

# Testimony of Daniel Horowitz, H3 Strategies on behalf of Orbitz Worldwide, March 28, 2011

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Senator Dailey, Representative Wilditz and Members of the Committee:

Thank you for the opportunity to speak before this committee hearing. My name is Daniel Horowitz. I am here today representing Orbitz Worldwide, one of the largest online travel companies in the world. Our websites serve millions of customers across the world – including constituents here in Connecticut. Our websites promote and send tourists and business travelers to destinations throughout Connecticut and across New England. These global travelers support thousands of jobs for residents in this state working either directly within the tourism industry or the industries which directly serve visitors to Connecticut.

Today, I am not just here speaking for Orbitz, but also for my colleagues across the travel distribution community – online travel companies, brick and mortar travel agents and tour operators – who are all urging you to vote against HB 6626, which is a proposal to create a new tax which would unfairly increase the tax burden on Connecticut's tourism industry.

I know time is short, so I will keep my remarks brief.

As you will hear or have heard from others, this bill is NOT a clarification of existing tax law that will close some sort of loop hole or establish “fairness” with brick and mortar travel agents. You may have been told that online travel companies and offline travel agents have been buying and reselling hotel rooms at a mark up and only collecting and remitting a tax on the wholesale price of a hotel room. This is inaccurate and not how our businesses operate. Orbitz does not buy and re-sell hotel rooms, and never has. Each hotel sets their own room rent, not the travel agency, and the appropriate amount of tax is paid on the rent received by the hotelier.

Online travel companies like Orbitz charge a fee for the services we provide to travelers booking a hotel room in your state for the privilege of using our technology to compare hundreds to thousands of hotel room options in your state. Other travel intermediaries – online and offline – also operate in a similar manner.

Just this month, the Connecticut Department of Revenue indicated that it has never taxed the service fees collected by travel agents who facilitate hotel room bookings in this state. It is also important to note that the agents and online travel companies charging service fees to consumers in this state already pay a corporate income tax on this revenue.

If legislation such as HB6626 was mistakenly passed, there are several questions which would immediately need to be addressed – likely through the courts:

- Can services be taxed when the activity of booking a hotel through an intermediary occurs outside of the state? For example, how can Connecticut tax someone who engaged the service Orbitz provides to a customer in New Jersey?

- Doesn't this new tax run counter to the Constitution's dormant Commerce Clause prohibiting actions by a state to discriminate against or excessively burden interstate commerce? For example, already multiple states are trying to tax the same piece of revenue in multiple ways.

Our companies help generate millions in tax revenue for Connecticut that otherwise might go to other states and localities. All of this revenue, as I mentioned before, supports tourism jobs and tourism related jobs at hotels, airports, restaurants and in other parts of the travel value chain.

Travel agencies, whether brick and mortar or online, help local hotels and bed and breakfasts book rooms that otherwise would go empty. The beauty of the Internet is that it enables independent hotels and bed and breakfasts to compete on the level of the largest and most powerful chain hotels. Orbitz, other online travel companies and your local travel agent are currently incentivized no matter the supplier partner to market and promote tourist destinations across the state of Connecticut based on the choices of the visitors, whether business traveler or tourist.

HB6626 will remove that incentive for companies like Orbitz to promote Connecticut as a destination, especially when neighbor states do not tax our fees.

Ultimately, if enacted, this new tax is a job killer and would create a significant disincentive for travel distributors to do business in many towns in Connecticut. On behalf of travel agents, online travel companies, tour operators and others within the tourism distribution industry, I urge you to oppose this bill.