



NEWS

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New Internet Tax Would Harm Massachusetts Hotels and Consumers

Tax on Internet travel services would set back one of the most successful areas of e-commerce.

WASHINGTON, D.C. – Massachusetts House Bill 4485 contains provisions which, critics say, could place new burdens on travelers, the hospitality industry, and e-commerce as a whole. The proposal would apply the existing hotel occupancy tax to the fees charged by online travel services.

The proposed legislation would allow internet companies to “voluntarily” register with the state to collect this new tax. However, if the companies do not register, or if they are protected from taxes by federal law such as the Internet Tax Moratorium, each hotel is required to collect a tax on fees paid to Internet companies.

“This proposed new tax is a money grab, pure and simple,” said taxpayer advocate Grover Norquist, president of Americans for Tax Reform. **“Hotels already collect an occupancy tax on the cost of lodging. And Internet-based service companies have succeeded in driving down prices and maximizing occupancy, benefiting consumers and hotels. The service these companies provide is of an entirely different nature than that provided by hotels. Trying to apply the occupancy tax to information services is an attempt to raid travelers’ wallets to fund more spending.”**

Nationwide, legislators are facing enormous pressure to raise taxes. For the last three years, states faced tight budget conditions due to the economic downturn, and spending rose much more slowly than during the spending binge of the 1990’s. Today, state revenues are growing rapidly with the growing economy. But the big-spending interests are eager to raise taxes to add even more money to a new spending binge.

“Through House Bill 4485, backers have revealed themselves to big big-spenders, salivating at the thought of more revenue to spend,” continued Norquist. **“They show that they are ready to make Massachusetts hotels less competitive, to saddle hotel operators with more administrative burdens, and to raid the pockets of consumers, all to fund new spending. E-commerce already has added to the efficiency of the economy and the purchasing power of all Americans, and it promises to continue improving various industries. Ill-conceived new taxes could slow or end these positive trends. Massachusetts officials should reject any attempt to tax Internet services.”**

Americans for Tax Reform is a non-partisan coalition of taxpayers and taxpayer groups who oppose all tax increases. For more information or to arrange an interview please contact Jonathan Collegio at (202) 785-0266 or by email at jcollegio@atr.org.