



April 2015 Government Affairs Update

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LOCAL ISSUES

COLUMBUS HOTEL/MOTEL PERMITTING CONSIDERED

Columbus City Council is in the early stages of conceptualizing and considering a city-wide ordinance that would require permitting for lodging businesses, and could deny permits or renewals due to such loosely-defined circumstances as “drug related activity” or “gang related activity” (not including arrests). OH&LA has met with Council staff and other interested parties to discuss the proposal and possible pitfalls for reputable hotels. The industry remains committed to collaborating on a workable solution to addressing problem-ridden properties, but in a way that protects responsible businesses from potential overreach. This issue has statewide and national implications, as other locales will look to the precedents that it sets when considering their own laws. An OH&LA working group on this issue is being formed for further discussion.

ALLEN COUNTY LODGING TAX

The Allen County Board of Commissioners passed a 3% lodging tax increase to support the Veteran's Memorial Civic and Convention Center, while, reducing the existing lodging tax from 3% to 1.75%. The plan also includes an agreement between the Board of Commissioners and the Civic Center related to repairs and maintenance, and direct marketing and promotion. The special lodging tax for the Civic Center was enabled via legislation passed by the Ohio General Assembly. OH&LA continues to work with its members, partners in the CVB community, and elected officials to promote the original intent of Ohio's lodging tax, to maintain strong CVBs, and to keep total hotel tax rates at checkout competitive.

AVON CITY LODGING TAX

Avon City Council recently enacted an ordinance increasing the city lodging tax from 3% to 6%. Because of existing lodging taxes already in place, OH&LA believes Avon City Council's new 3% lodging tax exceeded their authority granted by the Ohio Revised Code.

UPDATE: OH&LA and our industry partners (OACVB & OTA) asked the court to enjoin the city from collecting the tax via a Motion for a Preliminary and Permanent Injunction filed in the Lorain County Court of Common Pleas. We have also asked the Attorney General of Ohio for a brief in support of our action. The City of Avon is maintaining its position, and the Court is scheduled to consider in April.

STATE LEGISLATION

ONLINE TRAVEL COMPANY LEGISLATION

OH&LA continues to advance legislative proposals that will create a level playing field between its members and online travel companies that do not remit their taxes in the same manner as hotel and lodging properties. State Representatives Cheryl Grossman and Gary Scherer announced legislation and sought co-sponsors during the week of the Ohio Tourism Legislative Day. Stand-alone legislation will allow the industry to provide public testimony in support of the measure, while OH&LA and our partners also work to ensure that the process of creating an amendment to the state operating budget remains on track and on time.

GOVERNOR'S OPERATING BUDGET -HOUSE BILL 64

The bill contains the language for Governor Kasich's *Blueprint for a New Ohio*, which includes major tax law changes which decrease taxes for some and increase taxes for others. If passed as is, the following are the primary tax changes affecting the hotel industry. OH&LA will be working with other partners in the state to limit, as much as possible, the negative impact of many of these tax changes:

Sales and Use Taxes. The bill includes an 8.7% increase in the state sales and use tax rate, increasing the state rate from 5.75 cents per dollar to 6.25 cents per dollar, as well as a significant broadening of the tax base to a variety of services, including those provided by attorneys, accountants and other professionals. The expansion of the sales and use tax to these new services includes related party transactions, such as providing management services to other members of a consolidated group. Also, no business-to-business exemption is provided for these new services.

Travel Service. Added to the list of taxable services are travel services, which are defined to mean acting as an agent in selling travel, tour, or accommodation services to the general public and commercial clients.

Public Relations. The definition of public relations includes designing and implementing public relations campaigns meant to promote the interest and image of one or more clients. Advertising and marketing services would almost certainly be caught up in this broad definition.

Debt Collection. The bill defines debt collection to mean collecting payments for claims and remitting payments collected to their clients including, but not limited to, account or delinquent account collection services, tax collection services on a contract or fee basis, and bill or debt collection services.

Parking. Parking is defined to mean the service of parking a motor vehicle. While the proposed language seems to apply the tax only to valet parking, it is not clear that the definition was intended to be limited only to valet parking. Based on the revenue estimates and other changes, it seems the proposal was intended to apply tax to all parking, such as self-parking in parking garages and open lots.

Salt "Buzz", Ohio Governor Kasich's Tax Reform Proposal Introduced, Zanio Hall & Farren, LLC, Feb. 2015

FEDERAL ISSUES

OHIO HOTELIERS PREPARE FOR NATIONAL LEGISLATIVE SUMMIT

OH&LA members will join industry colleagues from around the nation for the AH&LA Legislative Action Summit in Washington, DC on April 14 and 15. Priority issues at the national level include:

Protecting the Franchise Model: New rules developed by the National Labor Relations Board (NLRB) threaten to stifle job creation and destroy the current franchise model, which has allowed so many small businesses to grow and prosper. The recommended changes would negatively impact new businesses start-ups and job creation, and negate thousands of contractual relationships putting many more jobs at risk.

Protecting Consumers from Online Deception: Rogue vendors using false advertising and other scams are tricking consumers into thinking they are booking directly with hotels. More than 2.5 million bookings each year could be misleading consumers -- leading \$220 million a year in bad bookings.

Restoring “Full Time” Employment to 40 Hours per Week: A new definition of the work week in the Affordable Care Act (ACA) limits full-time employment to 30-hours per week, and hurts employees and employers. This change ignores the variable nature of the hotel industry workforce and greatly limits employees’ desire to have flexible work hours.

Supporting Patent Reform: Disreputable players are buying the rights to patents with the sole purpose of suing or threatening to sue innocent businesses for patent infringement. This can cost the hotel industry directly and hurts the overall economy, by as much as \$80 billion annually. Hotels of all sizes are at risk and are losing money at the hands of patent trolls, for activities as commonplace as using Wi-Fi technology.