

The NetChoice Coalition

Promoting Convenience, Choice, and Commerce on The Net

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February 9, 2011

House Finance Committee
Virginia General Assembly
Richmond, VA 23218

Subject: **Opposition to SB 972 – Raising Taxes on Hotel Room Rentals**

Dear Members of the House Finance Committee:

We write to encourage you to reject SB 972, which would impose a new tax regime on valuable services provided by travel agents and online travel companies.

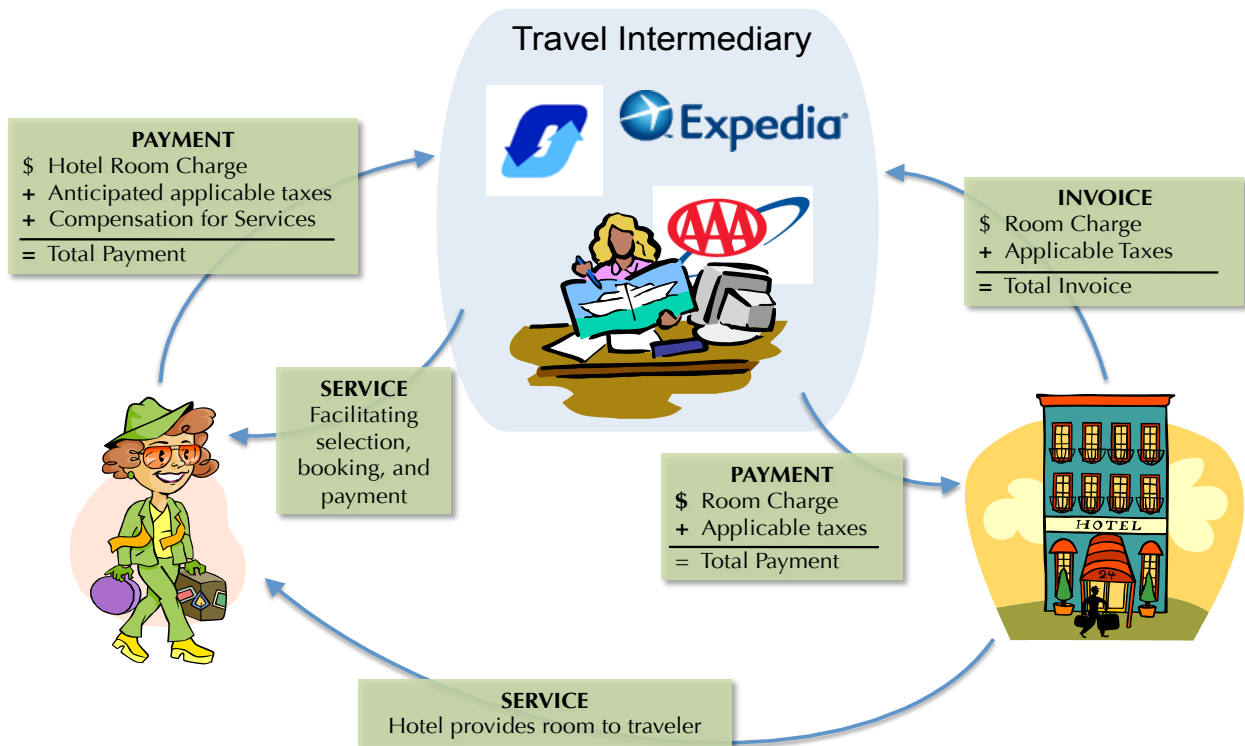
SB 972 is a misguided attempt to deliberately obscure the distinction between hotel room charges and services that travel agents provide when they research, compare, and book rooms for travelers.

What's more, SB 972 could not compel out-of-state travel agents and online services to collect Virginia's new tax. That means revenue would not meet expectations, while the burden of this new tax would fall only on Virginia travel agents and Virginia travelers.

NetChoice is a coalition of e-commerce platforms and thousands of small businesses that rely on e-commerce. We have a long history of breaking down regulatory barriers to e-commerce, beginning in 1999 when the airline industry's new online reservation systems met with opposition from traditional travel agents. Today, nearly all travel agents and travelers rely upon online services to research, compare, and book reservations.

However, we now are facing another barrier to e-commerce in travel, as local authorities seek to impose hotel taxes on services that are provided to travelers – long before and far away from their eventual visit to a Virginia hotel.

In our work on this issue in states and at ALEC and NCSL, we've seen a real need for education about differences in business models, transaction terms, and tax regimes. To help meet that need, we created the chart (below) to show the flow of services and payments in a typical transaction where a traveler uses an agent or online travel company to research and book a hotel reservation.



As shown in the chart, travel agents and online travel companies are providing a service to travelers, showing comparisons of rates and amenities at multiple hotels competing for their travel dollars. Clearly, this facilitation service is distinct from the room provided by the hotel where the traveler eventually stays. Moreover, the chart shows how occupancy taxes due are fully paid when a traveler uses an agent or online travel company.

As compelling as we believe our chart is, it has not been completely persuasive with local taxing authorities, whose goal is to maximize tax collections – no matter the facts of the transaction.

By opposing SB 972, your Committee can help Virginia’s travel and tourism industry focus on serving travelers and creating jobs – not on collecting new taxes.

We appreciate your consideration of our views, and please let me know if I can provide further information for your deliberations.

Sincerely,

Steve DelBianco
 Executive Director