July 27, 2021

The Honorable Christopher T. Sununu
Governor
State of New Hampshire
State House
107 North Main Street
Concord, NH 03301

Dear Governor Sununu:

I write today on behalf of the American Society of Travel Advisors (ASTA) and the nearly 480 people who work in the travel agency sector in the State of New Hampshire to express our concern about House Bill (HB) 15, which would impose new taxes on travel agency services at a time when our members are facing an existential crisis due to the coronavirus (COVID-19) pandemic.

As a result of the coronavirus pandemic (COVID-19) and the governmental response to it starting in March 2020, the travel agency business came to an almost complete halt and has recovered painfully slowly – with average revenue levels still down 82 percent as compared to 2019 according to ASTA member surveys. Even factoring in the relief programs created by the Coronavirus Aid, Relief, and Economic Security (CARES) Act (P.L. 116-136) and successor legislation, the travel agency workforce has been reduced by more than 40,000 people. And due to industry economics (i.e. commission payment schedules), there will be a substantial time lag between a return of travel bookings and a corresponding return of business income – an anticipated average of close to nine months’ delay. With that context, we respectfully question the wisdom of the State of New Hampshire considering any form of a tax increase on this decimated industry at this moment in time.

To the issue at hand, as you may know, over the years debate over tax proposals targeted at online travel companies (OTCs) 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. Policymakers are often told that these proposals will only impact large, out-of-state online agencies 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 agencies. Upon reading the text of the bills, this is simply not the case. Here is why:

- **HB 15’s definition of “accommodations intermediaries” covers some traditional travel agencies.** While the bill exempts “[a]mounts paid by an operator to a travel agent as commission or compensation for the travel agent’s services”, any fees these travel advisors charge their customers for hotel bookings in the state would be subject to taxation. This is problematic because as our industry has evolved, advisors are charging service fees to their clients while relying to a lesser extent on commissions from travel suppliers, a trend that may accelerate as suppliers increasingly look to reduce agency commissions.¹ In 2019 – a year

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¹ See King, Danny. “Hilton, too, will cut commissions on group bookings.” Travel Weekly. 23 March 2018.
when travel agencies booked $33 billion worth of hotel rooms – 45 percent of agents charged service fees and an additional 20 percent were contemplating instituting service fees. These fees are charged for saving consumers time and money by helping them navigate a travel marketplace that offers an overwhelming number of options, particularly in the post-pandemic world. ASTA’s long-held position is that this revenue, already subject to federal and state taxes, should not be taxed a third time through taxes traditionally applied on hotel room stays.

- **HB 15 would impose new taxes and administrative burdens on local travel agencies.**
  Under the bill, travel advisors would be subject to a new tax on service fees, a tax that would necessarily be passed on to constituents. New Hampshire agencies would have to register with state and local taxing authorities and at least in theory be subject to detailed accounting and recordkeeping measures for every hotel transaction in that locality. How else will these taxes be calculated and collected? This burden would not be insubstantial for our industry, the vast majority of whom are very small businesses. In New Hampshire alone, according to the latest U.S. Census Bureau figures, 86 percent of travel agencies employ fewer than ten people.

Contrary to the misguided notion of travel agents and advisors as a dying breed, travel agencies who adapted to the internet era in the years before COVID-19 not only survived but thrived. While we are under no illusions about the budgetary challenges facing the State of New Hampshire, we respectfully urge you to oppose these new taxes and administrative burdens on New Hampshire at a time when the travel industry has been brought to its knees by COVID-19. We respectfully ask the Legislature to focus its efforts on using the $1.5 billion New Hampshire will get from the federal American Rescue Plan to create relief programs for travel-reliant small businesses rather than burdening them with additional taxes.

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 Advisors (ASTA)