



**Building image, driving visitation,
boosting the economy**

May 1, 2018

To: The Honorable Bernie O'Neill, Chairman, House Finance Committee
The Honorable Jake Wheatley, Minority Chairman, House Finance Committee

Re: House Bill 1511

Good morning Chairmen O'Neill and Whcatley and members of the Finance Committee, as well as Chairmen Millard and Longietti and members of the House Tourism & Recreational Development Committee.

My name is Fritz Smith and I am Vice President of Research and Industry Relations at VISIT PHILADELPHIA and I am here along with many industry colleagues including Craig Davis next to me, from Visit Pittsburgh, and I'd like to thank Jerry Lepping, Paul Bencivengo from Visit Bucks County for coming to Harrisburg to support our testimony.

House Bill 1511, would compel on-line travel companies to pay the full retail rate on the hotel occupancy tax on transactions booked for hotel stays on their sites.

Additionally, the bill would direct funds collected from closing this loophole to the Pennsylvania Tourism Office, which has been severely underfunded during the last eight years, and would help to recover the market share, economic impact, and jobs lost while other destinations such as New York State, Virginia, Florida, California and Michigan have capitalized on our absence from the market place by boosting their promotional efforts.

We believe that successful passage of HB 1511 would restore the legislative intent of the Tax Reform Code of 1971, which requires the consumer to pay the full tax rate. This is an enforcement/clarification/remittance issue – there is nothing “new” about this tax and it would not change the room rates.

In the case of hotel rooms booked via on-line travel companies, the customer does actually pay the full tax rate, but not all of that money makes it to the State Treasury for reasons I will illustrate up on the screen.

Thank you for this opportunity to present to the Committee and I stand ready to answer any questions.

THE OTA/OTC LOOPHOLE

Fritz Smith

Vice President Research and Industry Relations

Visit Philadelphia

May 1, 2018

What is an Online Travel Agency?

- An Online Travel Agency (OTA) or an Online Travel Company (OTC) is a travel website that specializes in the sale of travel products to consumers.
- Some agencies sell a variety of travel products including flights, hotels, car rentals, cruises, activities, and packages.

Popular OTA Brands

Expedia Brands:

