



Interactive
Travel Services
Association



March 12, 2010

An Open Letter to Our Partners in the Hotel Industry:

As some of our oldest and most important allies in the travel industry, we write today to ask for your assistance with a problem that could damage all of our businesses, in hopes that you will work with us to find a mutually-acceptable solution.

There has been a significant amount of unnecessary acrimony over recent weeks regarding our efforts to work with Congress to resolve the confusion sowed by self-interested trial attorneys over the applicability of local occupancy taxes to intermediaries such as online companies, travel agents, tour operators, and business travel bookers.

As you know, there are more than 7,000 municipal tax authorities in the United States, and many of them are already attempting to legislate or litigate their own solutions. If even a fraction of those municipalities succeed, it could result in an impassable web of overlapping, confusing and contradictory local tax schemes.

Travel intermediaries of every size – from mom-and-pop travel agencies to the largest tour operators – could face unimaginable compliance requirements from hundreds or even thousands of new local regulations, each with different definitions, tax rates, audit procedures, and paperwork obligations.

Who would lose? We all would.

We are your partners, not competitors. Our job is to bring you customers. That's how we both prosper. And that's why we want to work with you to resolve this issue before it hurts our ability to bring you the customers we both need to grow and succeed.

Successful resolution of this issue cannot take place at the local level. It will require a fair and equitable national standard, and we'd like to ask for your help to develop the best solution in that area.



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Our proposal revolves around three simple principles.

First, let's move this issue from the local level up to the state level. We don't want to interfere with the states' ability to tax whatever services they want. We simply want to ensure that these tax decisions are made with consistency and fairness at a more logical level. Nonetheless, it would be quite difficult for all but the very largest travel agencies to find the resources to even manage to 50 state requirements, while 7,000 would place a staggering compliance burden on nearly every participant in our industry.

Next, let's remove the litigation overhang. There's nothing in the legislation that will abrogate any ongoing litigation, and municipalities have had several years to pursue action, if they wanted to do so. Now we need to halt the endless trial baiting of self-interested plaintiff's attorneys, so we can get back to the business of promoting local travel and tourism.

Third, and most important, let's protect every dollar of existing occupancy tax revenue. There have been hyperbolic claims that billions of dollars in existing tax revenue would be lost by passage of the legislation. Nothing could be further from the truth.

A national standard would not affect existing collection of hotel taxes in any jurisdiction. And as for the supposed revenue from intermediaries, not a penny is being collected today, and thus not a penny would be lost, regardless of any legislation. Both of these facts were supported in a report evaluating the issue by the non-partisan Tax Foundation, which has endorsed a national standard.

We think these three broad principles offer a sound foundation for a solution that works for all of the participants in the travel industry, but we want to be sure that all of the concerns you have raised are addressed. If you're worried about any potential language, let's work together to fix it.

We do not seek to avoid having our services taxed. They are today in a variety of ways. Nor do we think municipalities should attempt to shift any additional tax burden to hotels, and we will work with you to fight any such efforts aggressively. Working together, we can help municipalities increase revenue by increasing visitors, not squeezing their travel partners with higher taxes.

We would be delighted to meet with the leadership of the AH&LA at any point next week during your legislative conference in Washington or at any point thereafter to address this critical issue. Please let us know your availability to do so.



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In reality, it's in all of our best interests to find a federal solution that addresses this intractable issue and removes the legislative and legal uncertainty for travel intermediaries, so we can get back to doing what we do best: working with our partners in the hotel business to bring you business.

Thank you in advance for your reasoned consideration and dialogue on this important subject.

Sincerely,

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