



American Society of  
Travel Advisors

March 9, 2022

The Hon. Robert Stivers  
Senate President  
700 Capital Ave  
Capitol Room 319  
Frankfort, KY 40601

The Hon. David W. Osborne  
Speaker of the House  
700 Capital Ave  
Capitol Room 309  
Frankfort, KY 40601

Dear President Stivers and Speaker Osborne:

I write today on behalf of the American Society of Travel Advisors (ASTA), our 68 Kentucky member companies and the close to 300 people who work at travel agencies in the state to express our opposition to the provision of House Bill (HB) 8 that would impose new taxes on our members just as they are beginning to recover from the trauma of the coronavirus (COVID-19) pandemic.

As a result of COVID-19 and the governmental response to it, the travel agency business came to an almost complete halt in March of 2020 and remained there for a number of months. Since then, we have seen a succession of viral variants and complex, ever-changing government restrictions on and warnings against travel and now, the most consequential war in Europe since the end of World War II. As a result, our sector's recovery has been painfully slow – with average travel agency revenue levels still down 71 percent compared to 2019 according to ASTA member surveys. Even when factoring in the relief programs created by the federal Coronavirus Aid, Relief, and Economic Security (CARES) Act (P.L. 116-136) and successor legislation, the average travel agency has laid off more than 40 percent of its staff. And due to industry economics (i.e., commission payment schedules), there will be a substantial time lag between travel bookings and a corresponding return of business income – an anticipated average of over eight months' delay.

With that context, we respectfully question the wisdom of the Commonwealth of Kentucky considering *any* form of a tax increase on this decimated industry at this moment in time, and are deeply concerned about the provision of HB 8 to expand the state's six percent sales tax to a variety of personal and professional services, including "travel arrangement and reservation services."

There are a number of unanswered questions about how this proposal would be enforced against travel advisors and how it would affect Kentucky's travel and tourism industry that we believe must be addressed before it is seriously considered. For example, would the tax be applied to travel agencies' gross revenue or only to net revenue? If the former, the proposal would put every Kentucky travel agency out of business or force them to move to a neighboring state. The vast majority of travel agencies' gross revenue is made-up of so-called "flow-through" funds – that is, advisors act as a conduit for funds that legally belong to travel suppliers such as airlines, hotels and cruise lines. According to our research, the average travel agency's revenue as a share of gross sales is 10 percent. As such, you can see how devastating a tax on gross receipts would be to these businesses – the Commonwealth of Kentucky would be taking over half of their annual income in sales tax alone.

If the latter, would the tax apply only to service and consulting fees charged to clients, or would it also apply to “back-end” commissions paid by travel suppliers after the trip has successfully concluded? Nationally, the average leisure-focused travel agency relies on commissions for 56 percent of its annual income versus 27 percent that comes from service fees.

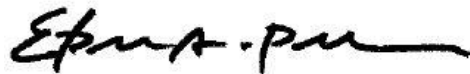
Would out-of-state travel agencies selling to Kentucky customers be captured by the tax? Kentucky travel advisors are different from other service providers that compete primarily against other in-state businesses also subject to the proposed taxes (personal fitness, interior design, massage therapists, etc.). The typical agency competes not only with fellow Kentucky advisors but against a wide range of out-of-state businesses, including “brick and mortar” agencies, travel suppliers, travel management companies and online travel companies. If the tax is only applied to Kentucky travel agencies, HB 8 would put them at a distinct competitive disadvantage with companies that don’t have to deal with the increased costs and administrative burdens taxing their services would bring.

Whatever the answer to these questions, ASTA has serious concerns about how this proposal would impact Kentucky travel agencies. According to the U.S. Census Bureau, there are 54 agency retail locations in Kentucky, contributing 187 full-time jobs, in addition to an estimated 112 self-employed contractors connected to travel agencies to the state. These are predominantly small businesses, with 80 percent of them employing fewer than 10 people. We estimate that if HB 8 is narrowly implemented – capturing agency service fees and commissions as opposed to gross sales – it would cost the average Kentucky agency over \$25,000 per year in new taxes, threatening additional layoffs and agency closures beyond those already caused by COVID-19.

While we take no position on the need to modernize Kentucky’s tax code, we urge you in the strongest possible terms not to do so at the expense of Kentucky travel agencies. We respectfully ask the Assembly to focus its efforts on using the funds the Commonwealth will receive 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 critical issue. If you or your staff have any questions, please do not hesitate to contact me at (703) 739-6842 or [epeck@asta.org](mailto:epeck@asta.org).

Yours Sincerely,

A handwritten signature in black ink, appearing to read "Eben Peck". The signature is fluid and cursive, with a long horizontal stroke at the end.

Eben Peck  
Executive Vice President, Advocacy