

April 26, 2017

The Honorable Ryan Smith
Chairman
Ohio House Finance Committee
77 S. High Street, 13th Floor
Columbus, OH 43215

Dear Chairman Smith:

I write today on behalf of the American Society of Travel Agents (ASTA) and the more than 2,000 people who work at travel agencies in the State of Ohio to express our concern about provisions in Substitute House Bill 49 (pages 2937, 2950 and 2967) that would impose new taxes on certain travel agency transactions.

As you may know, the debate over tax proposals targeted at online travel companies (OTCs) like those contained in HB49 has been raging across the country for years – and the vast majority of courts and legislatures who have considered the issue have ruled in favor of the travel agency industry, including Delaware, Pennsylvania, West Virginia and Virginia. Policymakers are often told that these proposals will only impact large, out-of-state like Priceline and Expedia who are shortchanging state and local governments on sales and hotel taxes and will have no impact on traditional “brick and mortar” travel agents. This is simply not the case. Here is why:

- **HB49’s definition of “hotel intermediary” covers traditional travel agency business models.** HB49 makes no distinction between online and offline or OTC versus brick-and-mortar agency, or even whether or not the agency is based in Ohio. It defines “hotel intermediary” as “a person that brokers, coordinates, or otherwise arranges for the purchase, sale, use, or possession of lodging at hotels to or by transient guests.” While it exempts persons receiving a commission from a hotel and fees separately stated to the consumer, it will capture transactions traditional travel agents in Ohio and across the country consummate every day.
- **HB49 would impose new taxes on travel agency services.** Any fees not covered by the above-referenced exemptions travel agents charge their customers for Ohio hotel bookings above the cost of the room itself would be subject to new state and local taxation. This is problematic because as our industry has evolved, travel agents are charging service fees to their clients while relying less on commissions from travel suppliers. In 2015 – a year when travel agents booked \$33 billion worth of hotel rooms – 45 percent of agents charged a fee for hotel-only bookings and 42 percent charged a fee for an air, hotel and car package. These fees are charged for a service – saving consumers time and money by helping them navigate a marketplace that offers an overwhelming number of options and choices. ASTA’s long-held

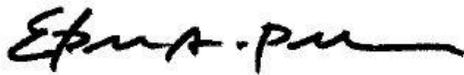
position is that this revenue, already subject to federal and state income taxes, should not be taxed a third time through taxes traditionally applied on hotel room stays.

- **HB49 would impose new administrative burdens on traditional travel agents.** Agents conducting non-exempt transactions – again, both inside and outside Ohio – would have to register with state and local authorities and be subject to detailed accounting and recordkeeping measures for each and every transaction involving a Ohio hotel room. If implemented as written, these burdens would be substantial for our industry, the vast majority of whom are very small businesses. In Ohio alone, according to U.S. Census data, 88 percent of travel agencies employ fewer than ten people, while 74 percent employ fewer than five.

Contrary to the misplaced notion of travel agents as a dying breed, travel agencies who have adapted to the internet era have not only survived but have thrived. Part and parcel of that evolution has been a shift in business model, from one based on commissions to one based on fees. Simply put, traditional travel agents do the things the big OTCs do and thus would be impacted by HB49.

Thank you for considering our views on this important issue. If you or your staff have any questions, please do not hesitate to contact me at (703) 739-6842 or epeck@asta.org.

Yours Sincerely,



Eben Peck
Senior Vice President, Government & Public Affairs
American Society of Travel Agents

CC: Honorable Members, Ohio House Finance Committee
Honorable Members, Ohio House Leadership