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## Free-market pols should go after taxes

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Florida's case against tax dodgers Expedia, Orbitz and other online-travel companies just got a lot easier.

Recently released documents from a court case in Georgia help Florida make its case by showing that the companies knew as far back as 2003 that they might owe higher taxes on the sale of hotel rooms — but plotted ways to avoid paying them.

Those revelations won't do Florida any good, though, if the state fails to follow through and go after the companies, which have skirted paying \$440 million in state taxes over the past 12 years.

Florida's new attorney general, Pam Bondi, says she is reviewing the case, which was started by her predecessor, Bill McCollum.

Bondi, Gov. Rick Scott and state lawmakers, who subscribe to the notion that lower business taxes are good for the economy because they help create jobs, should not worry about this court case tarnishing their pro-business, anti-tax credentials.

This is not government vs. business. It's business vs. business.

And there is good reason for conservative advocates of a free market to demand taxes be applied fairly to all businesses.

Right now, online-only travel companies like Expedia pay taxes only on the lower, wholesale price that they pay hotels for rooms that they then turn around and sell to consumers at higher prices.

Marriott International and other large hotel chains asked the Florida Legislature earlier this year for the same kind of tax break by allowing them to set up in-house travel subsidiaries that could also pay taxes only on the wholesale room rates.

Lawmakers rejected that request, but it illustrates how bad tax policy can drive companies' business models — in this case leading hotels to try setting up new corporate entities just to avoid taxes, rather than improve their core business.

Bill Fox, a professor of economics at the University of Tennessee who has studied the issue, says uneven application of tax laws entice more companies into trying to game the system. That leads to even fewer corporate taxpayers subsidizing a greater number of businesses taking advantage of loopholes or other methods for reducing their tax bills.

"The way to make government smaller is to bring down the tax rate, not to create a tax structure that taxes one set of firms more heavily than another set," he said. "This is not an argument to raise more revenue. If you're raising too much revenue, then get the rates down."

A similar fight is playing out between online retailers like Amazon.com and brick-and-mortar chains like Wal-Mart and Best Buy. Amazon isn't required to pay sales tax in Florida because they don't have a physical presence in the state. That allows them to undercut Wal-Mart and Best Buy on price, creating a competitive disadvantage. But Florida hasn't taken any serious steps to resolve that issue, either.

There isn't much to suggest that Florida will take action in the online-travel case, even in light of the newly released court documents from Georgia. The documented communication between Expedia and its lawyers show that Expedia was building a cash reserve each quarter to cover taxes that it wasn't paying but was afraid it would ultimately owe.

The documents from the Georgia case, first reported by the St. Petersburg Times and Miami Herald, were cited in a letter last month from state Rep. Rick Kriseman, D-St. Petersburg, to Bondi, urging her to take up the Florida case.

The online travel companies, and heavy-weight supporters including Walt Disney World, lobbied heavily this year for the Legislature to change state law and specifically allow them to pay taxes on hotel rooms' lower, wholesale amount only.

That measure passed the Florida House but failed when it was blocked in the Senate. Now it's time for Florida to go a step further and collect hotel and sales taxes fairly from all businesses — a conservative approach for keeping taxes low for everyone

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