



**Testimony of Stephen Shur, President of the Travel Technology Association,
in Opposition to HB 1511:
Imposing New Taxes on Travel Agent Service Fees**

My name is Stephen Shur, and I am the President of the Travel Technology Association. My organization represents companies like Expedia, Priceline, Orbitz, booking.com, TripAdvisor, and many others.

Our industry is responsible for booking hundreds of thousands of room nights in Pennsylvania annually. We are in strong opposition to any proposal that would impose new and burdensome taxes on the fees charged by travel agents, both online and in Pennsylvania.

I'd like to talk briefly about how our industry works.

First, and most importantly, online travel agents don't buy rooms in bulk at wholesale rates and resell them at retail rates.

When a traveler books a room via a travel agent, either online or in Pennsylvania, the total amount the traveler pays for the room includes:

1. the room rate set by the hotel,
2. all applicable taxes based on that room rate, and
3. a service fee charged by the travel agent (online or in the community)

Further, Pennsylvania hotels willingly and enthusiastically partner with my members to help market unsold rooms.

- OTAs market Pennsylvania hotels to the world but are never responsible for unsold rooms.
- The hotel controls the inventory and sets the price.
- The terms wholesale and retail have no meaning in the travel agency arena.
- There is only one room rate and that is what the hotel requires to allow a guest in the room on a given night.

- Taxes on hotel rooms in Pennsylvania are based on the amount the hotel requires to allow someone to occupy a room on a given night. That is the basis for the calculation of the tax.
- If a hotel reduces its nightly rate, directly or indirectly, the tax is based on that reduced rate (such as AAA, AARP Discounts, Government rate, etc.)
- OTAs do not operate hotels. Online travel agents are just that, travel agents. They connect travelers with hotels and charge the traveler a service fee for the service they provide (the ability to search for, compare and book a hotel room).
- The playing field between hotels and OTAs is not “uneven”. OTAs are a valued marketing channel for large hotel chains and independent hotels.
- Hilton CEO said this in an article April 7,2016: **“The OTAs are a good partner for us to be able to access customers that we might not otherwise be able to access.”**
 - <https://skift.com/2016/04/07/hilton-ceo-heaps-praise-on-his-good-partners-the-online-travel-agencies/>
- For independent hotels, the value of OTAs is even greater.
 - By partnering with OTAs, independent hotels get to compete for travelers with the major hotel chains when their property shows up on a comparison screen next to Marriott and Hilton.
- These new taxes on travel agent service fees will impact Pennsylvania’s brick and mortar agents, wedding planners, meeting planners and event planners.
 - Any agent that books rooms for its clients and charges a service fee, those fees would be subject to this new tax and a double tax for Pennsylvania businesses since they already pay income tax on that revenue.
- Commissions are exempt from taxation in this bill, however, travel agent commissions are disappearing and therefore agents are now charging their clients a fee for service.
- Marriott and Hilton’s Group Commission Cuts Put Pressure on Industry:
 - <https://skift.com/2018/04/11/marriott-and-hiltons-group-commission-cuts-put-pressure-on-industry/>

Applying new taxes to the fees charged by travel agents will have the opposite of the intended effect of raising revenue. Travel agents are the engine that help steer travelers to Pennsylvania. 30% of all hotel bookings in the US are via online travel agents. Taxing online and community travel agents will serve as a disincentive for them to steer travelers to the Commonwealth.

Leisure travelers are hyper sensitive to price. These taxes will ultimately be passed on to the consumer in the form of higher room rates. Priceline.com found that when the room rate is increased by 1%, there is a 2% reduction in bookings. Raising room rates in

Pennsylvania through higher taxes will have a ripple effect through the state's economy as leisure travelers choose to stay in other states to save money, or not travel at all. I grew up in South Jersey, just over the bridge from Philadelphia. It is quite plausible for someone to stay in Cherry Hill rather than Center City in order to save money on lodging.

On average, 25% of rooms booked on OTAs are in-state bookings, which means Pennsylvania residents will be paying more for hotels. Small businesses who benefit from travel and tourism will be negatively impacted by these taxes as well.

What is being considered here with this legislation is the imposition of a new tax on service fees in Pennsylvania.

This is bad for Pennsylvania tourism. If even just a small percentage of travelers choose to stay over state lines for a lower cost room or not travel at all, any tax on agent fees will be small compared to the tax revenue gained when a traveler visits the state and spends money on goods and services.

The proposal is particularly bad for Pennsylvania travel agents, tour operators, wedding and event planners who charge their clients fees for booking hotel rooms and already pay tax on the service fees (income) they charge their clients. The American Society of Travel Agents agrees, and has submitted written testimony against this new tax on agent service fees as well.

It has been said that when you tax something, you get less of it. In this case, we are talking about hotel bookings in Pennsylvania.

