OTC TAX PARITY

Support HB 571

WHAT'S THE ISSUE?

Online Travel Companies (OTCs) such as Expedia and Priceline charge customers the same or more as hotels that book direct. However, OTCs remit only a portion of the taxes they collect. This deprives state and local governments, CVBs, and other entities of tens of millions of dollars in critical revenue. These out-of-state online companies should remit their fair share of taxes based on the price of accommodations paid by consumers-- just as Ohio's hotel and lodging businesses do.

KEY POINTS

Tax parity is fair for Ohio businesses

- Ohio hotels, which are often locally owned, are in effect taxed at a higher rate than the OTCs for the same room, sold for the same amount, on the same night.
- Legislation to institute tax parity would not affect traditional brick-and-mortar travel agencies.

Tax parity benefits communities

- Ohio hotels employ more than 35,000 people directly, support 93,000 hotel-related jobs, generate $25.5 billion in business sales and support $3.4 billion in taxes.
- The County Commissioners Association of Ohio, Ohio Municipal League, and Ohio Township Association support legislation to create tax parity.

Tax parity doesn't create a new tax or increase the tax rate

- This is not a new tax. Lodging tax has existed as far back as the 1930s, was included in the revised code in its current form in the 1960s, and was updated in the 1980s. Entities that sell accommodations in Ohio are already required to collect and remit lodging tax. HB 571 makes no reference to increasing existing tax rates. This legislation merely clarifies that OTCs are required to remit taxes, and the tax is based on the cost of the room to consumers.

> Out-of-state online travel companies are engaged in a tax avoidance scheme.
> Their own internal documents call the OTC tax loophole a "luxury," recognize that "the total price consumers pay . . . is subject to taxation" and admit their plan is to "resist, delay and make it as difficult as possible" for the state to legislate tax parity.

Tax parity is being addressed in other states and courts agree

- Since 2009, more than ten states have taken successful steps to address OTC tax parity.
- Multiple courts have upheld the principle that tax should be remitted on the price consumers pay for the room, including Georgia Supreme Court, U.S. District Court for Northern District of Illinois, and most recently in 2017, the Colorado Supreme Court.
- The National Conference of State Legislatures recommends that OTCs be required to remit taxes based on the total rental price paid by the user.

See reverse side for side-by-side comparison of how hotels and OTCs remit taxes

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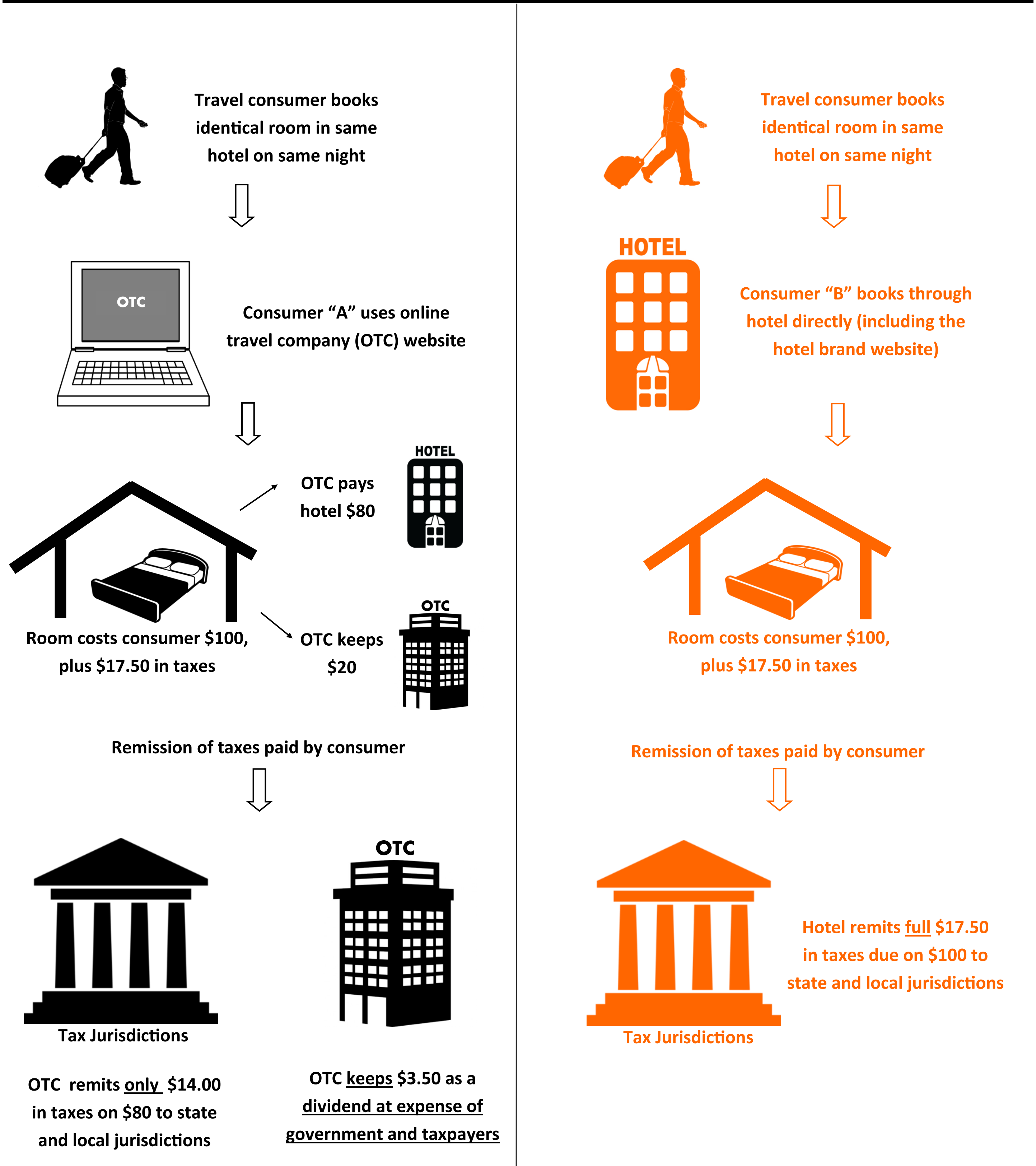
Out-of-state online travel companies (OTCs) remit less taxes than others selling the same room in the same hotel on the same night -- and cost Ohio, its communities, and taxpayers in the process.



In both scenarios, the consumer pays the exact same amount, $117.50, for the room, but only the hotel remits tax based on this amount. OTCs remit tax on a lower rate, and the state and communities are deprived of critical revenue.