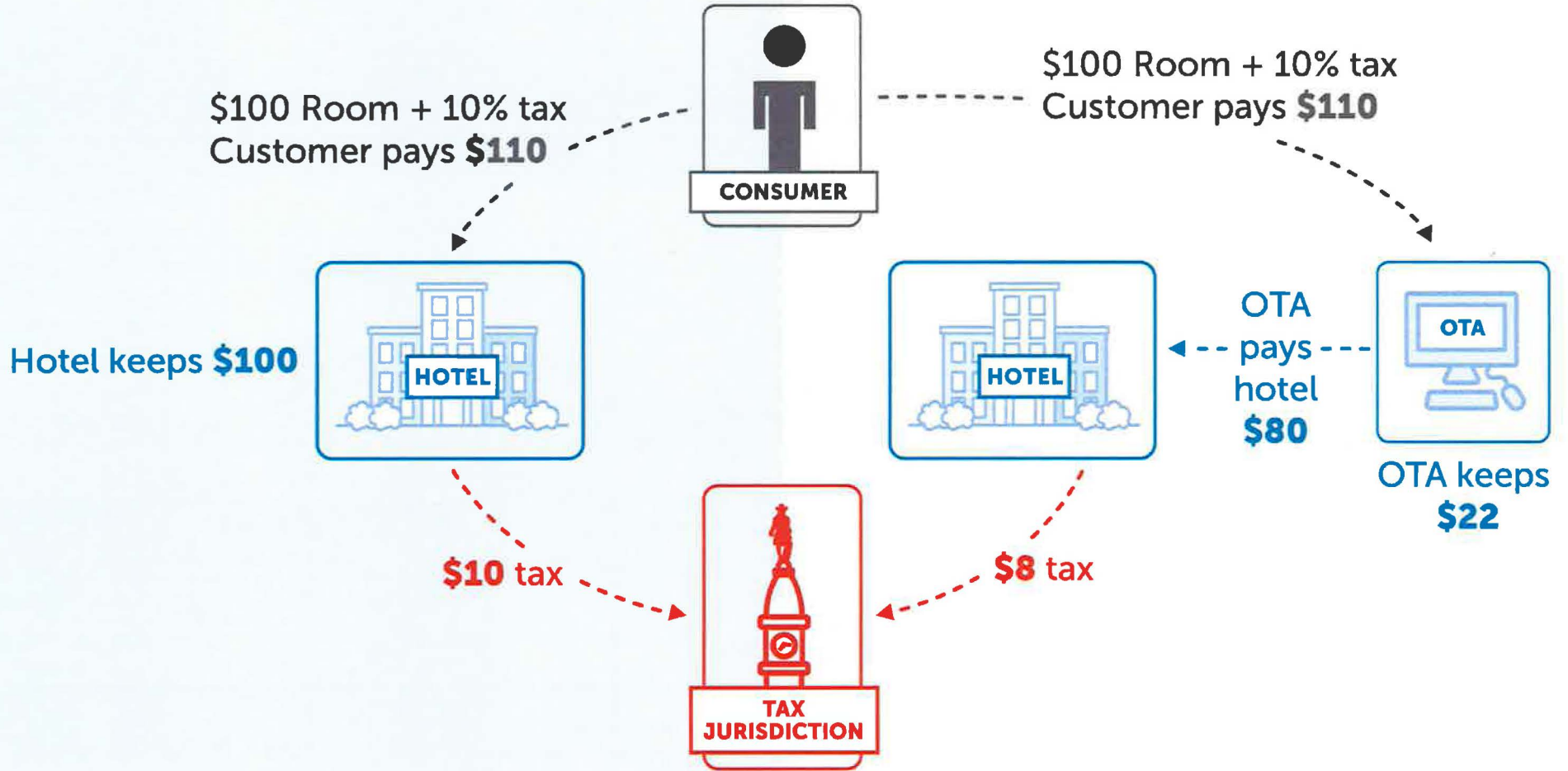
- Expedia
- Hotels.com
- Orbitz
- Hotwire

Priceline Brands:

- Priceline.com
- Booking.com

Booking Directly

Using OTAs



Booking Directly from Hotel



YOUR UPCOMING RESERVATION AT SONESTA PHILADELPHIA DOWNTOWN RITTENHOUSE SQUARE

Guest: Meryl Levitz

Number of adults: 1

Confirmation number: 56921SB510404

Number of children: 0

Arrival date: Tuesday, January 23, 2018
Check-in: 16:00 (4:00 PM)

Room type: Two Queens

Departure date: Wednesday, January 24,
2018
Check out: 12:00 (12:00 PM)

Room Charges: USD 179.00

TAX: USD 28.28

Fees: USD 1.07

Total price including tax: USD 208.08

Booking through Expedia

Thanks!



Your reservation is confirmed. No need to call to reconfirm.

