

## The NetChoice Coalition

*Promoting Convenience, Choice, and Commerce on The Net*

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June 14, 2010

Senator Max Baucus  
Senator Chuck Grassley  
United States Senate  
Washington, DC 20510

Subject: *Support for Internet Travel Tax Fairness Act (ITTFA)*

Dear Senators Baucus and Grassley:

We write to encourage passage of the *Internet Travel Tax Fairness Act* (ITTFA). This legislation would create a clear and fair framework for taxation of travel services. Moreover, it could stem the rising threat of patchwork state and local legislation regarding the distinction between hotel charges and facilitation services provided by travel agents and online travel companies.

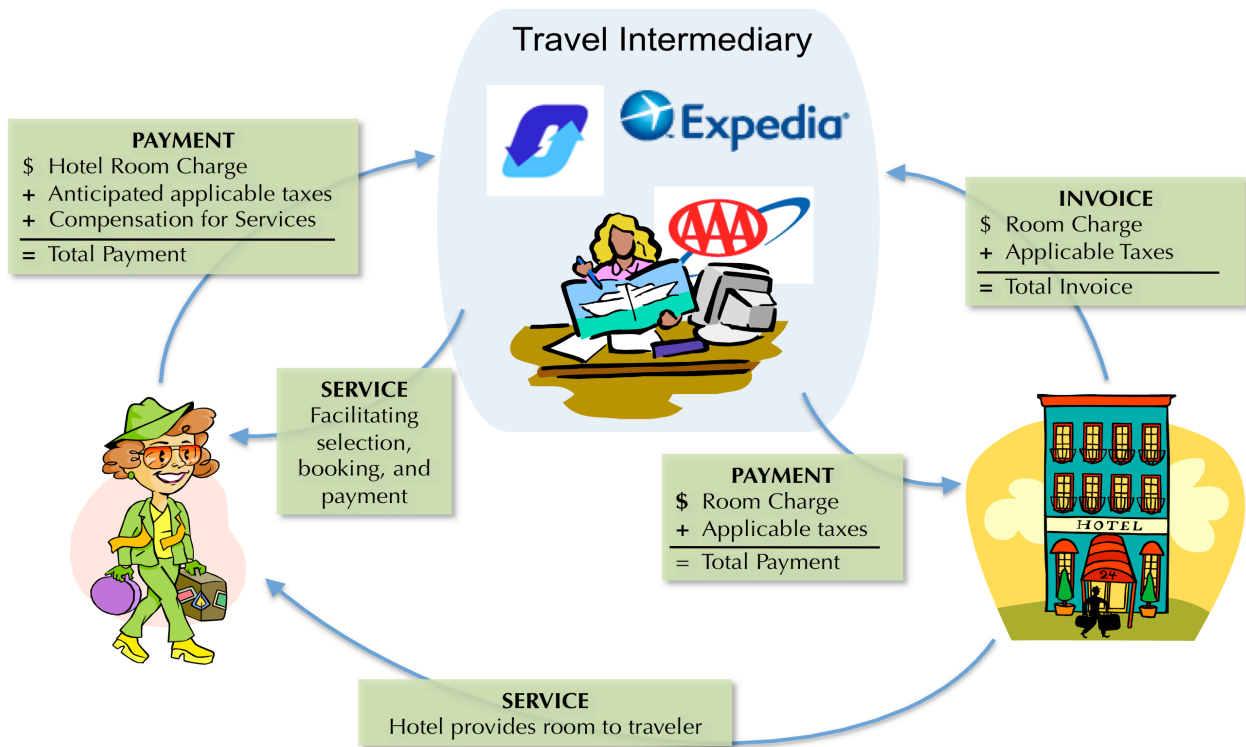
NetChoice is a coalition of e-commerce platforms and over 10,000 small businesses that rely on e-commerce. NetChoice works to promote the integrity and availability of the global Internet, and is significantly engaged in states, here in Washington, and in international internet fora.

NetChoice has a long history of breaking down regulatory barriers to e-commerce, beginning in 1999 when the airline industry's innovations in 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 provided to travelers long before and far away from their eventual visit to a hotel.

The *Internet Travel Tax Fairness Act* will establish a sensible national approach that clears away confusion between reservation services and hotel charges. With such a framework in place, America's travel and tourism industry can focus on serving travelers and creating jobs.

NetChoice has been engaged on this issue in state governments and in national organizations of tax administrators and legislators. 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. Only Congress can establish a national framework that's fair and clear, and that's why we urge passage of the *Internet Travel Tax Fairness Act*.

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

Sincerely,

Steve DelBianco  
Executive Director

cc: Senator Ron Wyden, Member, Finance Committee  
Senator John Ensign, Member, Finance Committee