



**Testimony of Stephen Shur, President, Travel Technology Association
Ohio House of Representatives
Finance Committee
April 25, 2017**

Chairman Smith and Members of the Committee:

My name is Stephen Shur, and I am the President of the Travel Technology Association. My organization represents online travel agents (OTAs) like Orbitz, Expedia, Travelocity, Priceline and many others. Our organization is in strong opposition to provisions in Substitute HB49 that would expand the sales tax to the fees charged by online travel agents. This provision represents a new tax on services in Ohio and an expansion of the sales tax to services in your state. We urge the committee to support the removal of this provision from Substitute HB49.

Our industry is responsible for booking millions of room nights in Ohio annually. Hotels willingly and enthusiastically partner with my members to help market unsold rooms.

- First, and most importantly, online travel agents do not buy rooms in bulk at wholesale rates and resell them at retail rates. OTAs market unsold inventory but are never responsible for unsold rooms.
- In this environment, the hotel controls the inventory and sets the price.
- The terms wholesale and retail have no meaning in the travel agency arena.
- There is only one room rate and that is what the hotel requires to allow a guest in the room on a given night.
- Taxes on hotel rooms in Ohio are based on the amount the hotel requires to allow someone to occupy a room on a given night. That is the basis for the calculation of the tax.
- There is no current ambiguity in Ohio's tax code. The tax is based on the amount charged by the hotel operator.

- OTAs do not operate hotels. Online travel agents are just that, travel agents. They connect travelers with hotels and charge the traveler a service fee for the service they provide (the ability to search for, compare and book a hotel room).
- The playing field between hotels and OTAs is not “uneven”. OTAs are a valued marketing channel for large hotel chains and independent hotels.
- Hilton CEO said this in an article April 7, 2016: “The OTAs are a good partner for us to be able to access customers that we might not otherwise be able to access.”
 - <https://skift.com/2016/04/07/hilton-ceo-heaps-praise-on-his-good-partners-the-online-travel-agencies/>
- For independent hotels, the value of OTAs is even greater.
 - By partnering with OTAs, independent hotels get to compete for travelers with the major hotel chains when their property shows up on a comparison screen next to Marriott and Hilton.

In the context of the question of whether the proper taxes are being collected and remitted, there is no loophole. The tax is based on the rate that the hotel sets. The hotel provides the good or service, in this case, the hotel room, to the traveler. Online travel agents do not operate hotels or have control of inventory nor do they set the price that the consumer pays for the room. The hotels can remove their rooms from OTA sites in real time, at any time.

Further, as in the case of AAA discounts or AARP discounts, the tax paid is based on the discounted room rate that is set and agreed to by the hotel.

HB49 proposes to expand the sales tax to services by taxing the service fees that travel agents charge their clients. This will not only not generate any significant revenue, it could have a detrimental impact on your travel and tourism economy. These new taxes on service fees provide a disincentive for travel agents, both online and in Ohio to steer travelers to Ohio destinations. 40% of visitors to OTA sites do so without a destination in mind. OTAs can steer travelers to or from a state based on marketing, advertising and promotions. If someone is looking for an amusement park experience, they might be steered toward Wisconsin Dells instead of Cedar Point, for example.

According to [Skift](http://skift.com/2014/09/25/how-destinations-work-with-booking-sites-to-draw-visitors/)
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 “As one of the [busiest booking sites](#) in the U.S., Expedia has enhanced ability to influence where travelers decide to vacation. This includes telling customers how many people booked a particular hotel, and it extends to running marketing campaigns for destinations”

Independent hotels will suffer as a result of these new taxes. As OTAs steer travelers to other states, Ohio's independent hotels will see a drop in visibility and fewer bookings as a result.

Ohio rooms will become more expensive and less competitive with neighboring states. If enacted, the taxes imposed on OTA fees will be taken into consideration during the next negotiation with Ohio hotels. Like all taxes, they will ultimately be passed on to the consumer. The room rates will rise as a result.

Leisure travelers are hyper sensitive to price. Priceline found that when a room rate is raised by 1%, bookings drop 2%. Neighboring states that don't impose such taxes will stand to benefit at Ohio's expense.

In conclusion, this new tax is bad for Ohio and Ohio's travel and tourism economy.

Unlike most new taxes on services, taxing OTA and Ohio travel agent fees is unique. If an Ohio service provider is taxed \$100, the state gets \$100. With this proposed new tax on travel agents, the opportunity cost of losing a traveler to another state is significant. Travelers spend money on goods and services while in the state, far beyond the hotel room. What Ohio's travel and tourism economy will lose, including the negative impact on many small businesses, will far outpace any revenue gained by taxing travel agent fees. There is a widely-recognized multiplier effect in travel economics. The goal should be to grow travel and tourism, not reduce it by taxing it.

The opportunity cost of this tax is high. It's not about raising revenue. It's not about closing a loophole that doesn't exist. It's not about leveling any playing field. It's simply an expansion of the sales tax to services and a disincentive for online travel agents to steer people to Ohio hotels. I urge you to reject this provision and remove it from Substitute HB49.

Thank you.

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