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North Myrtle Beach settles on past taxes

Travel websites faced lawsuits on collections

By Jake Spring - jspring@thesunnews.com

The North Myrtle Beach City Council decided Monday to accept \$192,600 in exchange for ending a lawsuit against a group of travel websites over unpaid accommodations taxes.

North Myrtle Beach filed suit in 2006 against a group of websites, including Hotels.com, Expedia, Orbitz, Travelocity.com, Priceline.com and nine others. The city council voted at a meeting Monday night in favor of a resolution that will allow the city manager to sign off on the settlement, which was brokered with the websites in July.

The suit was one of dozens that have been filed around the U.S. against the websites over the last five years in regard to unpaid taxes. Similar suits filed by Horry County and the city of Myrtle Beach are being litigated although a trial date has not been set, officials said.

Charleston, Mount Pleasant and North Myrtle Beach combined their lawsuits and mediated a settlement in July, said Ronnie Bonds, an attorney for the three municipalities.

The websites book rooms on behalf of hotels, selling them at a slight markup from the rate the hotel collects. Although the websites remit accommodations tax on the money that is passed along to the hotels, they have not paid accommodations taxes on the markup they collected in South Carolina, Bonds said.

Representatives of the travel websites had not responded to phone calls at press time on Monday. The websites also include Hotwire, Trip Network, Travelport, Internetwork Publishing Corp., Lowestfare.com, Maupin-tour Holding, Site59.com, Travelweb and Travelnow.com.

The travel websites say that the payment merely resolves the suit and deny that the payment is for back taxes or other penalties, according to city documents. But the city considers it as compensation for unpaid taxes, the documents said.

The settlement gives North Myrtle Beach \$192,600, or about \$131,000 after attorney's fees and other litigation expenses. The websites agreed to pay \$657,000 to Charleston and \$50,400 to Mt. Pleasant with a portion of that money also going to attorneys and expenses, Bonds said.

North Myrtle Beach agreed in its settlement not to sue the websites or seek payment of accommodations taxes for the next two years. That gives both sides time to wait and see what the Supreme Court decides in a similar case brought by the state Department of Revenue over unpaid state taxes, Bonds said. The court heard that suit but has yet to issue a ruling.

The court's decision will likely set a precedent for whether the websites must pay accommodations tax in the future, Bonds said. If the court rules against the websites, it would strengthen the city's case to collect future taxes, he said.

"The Supreme Court ruling is going to tell the tale for our clients," Bonds said, who represents North Myrtle Beach and other municipalities. "If they rule in favor of Department of Revenue, then our clients will be entitled to a declaratory judgment that will put the issue to bed."

Bonds also represents Myrtle Beach in its joint suit that also involves Horry County and Hilton Head Island. Bonds said that lawsuit likely will take at least a year before it goes to trial and will also be influenced by the Department of Revenue case, he said.

There has been some conversations about the settling but nothing has been approved so far, Horry County spokeswoman Lisa Bourcier said.

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