

# The Philadelphia Inquirer

## **The City of Philadelphia Sues 17 Online Travel Services, Including Expedia, Orbitz, Priceline and Travelocity; Claims They Are Not Fully Paying Hotel Occupancy Tax**

By Tom Belden, The Philadelphia Inquirer  
Knight Ridder/Tribune Business News

Jul. 13, 2005--The City of Philadelphia sued 17 online travel services - including major players Expedia, Orbitz, Priceline and Travelocity - yesterday, saying they aren't fully paying hotel-occupancy tax.

The complaint, filed in Common Pleas Court in Philadelphia, says the online travel agencies contract with hotels for rooms at discounted rates and then sell the rooms to the public at marked-up rates. The suit alleges that the agencies collected and paid the city's 7 percent hotel tax based on the discounted room rates rather than the higher rates charged to consumers.

In other words, the suit contends, the city thinks the services should be collecting \$7 in tax on a room that a hotel customer pays \$100 for. But the services contend that they are required to pay only \$6.30, or 7 percent of the discounted rate of \$90 that they paid the hotel.

The Philadelphia lawsuit is not the first that the online services have faced. The City of Los Angeles filed a similar suit against travel services in December.

A spokesman for the Interactive Travel Services Association, which represents the online sellers, said he could not comment directly on the Philadelphia suit because he had not seen it. But the spokesman, Art Sackler, defended the way the taxes were collected, contending that the difference in the room rates was a service fee that the online agencies charge hotels and not part of the rate.

Sackler said he was "quite bewildered" by the city's suit because the Pennsylvania Department of Revenue, in a June 2004 ruling, agreed with the travel services' position.

"It strikes us as quite perplexing that that would not be taken into consideration" by the city, he said.

The city is not certain how much money it believes it is owed, City Solicitor Romulo L. Diaz Jr. said, adding that the city hoped litigation would unearth documents to help it estimate that number.

The city has hired a private local law firm, Berger & Montague P.C., to pursue the litigation. The law firm brought the matter to the city's attention, through City Councilman Frank Rizzo, Diaz said. As payment, it will receive 30 percent of the money collected for the city.

"We believe we have a right under the Philadelphia code to collect the tax on the hotel rooms when the booking agent collects the tax," Diaz said.