

Guest column: Tax revenue lost from online hotel tax exemptions hurts state's economy

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Northeast Florida

More than \$130 million is what Florida stands to lose over the next four years, if House Bill 493 (SB 376) is approved this legislative session.

Referred to as the OTC Bill, this legislation --if passed -- would exempt online travel agencies (i.e. Expedia, Orbitz, Priceline, Bookit, etc.) from paying taxes on the retail price of rooms they sell, giving them a significant profit advantage over Florida lodging providers. State law requires every person who receives compensation for lodging accommodations to collect and remit all applicable taxes. Currently, online travel agencies only pay taxes on wholesale hotel rates, not what the customers pays. The shortfall in tax revenue can be in excess of 20 percent. The online company keeps the difference as a "service fee." Rather than offset the state and local government's revenue shortfall, this extra money is going into the online travel agency's pocket.

At a time of drastic budget cuts for essential services, it's surprising that the Florida Legislature is considering providing corporate welfare to out-of-state companies. In other states, such as New York, the online companies are required to pay taxes on the full amount charged the customers.

What does this cost Northeast Florida? For Duval, Flagler, Nassau, and St. Johns counties -- in 2010 alone -- the uncollected taxes from these online transactions were approximately \$1.8 million. Those funds could have gone directly into sales and bed-tax collections at the local level to be used for beach renourishment; support for cultural, sporting and other special events; Everbank Stadium; and overall tourism marketing designed to bring more tourists here. More visitors to the area means more money in our local economy and more jobs for our residents (every 85 visitors creates one new job). According to Visit Florida, each dollar spent in tourism marketing generates \$147 in tourism spending and more than \$9 in new sales tax collections. Sales tax collections help fund better roads, local parks, education, and ultimately help keep Florida free of a state income tax on residents. In fact, this funding is so critical that the state of Florida and many counties joined together in a lawsuit against the online agencies to force payment of the taxes owed under state law. That's when online agencies turned to their friends in the Legislature.

As Florida reels from its financial crisis, and we face deep budget cuts at every turn, we -- as a state, community and individual residents -- are leaving that \$130 million of uncollected tax revenue from online travel agencies on the table. And that number pales in what the losses could be if Disney, Universal, and others decide to launch their own online companies to take advantage of the unearned profits created by this bill. Legislators are taking locally created value and allowing it to be withheld by companies with no local roots, involvement or investment.

A number of entities widely oppose this bill, including the American Hotel & Lodging Association, the Florida Association of Convention & Visitors Bureaus, and the Florida Association of Counties. Together, these organizations, along with the national chains of Best Western, Choice Hotels, InterContinental Hotels, Marriott, Hilton and Starwood, signed and submitted a letter to Governor Rick Scott requesting this bill not pass.

However, thus far legislators are ignoring the views of their constituents in favor of politically connected corporations who have hired a high-powered group of lobbyists as a profit-generating strategy.

Florida's legislators are speeding through tax breaks for out-of-state companies that put Florida employers at a competitive disadvantage, while shortchanging Florida sales taxes that fund state programs and balance the budget in Tallahassee. It's something everyone should oppose. Call your legislators and tell them to force online travel companies to collect taxes the same way as Florida hotels -- on the full amount charged to the customer.

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