

Online travel companies battle fee

They ask the Legislature to back them up on lower bed tax payments.

By DAVID BAUERLEIN

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The state Legislature is taking sides in a years-long battle pitting cities, including Jacksonville, against online travel companies over whether the businesses pay their share of local bed taxes.

The Jacksonville City Council in 2006 authorized a lawsuit contending a host of online travel companies failed to turn over enough bed taxes.

The travel companies won a court victory when a state judge dismissed the lawsuit by ruling the city first needs to do a financial audit of the online hotel bookings. Similar suits have met the same fate across the country.

Now the online companies want the state Legislature to approve a bill that would mirror the industry's position that local governments are getting all the bed taxes to which they're entitled. The bill passed its first test last week when a Senate committee approved it.

At issue is how online travel companies — such as Expedia, Orbitz and Travelocity — bill customers for the bed taxes charged by local governments. In Duval County, the 6 percent bed tax collected \$17.4 million last year. Proceeds are split equally among financial support for the convention center, Jacksonville Municipal Stadium and tourism promotion.

Online travel companies negotiate with hotels for the right to book hotel rooms, negotiating a price the hotels will

receive for each booking. The online companies then sell the hotel rooms at a higher price.

The city's lawsuit contended the higher price charged by the online company should be subject to the local bed tax, just as it would be when a guest books a room directly with a hotel. But the online companies counter the bed tax only applies to the amount of money that is turned over to the hotels for each room charge.

Michael Freed, a Jacksonville attorney who represented the city on its lawsuit, said the bill would reward the online companies at the expense of cities facing tight budgets. He said Jacksonville is entitled to back taxes from the companies, in addition to bigger payments in the future for hotel bookings.

He said it's impossible to determine how much money is at stake because the companies don't break out the amount of bed taxes on customers bills. He said the amount due is "the million dollar question" and Jacksonville's stake over a five-year period "would be significant because we had the Super Bowl in the relevant time period. We've had some big events."

Robert Skrob, executive director of the Florida Association of Convention and Visitor Bureaus, said as a matter of tax fairness, a guest who books directly with a hotel shouldn't be charged more in taxes than a guest who uses an online booking company.

"What the Legislature should be doing is helping the counties and the [state] Department of Revenue collect the tax — not waving a wand and making the taxes not due," he said.

Despite the lawsuit, Jacksonville's visitors and convention bureau joined forces last year with Travelocity — one of the defendants in the suit — to promote Jacksonville as a tourism destination.

Travelocity is featured on the homepage of Visit Jacksonville at visitjacksonville.com.

Visit Jacksonville spokeswoman Lyndsay Rossman said collecting bed taxes on the full price paid for online booking would help generate money for tourism. But she said the "reality of the situation" is travelers use online booking so "it's better to get partial bed tax than nothing."

Art Sackler, executive director of the Interactive Travel Services Association, said online travel companies do extensive advertising of Florida vacation destinations, which more than offsets the difference in tax payments. He said it's not just promoting Florida on online sites, but also sending out e-mail promotions and advertising on television and in print.

"You don't get any tax with an empty hotel room," he said.

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