

PUBLIC OPINION

Franklin County officials worry about loss of hotel tax to websites

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Franklin County and other areas with a hotel occupancy tax are worried about losing tax revenue to online travel sites.

Websites such as Travelocity and Expedia are required to collect taxes on hotel rooms where those taxes exist. Franklin County, for example, has a "pillow tax" of 3 percent.

But third-party travel websites calculate that tax based on the discounted rate they pay for rooms, and not the total bill that a guest would pay.

Janet Pollard, director of the Franklin County Visitors Bureau, said while the Internet helps bring business to local hotels, the downside is that some of the hotel tax revenue -- used to support local tourism efforts -- is lost to online room booking.

She said this is a concern but it's difficult to determine how much revenue is lost.

Mickey Rowley, deputy secretary of tourism for the Department of Community and Economic Development, said at least \$5 million in revenue is lost statewide, assuming 5 percent of room nights are booked online.

"This is a huge issue," he said. "There's money that could be going to tourism promotion and we're leaving it on the table."

Rowley helped draft legislation that would have defined a hotel room rate as what a guest pays instead the wholesale rate that third-party booking companies pay, but he said the hotel industry was reluctant.

The Interactive Travel Services Association, which represents online hotel booking sites, says that taxing the online service fees would hurt consumers and travel agencies.

The revenue generated by the local pillow tax is used to support the Franklin County Visitors Bureau. At its peak, the tax generated more than \$575,000 annually in 2007, though that figure dropped when fewer people traveled because of the economic downturn.

"We didn't get hit as hard as some areas, but it's been tough. We just worked harder to get grant money, but grant money has become less," Pollard said.

Some states have gone after online retailers, such as Amazon.com, which are only required to collect a sales tax if the company has a physical presence in the same state as the customer.

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