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**STATE PURSUES \$170 MILLION IN UNPAID HOTEL ROOM TAXES
BY ONLINE TRAVEL COMPANIES**

HONOLULU – The Department of the Attorney General and Department of Taxation are pursuing \$170 million in unpaid hotel occupancy taxes collectively owed by online travel companies that furnish hotel rooms in Hawai‘i. The companies involved include Expedia, Orbitz, Travelocity, Hotwire.com, Hotels.com, Priceline, and others (collectively, the “Companies”). The Hawai‘i Department of Taxation assessed the Companies for unpaid general excise and transient accommodation taxes. The Companies appealed these assessments to the Tax Appeal Court, and on March 23, 2011, the Attorney General of the State of Hawai‘i filed Answers to those appeals, making it clear that the Attorney General will pursue the Companies for unpaid taxes.

Under both the State’s transient accommodation tax and general excise tax statutes, taxes are imposed on each hotel room rental within the State. Tax revenues raised by the transient accommodation tax and general excise tax are a significant source of revenue for Hawai‘i.

As part of an ongoing, decade-long scheme of underpaying the transient accommodation tax and general excise tax, the Companies purchase hotel rooms from hotels at wholesale rates and sell them at marked up rates to consumers. The Companies collect amounts sufficient to pay these taxes – based on the retail amount charged to the consumer – from the renters of the hotel rooms, but then fail to remit the full amount owed to Hawai‘i. The State alleges that the Companies are legally obligated to remit these taxes to the State. The State further alleges that the Companies have not been remitting these taxes for the years at issue: 1999 to 2010. If the State prevails, the State will not only collect the back taxes, penalties, and interest owed, but will collect approximately \$12-14 million a year in additional tax revenue in the future from the Companies.

Attorney General Louie said, "Hawai'i hotels are good corporate citizens and are paying applicable taxes on the rooms they sell to consumers. It is unfair that these companies play by different rules and don't pay their taxes." Louie added, "The taxes they owe support critical government services that include human services, transportation, public safety, and other core governmental functions."

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