

Editorial

Stop penalizing local businesses

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Lawmakers are pushing a measure designed to help online travel companies undermine Florida businesses and stiff local governments.

The bill by Rep. Jason Brodeur, a Republican from Sanford, was rammed through a House committee last week.

If the measure becomes law, Florida's hotel industry, which contributes mightily to the state's economy, will be put at a permanent competitive disadvantage.

Some background: Online travel companies now buy blocks of rooms from hotel owners at a wholesale rate. The companies mark up the prices of the rooms and re-sell them to online customers.

But the online companies then remit the sales tax and local tourism tax based on the wholesale rate, not the actual rate charged customers. Florida hotels, in contrast, must pay taxes based on the actual retail costs charged. And they must disclose all their charges and taxes to customers on their bills.

Online companies do not have to disclose their costs, and they keep the difference between the tax rate they charge customers and the taxes they actually pay.

Florida companies understandably are challenging the practice in court.

You can't blame the online companies for trying to maximize profits. You can blame lawmakers for trying to give unfair advantages to remote businesses that, unlike local hotels, do not create local jobs or invest in the community. Brodeur's bill was developed by out-of-state interests.

This is not a matter of adding to the consumer's price. As Diane Nelson, the Pinellas County tax collector, points out, the full costs of the taxes are being collected by the online travel companies — but they are keeping a portion for themselves.

She also points out the lost tax dollars would be invested in the local economy, promoting and supporting tourism. For instance, she estimates the online companies' practice is costing Pinellas \$2 million a year. By way of comparison, the county spends \$2.5 million a year in tourism taxes on beach renourishment.

In Hillsborough, where tourism accounts for 46,000 jobs and \$1.1 billion in wages, the tourist tax has helped secure and promote events such as the recent regional NCAA basketball tournament that brought thousands of visitors to the area.

Rather than trying to give out-of-state companies the upper hand over local businesses, state lawmakers should work to see that everyone plays by the same rules. It can be done. New York passed legislation last year requiring online travel companies to register and remit the state and local taxes on the markup. It is estimated it will increase revenue collection for state and local taxes by \$40 million.

Brodeur's legislation, in contrast, penalizes the very businesses that bring jobs, construction work and visitors to Florida.