

April 20, 2015

The Honorable Lawrence J. Hogan, Jr.  
Governor  
State of Maryland  
100 State Circle  
Annapolis, MD 21401

Dear Governor Hogan:

I write today on behalf of the American Society of Travel Agents (ASTA) and the 1,104 people who work at travel agencies in the State of Maryland to urge you to veto Senate Bill (SB) 190, which would impose new taxes on travel services.

As you consider SB 190, you will have to ask yourself whether to voluntarily take a step that will make Maryland a less competitive travel and tourism destination from both the consumer's and the travel agent's perspective. Travel agents pay their fair share in taxes, and always have. The service fee income that would be newly taxed under SB 190 is already subject to federal and state income taxes. Imposing a six percent sales tax on this revenue amounts to "triple taxation" and creates a disincentive for agents to spend their time and resources to bring people to the State of Maryland. At the same time, increasing the independent travel distribution system's cost of doing business risks driving travelers to lower-cost neighboring states.

As you may know, the debate over hotel tax proposals like SB 190 has been raging across the country for years – and the vast majority of courts and legislatures who have considered the issue have ruled in favor of the travel agency industry, including Delaware, Pennsylvania, West Virginia and, earlier this year, Virginia. Policymakers are often told that these proposals will only impact large, out-of-state online travel companies (OTCs) like Priceline and Expedia who are shortchanging state and local governments on hotel taxes and will have no impact on traditional "brick and mortar" travel agents. This is simply not the case. Here is why:

- **SB 190's definition of "accommodations intermediaries" clearly covers traditional travel agencies.** SB 190 makes no distinction between online and offline or OTC versus brick-and-mortar agency, or even whether or not the agency is based in Maryland. The bill defines accommodations intermediary as "a person, other than an accommodations provider, who facilitates the sale or use of an accommodation and charges a buyer the taxable price for the accommodation." This is what traditional travel agents in Maryland and across the country do every day.
- **SB 190 would impose new taxes on travel agency services.** While the bill exempts agency commission income, any fees travel agents charge their customers for Maryland hotel bookings above the cost of the room itself would be subject to Maryland's six percent sales tax. As our industry has evolved, travel agents are charging service fees to their clients while relying less on commissions from travel suppliers. In 2012 – a year when travel agents booked \$33 billion worth of hotel rooms – 45 percent of agents charged a fee for hotel-only bookings and 42 percent 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. ASTA's long-held position is that this revenue, already

subject to federal and state income taxes, should not be taxed a third time through taxes traditionally applied on hotel room stays. The independent travel distribution system represented by travel agents of all stripes provides tremendous value to the State of Maryland, consumers and hoteliers alike and should not be singled out for new taxes and red tape. As you know, Maryland sales taxes generally apply only to “tangible goods” – if this bill becomes law, hotel facilitation services would join janitorial and security services as the only services taxed in Maryland. This is a new tax and should be treated as such in accordance with your campaign pledges.

- **SB 190 would impose new administrative burdens on traditional travel agents.** Agents – again, both inside and outside Maryland – would have to register with the state Comptroller and be subject to detailed accounting and recordkeeping measures for each and every transaction involving a Maryland hotel room. How else would the tax be calculated and collected? Or, if the state does not intend to go after non-OTC agents, why enact a law that will prove impossible to enforce? If actively enforced, this burden would be substantial for our industry, the vast majority of whom are very small businesses. In Maryland alone, according to U.S. Census data, 89 percent of travel agencies employ fewer than ten people, while 79 percent employ fewer than five.

On April 7, during House consideration of SB 190/HB 1065, five amendments were offered on the floor to limit the reach of the tax or otherwise improve the bill. This included an amendment offered by Del. Kathy Szeliga (R-Baltimore/Harford counties) under which agency service fees clearly stated to the consumer at time of purchase would be exempt from the tax. All five amendments were rejected, largely on party-line votes.

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 OTCs do and thus would be impacted by SB 190.

Despite the rhetoric, this bill clearly gives taxing authorities the ability to go after travel agents of all shapes and sizes – including the 226 Maryland agencies that employ more than 1,100 people. While we are under no illusions about the budgetary challenges facing the State of Maryland, we strongly urge you to veto SB 190, which would impose new taxes and red tape on the independent travel distribution channel upon which so many Marylanders rely.

Thank you for considering our views on this critical issue. If you or your staff have any questions, please do not hesitate to contact me or Eben Peck, ASTA’s Senior Vice President of Government & Industry Affairs, at (703) 739-6842 or [epeck@asta.org](mailto:epeck@asta.org).

Yours Sincerely,



Zane Kerby  
President and Chief Executive Officer