

GOVERNMENT OF THE DISTRICT OF COLUMBIA

OFFICE OF THE ATTORNEY GENERAL

oag.dc.gov



FOR IMMEDIATE RELEASE: Thursday, July 23, 2015

Contact: Rob Marus, Communications Director: 202.724.5646; robert.marus@dc.gov

Attorney General Racine Announces \$60-Plus Million Win for District in Tax Case against Major Online Travel Companies

D.C. Court of Appeals Affirms Judgment Ordering Companies to Remit Unpaid Sales Taxes

WASHINGTON, D.C. – Today, Attorney General Karl A. Racine announced a major recovery for the District in a case regarding online hotel-booking companies and unpaid sales taxes. In *Expedia v. District of Columbia*, the D.C. Court of Appeals affirmed a judgment of the D.C. Superior Court requiring the online travel companies Expedia, Hotels.com, Hotwire, Travelscape, Orbitz, Travelocity, and Priceline to pay a combined total of more than \$60 million in unpaid sales taxes and interest to the District. The companies had paid District sales taxes based on the amounts they paid hotels for rooms, rather than on the amounts they charged their customers.

On the companies' appeal, the Court agreed with the Office of the Attorney General (OAG) that the companies are liable under the District's sales-tax law for transactions in which customers purchased hotel rooms in the District on the companies' websites. The Court found that the statute's "structure, purpose, and legislative history...decisively favor the District's position."

"This is a huge victory for the District's taxpayers, and it ensures that online travel companies have to follow the same rules as everyone else," Attorney General Racine said. **"The Office of the Attorney General will zealously pursue claims in the interests of the District's taxpayers, and continue to initiate actions against those who harm District consumers."**

Attorney General Racine continued: **"To this end, OAG is especially grateful to Council Chairman Phil Mendelson, Council Judiciary Committee Chairman Kenyan McDuffie, and the Executive Office of the Mayor for appropriating funds to underwrite four additional OAG consumer protection lawyers in Fiscal Year 2016. The more resources we dedicate to protecting taxpayers and consumers, and the sooner we reinstate the Consumer Protection Fund that ended in 2011, the more District residents will benefit. I would like to thank the OAG attorneys and staff who have worked so hard on this case, and particularly Jimmy Rock, Bennett Rushkoff, Mary Wilson, Loren AliKhan, and Todd Kim."**

The Court rejected the companies' attempts not only to construe the sales-tax statute to exempt their activities, but also to rely on affirmative defenses of *laches*, waiver, equal protection, and the statute of limitations.

A copy of the opinion is attached.

###