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The Honorable Helio Melo
Chair
Rhode Island House Committee on Finance
State House
82 Smith Street
Providence, RI 02903

Dear Chairman Melo:

I write today on behalf of the American Society of Travel Agents (ASTA) and the 257 people who work at travel agencies in the State of Rhode Island to express our concerns about the Governor's FY15 Budget Article 12, Section 3 which would impose new taxes on the fees travel agents charge their clients for facilitating hotel bookings.

As you may know, debate over hotel occupancy taxes like the one proposed in budget Article 12, Section 3, has been raging across the country for several years. Policymakers are often told that these proposed laws simply close a "loophole" that allows big online travel agencies (OTAs) like Expedia and Priceline to shortchange state and local governments on hotel occupancy tax and will have no impact on traditional "brick and mortar" travel agents. A quick reading of Article 12, Section 3 will prove this false. Here is why:

The Governor's definition of a "room reseller" clearly captures traditional travel agents.¹ Thus any fees travel agents – regardless of whether or not they are based in Rhode Island – charge their customers for hotel bookings in the state would be subject to new taxation totaling 13 percent.² This is problematic because as our industry has evolved travel agents are relying less on commissions from travel suppliers and more on service fees charged to customers. In 2011, a year when traditional (non-OTA) travel agents booked \$12.4 billion worth of hotel rooms, 44 percent of agents nationwide reported charged 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

¹ Under H 7133, "room reseller" is defined as "any person having any right, permission, license, or other authority from or through a hotel...to reserve, or arrange the transfer of occupancy of, accommodations, the reservation or transfer of which is subject to this chapter, such that the occupant pays all or a portion of the rental and other fees to the reseller."

² In his budget proposal, the Governor proposes to subject agency fees to "the 7.0 percent state sales tax, 5.0 percent state hotel tax, and the 1.0 percent local hotel tax."

number of options and choices – and our position is that they should not be subject to taxes applied traditionally on hotel room stays.

IN addition under the Governor’s proposal, travel agents across the country – not just OTAs – would have to register with state and local taxing authorities for each and every transaction involving a Rhode Island hotel room. This paperwork burden, almost as objectionable as the taxes themselves, would be substantial for our industry, the vast majority of which is made up of small businesses. In Rhode Island, 71 percent of the estimated 59 retail travel agencies employ fewer than 5 people.

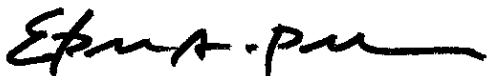
Chairman Melo, in considering Article 12, Section 3, your committee will have to ask itself whether it wants to voluntarily take a step that will make the Rhode Island less competitive from a travel agent’s perspective. If this bill is enacted, agents may decide that booking rooms for their clients in the state is not worth the hassle when there are so many other destinations where they won’t have to deal with the administrative burdens and costs in this proposal. In short, this proposal risks dampening demand for travel to Rhode Island.

Contrary to the misplaced notion of travel agents as a dying breed, travel agencies who have adapted to the internet era have not only survived but have thrived. Part and parcel of that evolution has been a shift in business model, from one based on commissions to one based on fees. **Simply put, traditional travel agents do the things the big OTAs do and thus would be impacted by bills like H 7133.**

While we are under no illusions about the budgetary challenges facing state and local governments across the country, we respectfully urge you to oppose these new taxes and administrative burdens on Rhode Island small businesses.

Thank you for considering our views on this important issue. If you or your staff have any questions, please do not hesitate to contact me at (703) 739-6842 or epeck@asta.org.

Sincerely,



EBEN A. PECK
Vice President, Government Affairs