

There is a common misconception about the role of Commissioners of the Revenue – that our job is to maximize revenue for our localities - which is simply not true. The online platforms and their representatives are clearly working under that misconception. They do not understand that we cannot simply drop our process objections in the face of stacks of cash.

To be crystal clear - Our job is to ensure the CORRECTNESS of tax assessments and remissions – that taxes owed are taxes paid, and perhaps more importantly, that taxes paid are taxes owed. In the case of fiduciary taxes like lodging tax, our job is #1 to ensure that taxes are collected from taxpayers in the correct amount; and #2 that what has been collected is ultimately remitted by the entity ENTRUSTED with the responsibility to collect and remit those taxes.

Unfortunately, an annual list of addresses, with no means to tie amounts remitted to those respective addresses will not allow us to do that.

1. Think of this from the taxpayer's perspective - and make no mistake about it, these online platforms are NOT taxpayers. Like millions of businesses all over Virginia, they are entrusted to collect money from a taxpaying public who assumes that their tax dollars will ultimately be remitted to the correct locality. NOTHING in this language assures that of happening. Localities are being asked to take a check and the platform's word for it: *"Trust us. It's what we owe ya."*
2. Despite assertions to the subcommittee that this bill leaves open the possibility for local tax officials to audit the platforms, the word "audit" does not appear in the text of this bill anywhere. The platforms' idea of an audit is to force localities to initiate legal process every time we need information. The platforms and their representatives know exactly how absurd that is and what a chilling effect it has on transparency. That's the point. If this bill passes in its current form, there is no reason to believe that the platforms will do anything other than what they have always done – which is to ignore any request not attached to a court order.
3. Think of this from the perspective of YOUR local hotels and restaurants, who rely on meals and lodging taxes correctly returned to their localities so that their local governments can promote and reinvest in their industry. Tax officials need to know the locations and amounts associated with tax remissions so that we can guarantee that dollars are remitted to the correct locality. We have learned from long experience dealing with sales tax distributions that businesses attribute sales to the wrong locality ALL THE TIME. We spend considerable time chasing those dollars down and having the Department of Taxation redirect them to the proper jurisdiction. We KNOW that the same thing will happen here. But without the ability to tie amounts to locations, we won't be able to do anything about it. And having to wait an entire year to be able to make those corrections will hamper our efforts severely.
4. It must be hammered home that the special treatment envisioned in this bill is not something that would EVER be countenanced for a local business anywhere in the State. Without question, this is an instance of massive out-of-state corporations dictating the special terms under which they will deign to comply with their most basic of responsibilities. What is to stop every other industry and business in the Commonwealth from coming to the table for the same deal?

Don't get me wrong, some of the changes that have been offered by way of amendment to this bill are welcome:

- The inclusion of platforms like AirBnB under the definition of “accommodations intermediary” is welcome news.
- We are glad to see that platform fees have not been exempted in the amended version of this bill. That was a change that we urged since the original version clearly went against the intention of last year’s legislation (SB1398).

In the interest of fair and equitable taxation... in the interest of transparency... I urge you to oppose this bill – at least until the language from HB7 is inserted or the current language is revised to require a monthly submission of addresses and gross receipts associated with each respective address.

Thank you for your time and for your service to the Commonwealth.