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Lawrence County officials sue hotel booking Web sites

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By Paula Reed Ward, Pittsburgh Post-Gazette

Even though they have fewer hotel rooms in their entire county than some chains do in one building, Lawrence County officials yesterday filed a federal lawsuit against several booking Web sites, alleging that they are not paying the proper hotel occupancy tax.

The suit -- which lists as defendants companies like Orbitz, Hotwire, Expedia and Web sites like Hotels.com, Travelocity.com and Priceline.com -- is seeking class-action status to join all Pennsylvania counties in the case.

According to the complaint, the defendants contract with hotels to get rooms at discounted rates and then sell the rooms through their Web sites to the public at higher prices.

Then, the lawsuit continued, the online companies remit taxes only at the lower, negotiated room rate.

But Andrew Weinstein, a spokesman with the industry group, Interactive Travel Services Association, said that this lawsuit -- like dozens of others like it that have been filed across the country -- is based on a misperception. "They don't buy these rooms," he said. "A lot of these municipalities have been misinformed on this."

The online companies do not pay for the rooms until a customer chooses to rent one. Instead, Mr. Weinstein said, they negotiate with hotel chains to offer a block of rooms at a set price. Then, he said, the booking sites add in taxes based on that rate, along with their fees for providing the service.

It's the same, he said, as a traditional travel agent.

While four of these cases have been decided in favor of the online sites, none of those have completed the appeals process. And there are dozens still pending that have not been resolved at all, Mr. Weinstein said.

Robert Peirce III, one of the lawyers who filed the suit on behalf of Lawrence County, said if the suit is certified by the judge as a class action, it will be up to each county in Pennsylvania to opt out.

He was unsure how much money might be at stake.

"It's difficult to comprehend the lost amount of tax dollars until we know how many rooms were booked and then resold," Mr. Peirce said. "It could be substantial money lost."

According to JoAnn McBride, the executive director of the Lawrence County Tourist Promotion Agency, there are 154 hotel rooms in the county.

Generally, those rooms -- along with cabins, cottages and rooms in beds and breakfasts -- generate between \$50,000 and \$55,000 in revenue each year. The Lawrence County hotel room tax is 3 percent.

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