



Fight Legislation That Will Subject Hoteliers to Substantial Tax Increases Measure May Be Voted on At Any Time

Contact your senators and representatives today and ask them to oppose the “Internet Travel Tax Fairness Act (ITTFA).” This legislation has been drafted and efforts are being made to surreptitiously insert it into another bill without examination or debate.

About ITTFA

Online travel companies (OTCs) such as Expedia, Orbitz, and Travelocity have come under increasing scrutiny by cities and states throughout the country because of their business practices. As you know, hoteliers often contract with OTCs to assist in marketing their rooms. As part of those contracts, OTCs obtain discounted rates for those rooms they sell to guests.

Hotels charge, collect, and remit occupancy taxes based on the rates they advertise and charge guests. However, if the same guest purchases the same room advertised at the same rate through an OTC and pays the same final price, the OTC calculates the tax due based on its discounted rate and remits that lower amount to the taxing jurisdiction.

It is that discrepancy which results in lower tax revenue for rooms advertised and sold at the same room rates that has prompted many cities and states to file lawsuits against OTCs for what they believe are taxes which were charged and kept by the OTCs rather than remitted.

In response, the OTCs have been lobbying Congress to pass legislation which would exempt OTCs from occupancy taxes on their transactions for anything above their discounted rate, regardless of what they advertised a room rate for and what a guest paid. The legislation they are pressing for specifically bans hotels from this new preferential tax category that they are trying to create for themselves if a guest books directly with a hotel.

ITTFA’s Threat to Hotels

If states and localities believe they are owed tax on rooms sold in a hotel in their jurisdictions and are prevented from collecting that tax from the OTC that sold the room, they will in all likelihood demand that the hotel pay the taxes they believe are due. They could do this based on each transaction or raise any one of the hundreds of taxable actions that take place in a hotel.

In addition, because hotels would continue to remit the entire tax as they always have, OTCs would gain a significant competitive advantage as a result of their special federal tax preference. Because of this advantage, OTCs could easily undercut hotels in the final price of rooms since they would enjoy a federal tax exemption while hotels would continue to charge, collect and remit all taxes called for by taxing jurisdictions.

Call to Action

Ask your senators and representative to oppose the “Internet Travel Tax Fairness Act (ITTFA).”

- [Use AH&LA's website to send a letter or call your members of Congress directly.](#)

Points to Make

- Hotels offer wholesale rates to online travel companies like Expedia and Orbitz to help market their rooms and those online companies then sell the rooms at the retail rate and charge customers the same total cost or more than a hotel would charge directly to the customer.
- The online travel companies choose to base the taxes they remit on their wholesale cost rather than the retail price they charged, and local governments are suing them over what they claim are charged but unremitted taxes.
- The “Internet Travel Tax Fairness Act” will prevent local governments from taxing online travel companies like Expedia and Orbitz on the retail price they charge for hotel rooms.
- If local governments are prevented by federal law from collecting all the tax they believe is due from online travel companies, they will almost certainly turn the hotels to pay that tax even though the hotel never received the money.

Learn more about “Internet Travel Tax Fairness Act (ITTFA).” and how it threatens the lodging industry by visiting [AH&LA's Website](#).

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