

The Washington Post

Montgomery sues online travel vendors over tax payments

12/23/2010

By Maria Glod

Montgomery County filed a federal lawsuit against a host of online travel vendors including Expedia and Orbitz, claiming that the county doesn't get its fair share of taxes.

The lawsuit, filed in U.S. District Court in Greenbelt on Dec. 21, mirrors others filed across the country by states and localities that argue that their jurisdictions have been shortchanged.

According to the suit, the online companies pay the county the 7 percent room rental tax based on the wholesale price of each room. But the county argues that the tax should be based on the higher retail rate paid by the consumer.

The county offers this example in the 24-page lawsuit: Expedia.com obtains a room at a \$60 rate and charges a customer \$100. According to the lawsuit, Expedia.com calculates the room rental tax based on the \$100 payment, for a total tax of \$7, but only remits \$4.20 to the county.

Andrew Weinstein, spokesman for Interactive Travel Services Association, which represents the major online travel companies, said most such cases so far have been decided in favor of the industry.

Weinstein said the travel vendors collect and remit the appropriate tax based on the rate they pay for the room. Additional fees collected from consumers are facilities fees, he said.

"There is a large and growing body of legal findings that online travel companies are not hotels and they should not be charged occupancy taxes as if they were," Weinstein said.

The D.C. Council waded into the issue this week, voting in favor of legislation requiring vendors to base the hotel tax payments to the District on the sales price of a room, not a wholesale price.

By Maria Glod | December 23, 2010
