



Ohio House Finance Committee  
Interested Party Testimony: Substitute House Bill 64

Chairman Smith, Vice Chair Schuring and Ranking Member Driehaus, thank you for the opportunity to speak to you today regarding an issue that we would like to see included in House Bill 64. My name is Jacob Evans, and I serve as General Counsel for the Ohio Association of Convention & Visitors Bureaus (OACVB). The OACVB supports language that would clarify Ohio law to ensure that online travel companies (also known as hotel intermediaries) remit taxes based on their retail prices. This clarification will ensure that local governments are able to collect money which most believed they were already collecting.

Hotel intermediaries, such as Expedia and Travelocity, advertise hotel rooms at rates similar to hotels located in Ohio. They also charge taxes and fees in their final prices which are within pennies of the taxes required to be collected and remitted by Ohio hotels. However, unlike hotels, hotel intermediaries are remitting sales and lodging taxes based upon the wholesale rate they pay for the hotel room as opposed to the final price paid by the end consumer renting the room.

This would be similar to going to a store and buying a shirt for \$25.00. Instead of being charged a tax on the \$25.00, the store only charged you a tax on \$20.00 or the amount they paid the clothes manufacturer for the shirt.

The shortchange to state and local government is not just in the simple tax on the wholesale rate versus the retail rate. It is also the fact that the lodging tax collections are less, thereby meaning less money to the convention and visitors bureau to market the area and generate additional dollars for state and local coffers. This tax loophole amounts to an estimated loss of \$10 million in Ohio annually at a minimum.

Local governments throughout the U.S., including the Ohio municipalities of Hamilton County, City of Columbus, City of Findlay and others have filed lawsuits against hotel intermediaries to collect hotel taxes that they believe are charged, collected, and owed. However, the courts have found that Ohio's antiquated tax laws do not apply to these hotel intermediaries. To be clear, it is not that the courts have found this tax would not be appropriate; the 6<sup>th</sup> Circuit decision found that local lodging tax ordinances did not have adequate definitions to capture hotel intermediaries. Ohio's state law must be updated to reflect that hotel intermediaries are responsible for remitting the sales and lodging tax on the full amount paid by the end consumer.

Well before the establishment of hotel intermediaries, hotel occupancy taxes were imposed and collected. Hotel taxes are important funding sources for many local governments and a portion of the collected hotel taxes goes to promote tourism which brings more visitors and dollars to local communities. If hotel intermediaries are permitted to continue their practice of manipulating Ohio law, it will not only constitute discriminatory tax policies against Ohio hotels to benefit out-of-state companies, it will continue to undercut badly needed funding to local governments.

The OACVB respectfully requests the inclusion of language, similar to that of recently introduced House Bill 150 by Representatives Grossman and Scherer, be included in House Bill 64.

Thank you to the Committee for your time and I would be happy to try to answer any questions you may have at this time.