Myth v. Reality

Myth: Requiring online travel companies (OTCs) to remit sales and occupancy taxes based on the retail rate they collect from consumers constitutes a "new tax."

Reality:

- This is an issue of accurately calculating an existing tax, not a proposal to create a new tax. Nobody disputes that sales and occupancy taxes apply to hotel rooms sold by online travel companies.
- Hotels incur costs from the same marketing and room booking services performed by online travel companies, but hotels are not allowed to deduct their service costs from the amount taxed.
- Not taxing online travel companies based on the rate they collect from consumers in effect produces a windfall for the online travel companies, subsidized by taxpayers.

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Myth: Requiring online travel companies to remit taxes on the rate paid by consumers is a "service tax."

Reality:

- Occupancy taxes have long been assessed on the full amount consumers pay to rent hotel rooms, whether booked through hotels directly, by travel agents or other "service providers" – there is no reason that online travel companies should be treated differently.
- The amount of tax revenue collected by state and local governments from consumers should not depend on business-to-business arrangements in the supply chain.
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Myth: Requiring online travel companies to remit taxes on the rate paid by consumers will lead to higher costs for travelers.

Reality:

- The consumer is already paying the money; it is a matter of who gets to keep it, the online travel companies or the taxpayers.