



State: Online firms owe \$500 million

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By Rick Daysog - [email](#)

HONOLULU (HawaiiNewsNow) - The state said Expedia, Travelocity and other online travel companies owe more than \$500 million for failing to pay their share of the hotel room tax.

In recent filings in state Tax Court, the state Attorney General's office said the online firms collected tens of millions of dollars in state hotel room and general excise taxes for more than a decade.

But none of that money ever went into Hawaii's tax coffers, the state said.

"I think it's fair to say that this is the biggest tax appeal case we've had in many years," said Supervising Deputy Attorney General Hugh Jones.

The state said the largest tax debt is held by Expedia, which owes \$302 million.

Travelocity had the next highest bill at \$72 million dollars, followed by Orbitz which owes \$48 million.

Priceline.com's tax bill is about \$30 million, the state said.

Joe Rubin, the Interactive Travel Service Association's president, said online companies aren't subject to the hotel room tax since they don't own or operate hotels.

"They are 100 percent compliant with the law and that record has been upheld by court after court after court," said Rubin.

Jones is confident the state will prevail, citing a recent legal victory in Texas where online companies were ordered to pay \$20 million.

Back in 2010, the state of Hawaii assessed the online firms' tax liability at \$170 million. Since then, state officials say they found they underestimated the tax liability. So now the bill is three times higher.

If it prevails, the state is not only entitled to the back taxes but would be eligible for up to \$30 million a year in future tax revenues, Jones said.

That, said Rubin, could force online firms to reduce their presence in Hawaii, in a move that hurt hotel bookings and other tourism activities statewide.

Rubin said the firms will vigorously contest the case in state tax court. A hearing is likely to be scheduled next year.