

January 30, 2018

Community, Economic and Recreational Development Committee
The General Assembly of Pennsylvania
501 N 3rd St,
Harrisburg, PA 17120

Dear Committee Members:

I write today on behalf of the American Society of Travel Agents (ASTA) and the 2,904 people who work at travel agencies in the Commonwealth of Pennsylvania to express our concern about Senate Bill (SB) 721, which would impose new taxes on travel agencies.

As you may know, the debate over tax proposals targeted at online travel companies (OTCs) like SB 721 has been raging across the country for years – and the vast majority of courts and legislatures that have considered the issue have ruled in favor of the travel agency industry, including Delaware, Pennsylvania, West Virginia and Virginia. Policymakers are often told that these proposals will only impact large, out-of-state online agencies such as Priceline and Expedia who, it is argued, are shortchanging state and local governments on sales and hotel occupancy taxes and will have no impact on traditional “brick and mortar” travel agents. This is simply not the case. Here is why:

- **SB 721’s definition of “intermediary” will capture some traditional or non-OTC travel agencies.** The bill makes no distinction between online and offline or OTC versus brick-and-mortar agency, or even whether or not the agency is based in Pennsylvania. It defines an “intermediary” as “a person that facilitates the booking of occupancy.” While SB 721 exempts “person[s]...paid a commission by a [hotel] operator,” in an attempt to exclude traditional travel agencies, it remains problematic because as our industry has evolved travel agents are charging service fees to their clients while relying to a lesser extent on commissions from travel suppliers. This trend may accelerate as hotel chains increasingly look to reduce agency commissions.¹ Thus travel agents who operate on a service fee-based model and do not collect commission will be subject to the collection and remittance of hotel taxes.
- **SB 721 would impose new taxes on travel agency services.** Any fees not covered by the above-referenced exemptions travel agents charge their customers for Pennsylvania hotel bookings above the cost of the room itself would be subject to new taxation. In 2016 – 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.

¹ See Sickel, Julie. “[Marriott Will Reduce Groups & Meetings Commissions.](#)” *Business Travel News*. 24 January 2018.

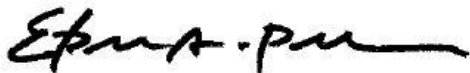
These fees are charged for a service – saving consumers time and money by helping them navigate a travel marketplace that offers an overwhelming number of options. ASTA’s long-held position is that this revenue, already subject to federal and state income taxes, should not be taxed a third time through taxes traditionally applied on hotel room stays.

- **SB 721 would impose new administrative burdens on traditional travel agents.** Agents conducting transactions both inside and outside of the Commonwealth of Pennsylvania would be subject to detailed accounting and recordkeeping measures for each and every transaction involving a hotel room in the Commonwealth. If implemented as written, these burdens would be substantial for many agencies in our industry, the vast majority of whom are very small businesses. In Pennsylvania alone, according to U.S. Census data, 88 percent of travel agencies employ fewer than ten people, while 74 percent employ fewer than five.

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 strictly on commissions to one based on service fees as well. Simply put, many traditional travel agents are now generating revenue in a manner similar to the large OTCs and thus also would be impacted by SB 721 and bills like it.

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.

Yours Sincerely,



Eben Peck
Executive Vice President, Advocacy
American Society of Travel Agents (ASTA)