

Florida counties sue for more tax on online hotel bookings

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TALLAHASSEE — Counties and cities all over Florida are waging a war against online hotel booking companies like Priceline and Expedia, alleging the companies are bilking them out of millions in tax dollars.

In January, Broward County became the latest Florida government embroiled in a legal battle over whether online hotel booking companies owe tourism taxes. As much as \$200 million could be at stake statewide, according to Broward County's attorney in the case.

The companies say they don't owe a thing and that state officials are trying to impose a new tax.

Meanwhile, Pinellas County Tax Collector Diane Nelson persuaded Tampa Bay area lawmakers to file legislation that would resolve the argument by forcing online hotel companies to come up with tax dollars. She says the county lost out on \$1.4 million in tourism tax revenue last year.

Right now, online travel companies buy up blocks of hotel rooms, and the hotel owners remit sales and local tourism taxes on the wholesale price, say \$50 a room. Then the online companies mark up the rooms, to say \$100 a room, and keep the difference.

The companies and local governments are fighting about whether the markup should be subject to the bed tax that funds tourism initiatives.

Local government officials contend the tax should be levied on the consumer who occupies the room and on the price consumers pay.

"It should be paid by the person who is buying the right to occupy the room," said Orange County Comptroller Martha Haynie. "If the name on that room has changed hands, I don't care. I want the person who occupied the room to remit the proper amount of taxes."

A 'money grab'

Local governments are going on a "money grab," trying to tax services online

companies provide, said Expedia lobbyist Jennifer Green.

Green and others in her industry contend that current law taxes the price paid to occupy the room, which they said is paid at the wholesale rate, not the services associated with it.

And online travel companies have a powerful ally who says this should be kept tax free. Sen. Mike Haridopolos, R-Indialantic, filed legislation last year to prevent the markup from being taxed, although he hasn't yet filed similar legislation this year.

"We need to bring tourists into Florida, and if it's more expensive to vacation here, these companies are going to direct their services someplace else," said Haridopolos, whom many expect to be the next Senate president..

So far, Jacksonville and Orange County have been waging legal battles with online travel companies for several years.

Pinellas waits

Pinellas County, for now, is not taking any legal action. "We're just making sure they're remitting the full amount that the consumer is paying," Pinellas tourism director D.T. Minich said.

And Hillsborough County tax collectors are "waiting and seeing," said tourism development tax auditor Scott McAlister.

But the fights are going on in cities as far ranging as Los Angeles to Rome, Ga., according to public filings by Priceline.

In Broward's case, the county last year sought a total \$4.9 million in taxes and penalties from seven online travel companies for rooms booked between the beginning of 2002 and August 2007.

The companies — including Orbitz, Internetwork Publishing Corp., Priceline.com, Travel Web, Hotwire, Hotels.com and Expedia — individually sued Broward County last month in Leon County Circuit Court, saying they don't owe the tourism development tax.

Steven Wolens, an attorney representing Broward, said local governments weren't aware of the gap until recently — one of the earliest cases was filed in Los Angeles in 2004.

No success yet

In Florida, counties haven't had any success.

"The money is owed to the county," Wolens said. "These folks have been cheating the county and the state for at least a decade."

Wolens also has consulted with other Florida governments, including Miami-Dade County, which also wants to collect from the online companies. And he said he's aware of similar claims filed in 18 states.

Nicki Grossman, president of the Greater Fort Lauderdale Convention & Visitors Bureau, said the money has become more important as falling home values have caused property tax collections to drop.

"As available property tax collections diminish, bed tax money becomes something local governments all over the state begin to covet," she said.

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