

Supreme Court can settle bed-tax collections dispute

Published Thursday, February 25, 2010

The state Supreme Court's decision to take up a case between an Internet travel-booking site and the state Department of Revenue is good news.

Through a ruling on the law, the state's highest court can give us much needed guidance on the mechanics of collecting local and state taxes on overnight lodging when that lodging is booked through online sites, such as Travelocity and Expedia.

Hilton Head Island has joined state and local governments across the country in pursuing tax revenues due on accommodations booked through these sites. Counties and municipalities across South Carolina would benefit from a ruling that would sort out how and when these taxes should be paid under state law.

The money collected goes to help pay for key public safety services, such as police and fire protection, needed for the large numbers of visitors who travel here. On Hilton Head, it also pays for beach renourishment.

The state's 2 percent accommodations tax pays for critical industry marketing programs and provides money for local nonprofit tourism and arts groups.

Hilton Head's decision to go after this money through a lawsuit followed a very strong, very detailed ruling in February 2009 by the S.C. Administrative Law Court against Travelscape, the parent company of Expedia, and in favor of the Department of Revenue. The state Supreme Court is hearing an appeal of that decision.

The Administrative Law Court ruling clearly outlines the legal obligation of online reservations businesses that "furnish" rooms to pay the accommodations tax -- a sales tax -- on the gross proceeds of renting rooms to visitors. In the case of Expedia, the reservations company paid hotels a discounted rate for the rooms, then marked up the price to the people renting a room. The customers were charged a tax on the discounted rate. The hotels remitted the amount collected to the Department of Revenue.

The travel sites have argued that hotels are the parties that should be remitting the appropriate taxes to the state and its municipalities. Their attorneys also have argued that the mark-up from the discounted rate is a service fee, not subject to the taxes.

State and local governments -- and the booking companies and hotels -- need clear direction from our high court on who is responsible for collecting the taxes and what proceeds it should be applied to. The customer paying for a room online should pay at the same rate as someone standing at the front desk of a hotel.

Accommodations taxes play too vital a role in the economic and cultural health of our communities to leave money on the table.