



## Ohio House of Representatives

Finance Committee

Chairman Ryan Smith

April 17, 2015

### Interested Party Testimony

Chairman Smith, Vice Chair Schuring and Ranking Member Driehaus, thank you for the opportunity to speak to you today regarding multiple issues in Sub. House Bill 64 that the lodging industry has an interest. My name is Michael-lynn Evans, and I serve as the Government Affairs Consultant for the Ohio Hotel & Lodging Association (OH&LA). Ohio has 1,385 hotel properties (totaling 125,625 rooms). We produce \$747 million in employee wages and traditionally are small to medium size businesses.

OH&LA supports language being offered by Rep. Grossman and Rep. Scherer clarifying the tax treatment for Online Travel Companies, also known as hotel intermediaries. Many of the Ohio statutes and ordinances for taxes on hotel rooms were written decades before the advent of the internet, and well before personal computers and cell phones. If the state of Ohio believes the original intent of the law was to tax the full retail room rate and that the citizens of Ohio are entitled to the full amount of tax on the hotel room, then the law must be updated.

Out of state online travel companies (OTCs) such as Expedia and Travelocity advertise hotel rooms near the same price as 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. Currently however, OTCs calculate the tax they remit on their wholesale costs rather than the retail price paid by their customer and the OTCs keep as profit the undisclosed additional amount they call a "tax recovery fee" or "service fee". (See attached Info-Graph)

Ohio hotels are required to remit tax on the retail rate paid by the customer and out of state online travel companies should be required to do the same. Closing this tax loophole and requiring the online travel companies to remit tax on the retail rate would keep an estimated + \$10 million more annually in Ohio as taxes. This is sales tax that should be remitted to our state and local governments to help our communities and lodging tax that should be going to our convention and visitor bureaus for tourism marketing that will bring more visitors and more tax dollars to Ohio.

**SOLUTION:** The Grossman/ Scherer amendment would modernize the Ohio Revised Code to ensure OTCs remit tax on the price their consumers pay for the hotel room. Ohio's hotel vendor sales and

lodging tax codes were written decades before OTCs came into the market (1996 Expedia). The ORC has yet to be updated to define this new vendor in the hotel sales arena or assign total liability for remittance of applicable taxes. Therefore, the amendment will do the following 3 things:

- 1) Defines the OTC “hotel intermediary” as a vendor
- 2) Tax parity for the all vendors in the hotel sales arena: requires hotel intermediaries to collect and remit applicable sales and use tax at the full retail price of hotel rooms.
- 3) Transparency protection for the end consumer: Requires hotel intermediaries to supply customers with itemized invoices.
  - a. Presently a customer buying a hotel room from an OTC sees only the rate of the room and a mark-up that includes all fees and taxes.
  - b. This invoice should ensure more protection for the consumer that they have booked with a legitimate hotel or OTC.
    - i. The hotel and OTC industry have recently been receiving reports about “rogue” vendors using a variety of false advertising tactics and other deceptive practices to trick consumers into thinking they are booking directly with the hotel or a legitimate OTC (Expedia, Orbitz, ect.) when in fact they are not.

#### **OH&LA positions on other initiatives being discussed in Sub. HB 64:**

##### **AGRCD11 Agricultural Society Facilities Grant Program: Support**

Creates a grant program for capital improvements for county and independent fairgrounds with a 2:1 state match. Fairgrounds in need like Delaware County can get \$50,000 towards their infrastructure needs.

##### **TAXCD56 Tourism development districts: Support Conceptually**

Authorizes municipal corporations and townships to designate a special district of not more than 100 contiguous acres (“tourism development district”) within which a sales and use tax of up to 2%, a development fee, or an admissions tax of up to 2% may be levied to fund tourism promotion and development in that district. Authorizes municipal corporations and townships to issue bonds backed by tourism development district revenue to fund tourism promotion and development in the district.

##### **TAXCD39 Lodging tax for county agricultural societies: Oppose**

Authorizes a county or independent agricultural society hosting an annual harness horse race with at least 40,000 per day attendees to levy, with voter approval, a lodging tax for up to 5 years and to issue bonds to pay for permanent improvements.

This tax increase singles out a business community partner that has little to no return on the tax increase to subsidize the Delaware County Fair’s infrastructure problem. OH&LA believes there are other more suitable options for this county fairgrounds and Little Brown Jug that should be utilized as a long-term fix. OH&LA and its travel partners are working with Rep. Brenner, Rep. Ruhl and Senator Jordan to find a different option(s) (i.e. Agricultural Society Facilities Grant Program, Tourism Development District, ect.) to meet Delaware County’s \$200,000 yearly need without putting the hotels in that county at a competitive disadvantage to its’ comparative market sets.

### **TAXCD38 Beer excise tax subsidy for sporting event host: Support**

Earmarks 2% of beer excise tax revenue, up to \$1 million per year, for grants through the existing Major Sporting Events Initiative.

Professional sporting events like the MLB All-Star Game, NHL All-Star Game, and President's Cup not only bring national recognition to Ohio's great cities, they generate substantial amount of local revenue funds in a short period of time.

- 2015 MLB All-Star Game week expected to bring in \$60 million in local revenue for Cincinnati
- 2015 NHL All-Star Game generated an estimated \$12 million for Columbus
- 2013 President's Cup generated an estimated \$45 million for Central Ohio

Thank you Chairman and members of the committee for allowing me to speak. I would be happy to answer any questions that you might have.