

Online companies ordered to pay hotel taxes to Atlanta

By [Bill Rankin](#)

The Atlanta Journal-Constitution

Friday, July 23, 2010

Online travel companies that book hotel rooms in Atlanta must begin paying more in occupancy taxes, a Fulton County judge has ordered in a ruling expected to generate millions of dollars in revenue for the city.

In an order Wednesday, Superior Court Judge Alford Dempsey stopped short of handing Atlanta a complete victory. He determined the Internet travel reservation companies do not have to pay the city past-due hotel and motel occupancy taxes.

Dempsey's order addressed a lawsuit filed by the city four years ago against 17 online reservation companies, including Expedia, Travelocity, Hotels.com, Priceline and Orbitz. The city contends the companies are illegally pocketing hotel occupancy tax revenue by paying the tax only on the wholesale rate they pay to reserve blocks of rooms, rather than the rate they charge customers.

C. Neal Pope, a lawyer hired by the city to pursue the litigation, said the ruling will mean "significant money" for the city, though it's not yet clear how much.

"We're very happy we got the injunction forcing the companies to pay the taxes we're owed," acting Atlanta city attorney Peter Andrews said. The city expects to appeal Dempsey's determination that the companies do not owe past taxes, he said.

Andrew Weinstein, a spokesman for the Interactive Travel Services Association, predicted the ruling will result in higher hotel rates for customers who book Atlanta rooms using online reservation companies.

"It's a new tax," he said. "Our service fees have never been taxed. That cost has to come from somewhere."

Weinstein said he expects the online reservation companies will appeal the part of Dempsey's ruling that requires the companies to pay more in occupancy taxes.

Online travel companies have been under legal assault in lawsuits filed by cities and local governments nationwide at a time when more people make their reservations online.

In Atlanta the hotel and occupancy tax is 7 percent, and much of the revenue is used to boost tourism. In past years, the city has collected more than \$40 million annually in occupancy taxes and turned over much of this revenue to the Georgia World Congress Center, the Georgia Dome and the Atlanta Convention and Visitors Bureau.

Two years ago, a Muscogee County judge required online travel companies to pay lodging taxes to the city of Columbus. After that decision, online reservation companies removed hotels and motels in Columbus from their Web sites. The city pressed on with the litigation and last year won a ruling by the Georgia Supreme Court.

In recent weeks, Orbitz reached a \$450,000 settlement with Columbus and earlier this month began including all of the city's hotels on its Web sites. Other online reservation companies involved in the litigation still do not list Columbus hotels.

Asked Friday if companies will remove Atlanta hotels from their Web sites, Weinstein said it is too early to tell.

"Each of our companies will make their own business decisions," he said.

Said Pope, the attorney hired by the city, "If that happens in Atlanta, there's going to be hell to pay."

Dempsey ordered the companies to remit the taxes either directly to the city or through the hotels, as is currently done, by the 20th day of each month as required by law.