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San Diego sues online hotel booking sites over bed taxes

SIGNONSANDIEGO NEWS SERVICES

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SAN DIEGO – The City Attorney's Office filed a lawsuit today against more than a dozen online hotel booking companies for allegedly failing to pay the city of San Diego the correct amount on room taxes.

Defendants named in the lawsuit, filed in San Diego Superior Court, include Hotels.com, Hotwire, Cheap Tickets, Expedia, Orbitz and Priceline. Officials with the various Web sites could not immediately be reached for comment.

The suit alleges the companies paid the city's transient occupancy tax, a 10.5 percent charge levied on the price of a hotel room, based on the discounted rate they received, not what customers ultimately paid.

"They collect on retail. They pay on wholesale, keeping the difference for themselves," said Paul Kiesel, an outside attorney hired by the city from the law firm Kiesel, Boucher & Larson.

The incongruity has cost the city about \$6 million annually in lost hotel tax revenue, or about \$30 million since the problem began in 1999, according to the City Attorney's Office.

"These online services are actually charging and collecting a transient occupancy tax due the city of San Diego and they are not turning it over," City Attorney Michael Aguirre said morning news conference.

The city collects about \$120 million annually in transient occupancy taxes to pay for things like public safety and tourism promotion.

Similar lawsuits are now pending in other cities including Los Angeles, Chicago and

Philadelphia, according to Kiesel.

"This is not something that is unique to California," he said. "It is a practice the online travel companies are doing throughout the United States."

Mayor Jerry Sanders called the lawsuit a "bold step."

"These companies seem to be cheating the city of San Diego out of much-needed tax revenues," Sanders said.

"San Diego is one of the world's most attractive tourist and convention destinations," he said. "As you all know our city's budget is also reliant, in part, on transient occupancy revenues we collect from hotel stays."


"It appears as if the online booking services have been taking advantage of the city," he said. "This suit seeks to change that."

Deputy City Attorney Don Shanahan will represent the city in the lawsuit. Attorney's from the law firms of Baron & Budd, P.C. and Kiesel, Boucher & Larson have been retained to serve as co-counsel.

Both firms are also involved in Los Angeles' lawsuit.

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