

Testimony of  
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Vice President, Government Affairs  
American Society of Travel Agents (Alexandria, VA)  
*before the*  
Pennsylvania House Committee on Tourism and Recreational Development  
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Good afternoon. Chairman Pro Tem Denlinger, Chairman Kirkland, distinguished members of the committee, thank you for allowing me the opportunity to testify today.

My name is Eben Peck and I am the Vice President of Government Affairs for the American Society of Travel Agents (ASTA). ASTA is a trade association representing travel agents of all shapes and sizes, from the smallest home-based agent to traditional “brick and mortar” agencies like MTS Travel in Ephrata to the large travel management companies such as American Express Travel as well as the prominent online agencies like Expedia, Orbitz and Travelocity. At last count, there were almost 8,000 travel agency businesses in all 50 states, employing about 105,000 people – including 3,127 in Pennsylvania alone. These businesses’ annual revenue is \$17.5 billion and they generate \$5.5 billion in payroll every year.

I am here today to share our concerns about Pennsylvania House Bills 871 through 875, legislation that read literally will apply new taxes to the fees charged by travel agents for facilitating hotel bookings. As you probably know, the debate over the appropriate tax base for hotel occupancy taxes has been raging across the country for several years. Legislators are usually told that these proposed laws simply close a “loophole” that allows big, out-of-state companies like Expedia and Orbitz to cheat state and local government out of tax revenue, and that these proposals would have no impact on traditional travel agencies, who are the vast majority of ASTA members. This is simply not the case.

The language in these bills is quite clear – it would levy taxes on hotel “intermediaries,” defined as “a person who facilitates the booking of hotel reservations who is not an [hotel] operator.” This is what travel agents in Pennsylvania and elsewhere do every day.

Under this legislation, any fees those agents charge their customers for Pennsylvania hotel bookings will now be subject to state, county and in some

cases municipal occupancy taxes. This is important because as our industry has evolved, agents are relying less on commissions from travel suppliers like hotels and airlines and more on service fees that agents charge their customers. Commissions have never been subject to occupancy tax, while fees would be under the bills we're discussing today and others like them.

According to our research, in 2011, while booking over \$12 billion worth of hotel rooms nationwide, 44 percent of agents reported charging clients a service fee for hotel bookings, and 50 percent of agents charged a fee for an air, hotel and car package. These fees are charged for a service – saving consumers time and money by helping them navigate a marketplace that offers an overwhelming number of options and choices. We fear that taxing this revenue – already subject to federal and state income taxes – creates a disincentive for travel agents to spend their time sending people to the Commonwealth of Pennsylvania.

Beyond taxes, this legislation would impose new administrative burdens on travel agents. Agents – not just those in Pennsylvania – would have to register with state, county and, where applicable, municipal taxing authorities and go through detailed accounting and record keeping measures for each and every transaction. How else would the tax be calculated and collected? This would be a heavy financial burden on the vast majority of travel agencies, 98 percent of whom are U.S. Small Business Administration–eligible small businesses. Furthermore, we would risk a situation where travel agents around the country begin to view Pennsylvania negatively as a place to promote to travelers if the difficulty of doing business here overshadows the excellent work the Commonwealth and local CVBs have done to promote travel here.

Like other small business owners, our members work long hours to sustain and grow their businesses even in the midst of the economic downturn. With travel to Pennsylvania reaching record levels in 2012 according to the Commonwealth's Tourism Office, I would respectfully suggest to the committee that this is exactly the wrong time to impose additional taxes on the travel and tourism industry.

I appreciate the opportunity to testify on behalf of our part of the travel industry and the time you've taken to listen to my concerns. I would be happy to answer any questions you might have.