsuit, which it hopes will help clarify the application of state tax laws to Internet travel companies. However, other counties in the state and elsewhere have filed similar suits. Monroe filed a class-action lawsuit for all counties in Florida.

Another case in San Antonio, Texas, has gone to trial, said Karl Barth, a lead attorney representing Brevard County in Florida, which sued a handful of online companies last month.

“Nothing in Florida has been determined yet,” he said.