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Florida sues Expedia, Orbitz over taxes

Florida's attorney general has accused online travel bookers Expedia and Orbitz of cheating state and local governments out of millions in tax revenue.

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TALLAHASSEE - Attorney General Bill McCollum filed suit Tuesday against two leading Internet travel firms, accusing Expedia and Orbitz of cheating the state and local governments out of millions of dollars in sales tax revenues from online hotel bookings.

McCollum's court petition asks a state judge to rule that the taxes, already paid by hotel guests, belong to the government, and that the firms are engaging in unfair and deceptive trade practices. A Republican who is running for governor on a pro-business, low-tax platform, McCollum aligned himself with counties and cities in opposition to the online travel booking companies.

"They've collected the money," McCollum said of the companies. "They're pocketing the difference as a profit. That's what's really gross about this in our judgment. The online travel companies are taking the money that's really owed to the state of Florida."

If the state wins in court, McCollum said, he would then decide whether to seek back taxes from the companies. In tourist-friendly Florida, that could be in the hundreds of millions of dollars.

The industry criticized McCollum's action and accused him of being used by plaintiffs' lawyers who are pushing lawsuits against online travel firms. Contrary to McCollum's assertions, the industry said, online travel companies do not purchase blocks of rooms and are not withholding tax revenues owed to government.

"Every penny of taxes owed to the state and its municipalities is being remitted to them," said Andrew Weinstein, a spokesman for the Interactive Travel Services Association, an industry trade group. "We're very disappointed that the attorney general would align himself with the plaintiffs' attorneys making these false claims."

McCollum charged that the online companies pay tax only on the wholesale cost of a room rental, not the higher retail cost. He used as an example a broker paying \$118 per night but charging a customer \$159 a night. For a four-night stay, the net loss to the state in tax revenue would be \$9.84.

McCollum's action drew praise from the Florida Association of Counties, which has been at the forefront of pushing litigation seeking to clarify whether the online booking companies are paying their share of taxes. Five more counties filed a lawsuit Tuesday on the issue: Pinellas, Polk, Leon, Flagler and Manatee. It is unclear when a court will take up the issue.

"We're very happy about it," said Sarah Bleakley, special tax counsel to the counties group. "If he stops that practice, I think that would be beneficial for consumers and taxpayers as well, and the state."

McCollum's Democratic opponent in the governor's race, Chief Financial Officer Alex Sink, also praised the attorney general's action. Sink, who initiated a discussion of the issue at last week's Cabinet meeting, said she appreciated McCollum "pursuing this action to collect the full amount owed to the state of Florida."

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