



## Why Same Hotel Rooms Generate Different Tax Bills

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*Cities, online travel sites and hotel companies are at odds over taxes — because the local governments often receive less in tax revenue when a hotel room is booked through one of those sites, rather than directly with the hotel. Reporter Alan Greenblatt explains how that happens:*

Hotel prices always vary. People sleeping down the hall from each other in identical rooms often pay substantially different prices. But, depending on how they choose to reserve rooms, people paying the exact same price may end up with notably different tax bills.

Online travel companies rent out rooms based on prices they have contracted with hotels. The difference between what they charge and what they give the hotel is, in effect, a sales commission. But the online travel companies say that it's a service that should not be included in the total sale amount for tax purposes.

Let's say you are renting a room for \$100 in a city with a 10 percent hotel occupancy tax. If you reserved directly with Marriott or the Radisson, you would end up with a total bill of \$110, \$10 of which the hotel would send over to the city.

But what if you book through Orbitz or Hotels.com? Maybe you would end up getting a good deal with a discounted rate. But if you booked a room with a \$100 base rate, you'd end up paying the same \$110. Under this scenario, the online travel company would send \$88 to the hotel — \$80 for the room, and \$8 to cover the 10 percent municipal tax. The online broker would keep \$22.

The city is out \$2, just because you booked through Orbitz rather than Marriott's own website. Some hotel owners object because, they say, their price covers things like marketing and keeping their websites up and running — the same types of costs that online travel companies claim are nontaxable services.

Cities, of course, object to one type of company collecting and returning less tax revenue when charging the same amount for what appears to be the same function as another type of company. But online travel companies say that the law is on their side and that cities — desperate for cash — have been led down an untenable path by plaintiffs' attorneys promising to land them revenues to which they're not entitled.