

**National League of Cities
Government Finance Officers Association
International City/County Management Association
National Association of Counties
National Association of State Auditors, Comptrollers & Treasurers
United States Conference of Mayors**

January 27, 2010

Dear Senator:

The organizations listed above write to express our strong opposition to any preemption of state and local taxing authority over online travel companies (OTC), as part of a jobs creation initiative by the United States Senate Finance Committee or in any other legislative vehicle. While we support efforts to create jobs and put more Americans back to work, OTC sought “tax breaks and incentives” are nothing more than efforts to preempt state and local taxing authority.

The OTCs, such as Expedia, Travelocity, Orbitz, Priceline, and Hotels.com, contract with hotels to sell their rooms. For the rooms they sell, OTCs pay discounted rates to hotels. The OTCs then charge consumers a marked-up rate, including collecting hotel taxes based on the higher price. Some OTCs, however, do not pay to state and local governments the full amount of hotel taxes they collect, rather they pocket the differences between the amount consumers pay in taxes and what the OTC paid when they bought the room. To collect hotel taxes owed, local governments throughout the U.S. have filed lawsuits against OTCs, which now seek an end-run-around via Congressionally imposed preemption of local taxing authority.

State and local governments are not proposing a new tax on internet commerce. Well before the establishment of OTCs, hotel occupancy taxes have been collected. Hotel taxes are important funding sources for many local governments. The taxes are dedicated to funding tourism costs, such as hotel-to-convention center transportation, convention centers, visitor centers and historic restoration projects. Especially in these difficult economic times, education, fire, police and health care budgets also are affected when taxes are not paid.

In addition, hotel taxes do not decrease lawful profits of OTC. In fact, high demand has made the industry a leader in online commerce, booking more than \$50 billion in travel and accounting for over 40 percent of all online spending. Hotel taxes do not reduce online sales. Instead, they provide state and local governments with a reliable and necessary funding source.

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Again, we strongly oppose any legislation to preempt state and local taxing authority of OTCs.

Respectfully submitted,

National League of Cities, Lars Etzkorn (202) 626-3000

Government Finance Officers Association, Susan Gaffney (202) 393-8020 x209

International City/County Management Association, Elizabeth Kellar (202) 289-4262

National Association of Counties, Steve Traylor (202) 942-4254

National Association of State Auditors, Comptrollers & Treasurers,

Cornelia Chebinou (202) 624-5451

United States Conference of Mayors, Larry Jones (202) 293-7330