



January 30, 2018

**Testimony of Joseph Montano, Expedia, Inc. Government Affairs Manager
In Opposition to Senate Bill 721**

Good morning Chairman Scavello, Vice-chairman Farnese, and distinguished members of the Community, Economic, and Recreational Development Committee. My name is Joseph Montano and I am the Pennsylvania Government Affairs Manager for Expedia, Inc. Thank you for the opportunity to testify before you today on our opposition to Senate Bill 721.

Online travel agencies provide a critical service to travelers, our hotel partners, and the destinations we market. Hotels voluntarily use our services because we market their property on a global platform helping them reach new travelers and fill rooms that would otherwise remain vacant. For example, an out-of-state visitor planning a trip to the Poconos Mountains might assume there is a Holiday Inn Express or Doubletree nearby, and there very well could be. They could call the hotel chains' 24-hour reservation line and take care of their booking. But there is a much smaller chance that they would have heard of the Pocono Manor Resort and Spa without the help of an online travel agency that displays multiple properties in response to a geographic search, or without calling a brick-and-mortar travel agent to help make recommendations on where to stay.

Expedia, Inc. platforms shine an international spotlight on Pennsylvania's small businesses. We connect them to a world of potential travelers on 200 travel booking sites in more than 75 countries, allowing them to transact business in foreign languages and currencies, and to be displayed side-by-side with some of the biggest hotel chains in the world. This model helps travelers, helps hotels, and helps the many other tourism-related industries, which are vital to a state's economy – like restaurants, museums, arts venues, transportation companies, and others.

It has become apparent that there is a fundamental misconception among supporters of other similar bills in other jurisdictions. That fallacy is that our companies "re-sell" or "rent" hotel rooms. We do not buy "blocks" of rooms. We never own rooms or carry any inventory risk if they go unsold for a given night. Room rates are set by the hotels themselves. We charge a service fee in exchange for providing a service to our customers. It is that service that Senate Bill 721 would tax.

Another myth some have prescribed is that taxes are going “unpaid” under this fee-for-service model. This is simply false. When the hotel sends us an invoice after a customer has completed their stay, we pass on to the hotel the negotiated room rate we’ve collected from the customer up-front, plus any taxes due on that hotel stay so that the hotel can then remit it to the state and/or county authorities as required by law. As for any claim that we are collecting tax money from our customers and preventing it from being remitted, this too is 100 percent false. In fact, every single court that has ever considered this question before them has found it to be untrue.

Arguably, the most egregious myth propagated by proponents of Senate Bill 721 is that it is not a new tax. If you take something that is not taxed today and put a tax on it tomorrow, and the legislature has to pass a law to do so, that is, by any reasonable definition, a new tax. Proponents suggest this is a matter of fairness. In reality, legislation of this type is pushed by large hotel chains, whose aim is to make independent hotels and inns less competitive, by raising their marketing and distribution costs.

If the new tax on travel services were to pass and become law, online travel agents, brick-and-mortar travel agents, local tour operators, and other travel services would have an incentive to steer travelers to states that do not level onerous taxes on travel services. Data shows that 40 percent of travelers who visit an online travel site do not have a destination in mind. Senate Bill 721 would not only be a clear reason for travel service providers to spend advertising dollars to send travelers elsewhere, but if passed, could impede upon contractual agreements between travel agents and hotels, and force travel industry players to reassess their engagement in Pennsylvania.

Simply put, a new tax on travel services would make it harder for the entire Pennsylvania travel economy to succeed – from small businesses sustained by travel dollars to independent hotels and local travel service providers.

I respectfully urge you to protect local tourism and not go down the uncertain path of raising taxes on travel in Pennsylvania. Thank you for your time and consideration.

Sincerely,

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