Sonesta Philadelphia Rittenhouse Square, Philadelphia

Jan 23, 2018 - Jan 24, 2018

Price summary

Price breakdown

Room price \$208.28

1 night: \$179.00

Taxes & fees : \$28.21

Property fee: \$1.07

Total \$208.28

Collected by Expedia

Room

Guests





Reserved for Rachel Delano Swartz

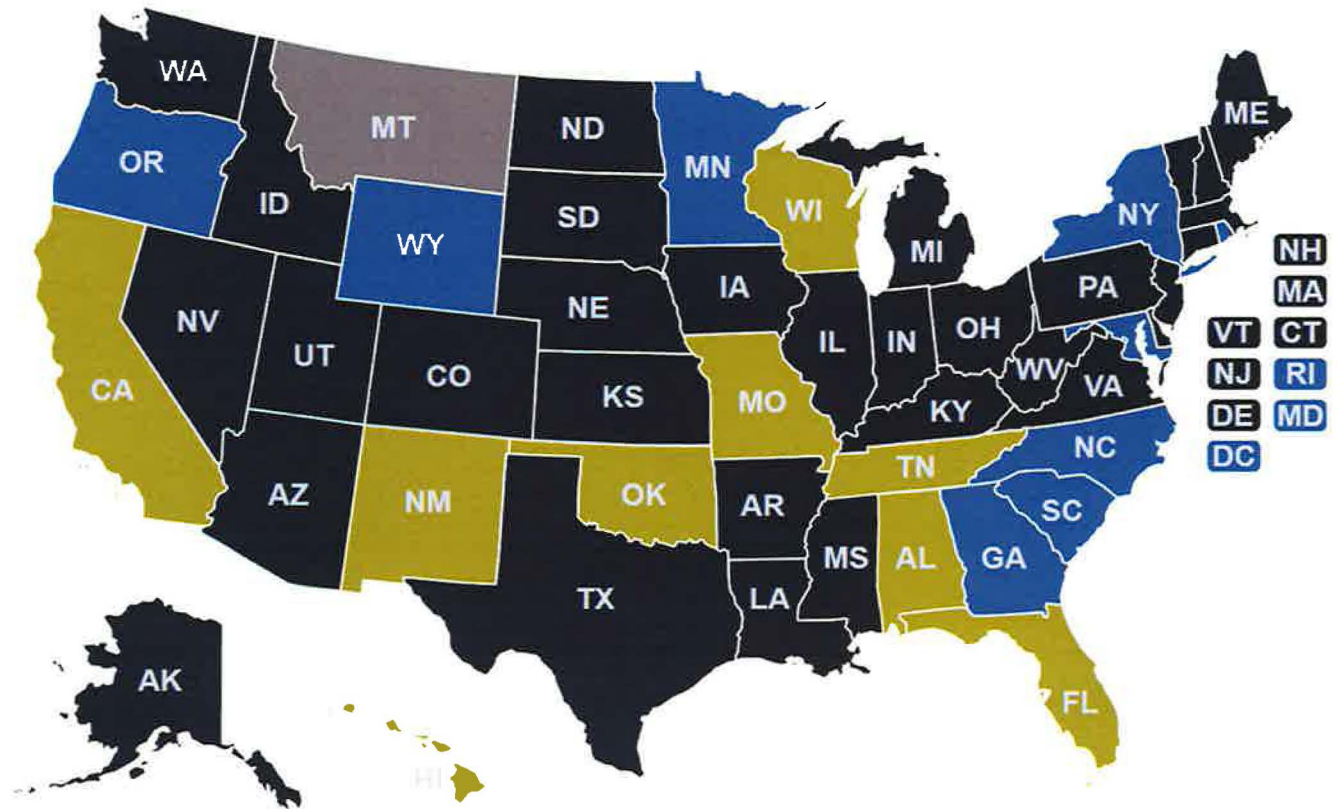
1 adult

Room

Deluxe Room, 2 Queen Beds

Current Status of Loophole by State:

-  Require **some degree of remittance** on amount paid by consumers
-  Require **remittance on amount paid** by consumers
-  Rule in favor of OTAs (**Not requiring remittance** on amount paid by consumers)
-  Unresolved



Headlines: OTA Tax Loophole in U.S. Cities

April 25, 2017



THE DENVER POST

NEWS | COURTS

Colorado Supreme Court rules websites owe Denver millions in hotel room taxes.

Headlines: OTA Tax Loophole in U.S. Cities

July 19, 2017



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City of Chicago collects \$18 million in settlement with hotel booking sites

John Byrne | Chicago Tribune | July 19, 2017 3:01pm

 Like  Tweet  Share  Share

July 18—Online hotel reservation companies have paid the city \$18 million to settle a 12-year-old lawsuit filed by the city of Chicago to collect higher tax payments.

Headlines: OTA Tax Loophole in U.S. Cities

July 23, 2015



The screenshot shows the top portion of a news article. On the left is a hamburger menu icon. In the center is the newspaper's name, "The Washington Post", with the tagline "Democracy Dies in Darkness" below it. On the right are a bell icon for notifications and a person icon for a user profile. Below the navigation bar, the word "Local" is written in blue. The main headline is in a large, bold, black serif font.

Local

Appeals court says travel websites owe District \$60 million in unpaid taxes

OTA Loophole in Competitive Set Cities:

- **Closed Loophole:**
New York,
Baltimore,
Washington, D.C.
- * **Loophole Exists:**
Philadelphia



Industry Support

