



NATIONAL CONFERENCE of STATE LEGISLATURES

The Forum for America's Ideas

September 19, 2013

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Dear Legislator:

On behalf of the National Conference of State Legislatures Executive Committee Task Force on State and Local Taxation, we are pleased to send you an issue brief on the taxation of online travel companies (OTC) as well as principles for the tax treatment of OTCs. These principles were developed by the Task Force after an extensive review of the OTC industry over the past 18 months.

We all realize that with the rapid growth of the digital economy, state and local tax codes have difficulty keeping up with new technology. One challenge is the taxation of online travel companies (OTC), intermediaries between customers and lodging retailers. OTCs sell rooms at a retail price, which includes bundled “taxes and fees.” However OTCs only remit occupancy tax on the wholesale rate they pay to the retailer, retaining the difference. This practice could result in reduced revenue for the states and raises concerns of transparency and clarity of real costs to the consumer.

The Task Force principles ensures transparency for taxpayers by requiring OTCs to display all taxes, fees, and service charges on their websites and not bundle those charges so the charges are hidden from the consumer. The Task Force also recommends that OTCs be required to remit taxes based on the total rental price paid by the user, not just on the wholesale rate OTCs pay to hotel retailers.

The Task Force believes that to promote efficiency, states should impose this tax through statutory means and not through administrative regulation. We contend that any law enacted must clarify that the retail price advertised and charged by OTCs must receive the same tax treatment as room reservations made directly through lodging retailers.

If you have any questions on this issue, please contact Max Behlke in NCSL’s Washington DC office (202) 624-3586, max.behlke@ncsl.org.

Sincerely,

Senator Pam Althoff, Illinois Delegate Shelia Hixson, Maryland
Co-Chairs, NCSL Executive Committee Task Force on State and Local Taxation