

Statement of Kevin Mitchell

Chairman, Business Travel Coalition

Before

The Pennsylvania House Tourism Committee

Regarding Hotel Occupancy Taxes

National Constitution Center in Philadelphia

Tuesday, October 29, 2013

Good afternoon, and thank you for the opportunity to share our views on the hotel occupancy tax issue. As founder and chairman of Business Travel Coalition (BTC), I represent the interests of corporate and university travel and procurement departments and the larger managed travel community in matters of public and travel industry policy. I also work with the state attorneys general on a variety of airline competition issues. I have been involved with customer advocacy since 1994, and with this occupancy tax issue since 2005.

Before founding BTC, I was a vice president at CIGNA Corporation where the corporate travel as well as incentive meetings and event marketing departments reported into me. I also managed Eagle Lodge, now the ACE Center, a 117-room boutique hotel and conference resort just outside of Philadelphia.

I always find these discussions about hotel occupancy tax applying to travel agencies' fees curious because the agencies are providing a service to the hotel and consumer, and charging a fee for services. That fee is not part of the room rate, it's on top of it in the same way an agency fee for booking an air ticket is on top of the airfare. Agencies are not required to remit a federal excise tax on the air ticket fee, for example.

Resort fees charged to hotel guests is another example. By the logic of some of these proposals, why would the occupancy tax not be applied to them - especially since the hotel is actually booking the revenue? Fees for extra services rendered is the accepted new model for most segments of the travel industry. I really don't understand the confusion on this.

Let's look at some impacts were travel agency service fees to be taxed.

New taxes would be passed on to the end customer - on this there is little to debate. Travel and meeting managers and procurement officials, including state government travel offices and state universities, watch every penny of their travel spend.

Any competent evaluation of alternative meeting venues includes an analysis of taxes to be paid. The Global Business Travel Association does an annual study

of tourism taxes for the top 50 U.S. travel markets to assist travel managers in identifying cost-effective meeting venues.

In its study for 2011, differences in tax rate levels among competing destinations of between 56% and 80% were common. The rising cost of meetings and events is of deep concern to planners, and as such, increased taxes can drive business away and cause lost economic activity, including multiplier effects, for communities and regional economies.

Some occupancy tax proposals that I have analyzed would drive up administrative costs by orders of magnitude for all sizes of travel agencies - online and brick and mortar - as well as for many corporate travel departments. There are legal obligations, accounting complexities and audit and compliance requirements associated with these tax proposals.

All of these administrative costs would be on top of the new taxes and would be translated into higher transaction fees from the travel agency to the customer. So, the customer has a double incentive to choose a less expensive destination, if possible. If not possible, there would be less money to spend at the venue on restaurants and entertainment hurting jobs and diminishing economic activity.

Smaller agencies simply do not have the infrastructure to handle these kinds of requirements and many would not be able to compete with larger agencies that do. So, the playing field gets tilted in favor of the largest agencies.

I can also say as a former hotelier that the thousands of smaller and often unaffiliated hotels across the country, because of the merchant model and the visibility and promotion provided for their properties, are able to compete with the big chains on a level competitive playing field. Maybe the mega hotel companies don't like that, but these smaller hotels, like the smaller travel agencies, provide jobs and vital revenues for local communities and governments.

These occupancy tax proposals are a bad idea that can result in fewer meetings and diminished revenues and taxes for communities while disadvantaging smaller travel agencies and independent hotels, not to mention the negative impact on consumers.

I look forward to your questions.

Thank you.

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