The opportunity cost of this tax is high. It's not about raising revenue. It's not about closing a loophole that doesn't exist. It's not about leveling any playing field. It's simply a new tax on services and a disincentive for travel agents, both online and in Pennsylvania to steer people to Pennsylvania hotels.

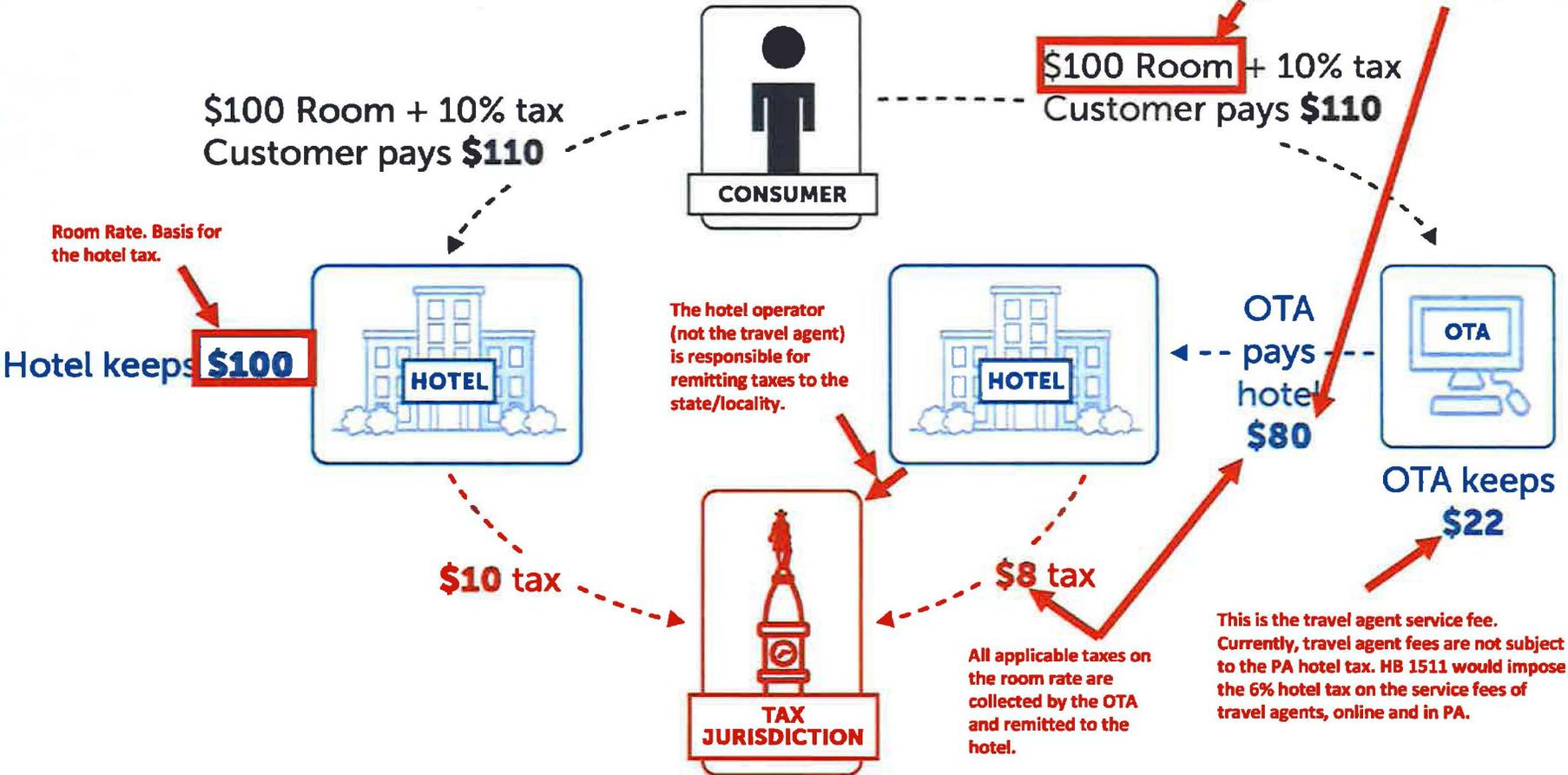
This new tax on services is a job killer, a small business killer and a burden on Pennsylvania businesses and citizens. I urge you to reject this proposal.

Thank you.

Booking Directly

Using OTAs

This is purposely deceptive by the hotels. The room rate is \$80 in this example, not \$100. \$80 is the rate the hotel (the operator) requires to allow someone to use that room and is the basis for the hotel tax.



This is the travel agent service fee. Currently, travel agent fees are not subject to the PA hotel tax. HB 1511 would impose the 6% hotel tax on the service fees of travel agents, online and in PA.

