



**Close the Online Travel Company (OTC) Loophole in Pennsylvania**  
*Thousands of OTC bookings = thousands of missed economic opportunities*



Chris Barrett; POCONO MOUNTAINS, PA, June 18, 2018 – The Pocono Mountains have long been a popular tourist destination known for our stunning scenery, countless recreational opportunities, resorts, and engaging events that draw visitors from far and wide. We welcome over 26.6 million travelers every year because we have so much to offer here. The growth of online travel-planning tools has most definitely played a role in increasing convenience and ease for travelers, but it's not all happy trails for local businesses, which play a crucial role in our local economy.

That's because our state's outdated tax code currently allows billion-dollar online travel companies like Priceline and Expedia to profit off the backs of the over 1,500 hotels and inns located in Pennsylvania. A loophole in state law allows these third-party websites to remit less in sales tax than hotels do for a room that costs the same to consumers.

Here's how it works. Online travel companies negotiate a lower wholesale rate with hotels, mark up those rooms, and offer them to consumers on their websites. The final price includes a line for "taxes and fees," but the amount in taxes that actually makes it to the state is based on the lower negotiated

wholesale rate rather than the final price paid by the customer. The website retains the difference as an additional profit above and beyond their mark-up.

Meanwhile, hotels collect and remit tax based on the price paid by the consumer. This means that two travelers can book the same hotel room and pay the same price, but the amount of tax remitted to the state is different depending on whether they booked directly with the hotel or through a third-party website.

The hotel occupancy tax, like the state's sales and use tax, was always intended to be assessed at the final retail point of sale, not at the wholesale level. When a department store buys a television from an electronics manufacturer, the store applies a mark-up to the product before selling it to the consumer. The retailer then collects and remits sales tax to the state based on the price the customer pays at the register, not the lower wholesale price paid to the manufacturer.

This loophole exists because state tax law was written long before the existence of the internet and these types of third-party websites. Other surrounding and tourism-competitive states, including New York and Maryland, have recognized this same problem with their statutes and have passed legislation to account for these kinds of transactions.

There are currently two pieces of legislation – **Senate Bill 721 and House Bill 1511** – that take a positive approach to this issue. These bills would close the online travel company loophole, level the playing field between our in-state hotels and these out-of-state internet companies and direct the revenue to statewide tourism promotion.

A 2015 study by the Pennsylvania Restaurant & Lodging Association demonstrated that every dollar invested in statewide tourism promotion returns \$3.43 in tax revenue to the state. But Pennsylvania has slashed its budget for marketing to attract tourists in recent years, while our competitors in other states have increased their budgets and drawn travelers to their areas. States like New York, Michigan, and Virginia have invested in their state's tourism industries and reaped the rewards of increased market share, visitor spending, and tax revenue. The airwaves are full of advertisements highlighting these destinations, while Pennsylvania's presence in the market has dwindled because of the decreased funding towards tourism.

The Pennsylvania Department of Revenue estimates that closing the online travel company loophole will bring in \$20 million that the state should have been collecting all along. This is money that will be invested in tourism promotion, a proven revenue generator that will allow Pennsylvania to market itself as a destination and return our state to prominence in the travel market. We think it's simple; close the OTC loophole to boost the economy.

This legislation is particularly important to the Poconos, which relies heavily on tourism to create economic opportunity. The 2016 Annual Economic Impact of Pennsylvania's Travel and Tourism Industry reported that over 37 percent of jobs in the Pocono region (which encompasses four whole counties) are in the travel industry. It's a huge part of our local culture and society. The closure of this loophole will not only benefit our hotels and resorts but will also help our attractions, restaurants, and small businesses by making an investment that will generate more visits to our area. More visits equal more jobs and a more affluent economy.

We encourage Sen. Mario Scavella and our other elected officials in Harrisburg to act quickly on these important bills and bring Pennsylvania's outdated tax code into the 21<sup>st</sup> century. This is a commonsense way to support Pennsylvania businesses, ensure fairness when it comes to tax remittance, and help us here in the Poconos to spread the word about all the amazing opportunities that we have to offer guests in our region.

#### **About the Pocono Mountains**

With 2,400 square miles encompassing Pennsylvania's Wayne, Pike, Monroe and Carbon counties, the Pocono Mountains region is home to rolling mountain terrain, breathtakingly beautiful waterfalls, thriving woodlands, and 170 miles of winding rivers. Winters offer guests the opportunity to ski, snowboard, snow tube and even snowshoe their way through snowy wonderlands encompassing over 163 ski trails, while summers also cater to the active traveler allowing exploration of 261 miles of hiking and biking trails, over 30 golf courses, whitewater rafting, boating, fishing, and open access to nine state and two national parks.

Pocono Mountains visitor information is available online at [www.PoconoMountains.com](http://www.PoconoMountains.com) or by phone at **800-POCONOS** (800-762-6667). Follow [@PoconoTourismPR](https://twitter.com/PoconoTourismPR) on Twitter to stay current with up-to-date information. Established in 1934, the Pocono Mountains Visitors Bureau is a private, non-profit, membership organization. The Pocono Mountains Visitors Bureau is the official destination marketing organization for the four counties of Wayne, Pike, Monroe, and Carbon in Northeastern Pennsylvania.

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