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December 17, 2009

United States Senate  
Washington, DC 20510

Dear Senator:

We are writing to express our strong opposition to draft legislation (sometimes referred to as the "Internet Travel Tax Fairness Act") that would prevent state and local governments from collecting room taxes from third party intermediaries (TPIs) (e.g., Orbitz, Expedia, hotels.com, etc.) when hotel rooms are booked through such TPIs. If enacted, such legislation would place hotel companies at a competitive disadvantage with respect to marketing their own rooms and potentially subject hotel companies to massive tax increases as state and local government seek to replace the revenue lost as a result of the TPIs' tax exemption preference that would be codified by the legislation, further harming an already struggling hospitality industry.

By way of background, many cities, counties and states throughout the country believe that TPIs are not remitting the full amount of taxes due on rooms booked through them because TPIs calculate and remit taxes based on the wholesale rate they pay the hotel for the room, not on the same booking price the customer pays. While the amount charged online through both a hotel's website and a TPI is often the same and the TPI collect enough "taxes and fees" to remit taxes on the full booking price, they instead retain the incremental revenue from taxes they are not remitting as a "service fee." Consequently, state and local governments have sued TPIs to recover those taxes.

Courts have found that TPI's owe the cities of San Antonio, Texas and Columbus, Georgia additional taxes. Many other tax jurisdictions, including the State of Florida, have filed similar lawsuits. There are also many private class-action lawsuits which allege that TPIs misrepresented the taxes and fees they charged for rooms.


Now, evidently, the TPIs are turning to Congress to exempt them from having to pay any room taxes whatsoever. And if the TPIs are exempted from paying any taxes on rooms secured through them, tax jurisdictions will in all likelihood mandate that hotels make up the difference in the lost revenue and pay taxes on revenue they never received. Although hotels pay all the taxes they owe and have not had their actions questioned, they will be the ultimate victim of this legislation. As a result, many will go out of business and lay off thousands of employees throughout the country.

Moreover, the draft legislation would put hotel companies at an even further competitive disadvantage in marketing their own rooms over the Internet because, while the draft legislation exempts online TPIs from any room taxes, it specifically notes that hotel online booking engines are excluded from that tax-free exemption. The TPIs should not be allowed to manipulate the tax law to provide themselves a competitive advantage.

The current economic downturn has impacted the U.S. hospitality industry particularly hard. As an industry which employs tens of thousands of Americans, we strongly oppose the "Internet Travel Tax Fairness Act" which would specifically target the lodging industry to place it at a competitive disadvantage and which potentially would subject lodging properties throughout the United States to massive tax increases.

Please feel free to contact Shawn McBurney, Senior Vice President of Governmental Affairs at (202) 289-3123 if you have any questions.

Sincerely,



Joseph McInerney  
President and Chief Executive Officer



Marlene Colucci  
Executive Vice President for Public Policy

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AH&LA is a 100-year-old dual membership association of state and city partner lodging associations throughout the United States with some 11,000 property members nationwide, representing more than 1.4 million guest rooms and over 1.8 million employees in the United States. Annual travel-related wages and salaries are more than \$194 billion in the travel and tourism industry. AH&LA's membership ranges from the smallest independent properties to the largest convention hotels. Every hotel, motel and resort in our country is unique due to factors that include size, type, location, services offered, clientele, ownership, and status as an independent or chain affiliate. There is a high degree of franchising and independent ownership in our industry which generates the creation of small businesses and jobs throughout the country.