

logo not found or type unknown

BIR Sues Priceline, Expedia, Orbitz and Others Over Alleged Virgin Islands Hotel Tax Underpayments

BIR alleges Priceline, Expedia, Orbitz, Travelocity, Hotels.com and related companies collected taxes from guests on retail room prices but often remitted less based on wholesale rates, kept the difference, and sometimes paid nothing at all to the BIR.

Tourism / **Published On July 16, 2026 06:06 AM /**

Janeke Simon **July 16, 2026**

Image not found or type unknown



The V.I. Bureau of Internal Revenue has sued Priceline, Expedia, Orbitz, Travelocity, Hotels.com and several related entities, alleging that the online travel companies collected hotel taxes from customers based on retail room prices but remitted less — or, in some cases, nothing — to the Virgin Islands government.

The civil complaint, filed this week in Superior Court, accuses the companies of intentionally violating “rules and regulations regarding Virgin Islands’ taxes on hotel room reservations.”

BIR is asking the court to declare the companies’ practices illegal, deceptive and unlawful, hold them responsible for past-due taxes along with penalties, interest and costs, and permanently prohibit them from continuing the alleged conduct.

Retail Taxes Allegedly Calculated on Lower Wholesale Rates

The dispute centers on the 12.5 percent tax applied to the gross rate charged for hotel rooms and rentals.

According to the lawsuit, the tax must be collected and remitted by “any persons who are the owners or who facilitate the rental or sale of a hotel room and who are deemed to be doing business in the Virgin Islands.”

The complaint states that the requirement “applies to foreign companies soliciting and doing business in the Virgin Islands, just as it does to local companies.”

Online travel companies typically obtain rooms from hotels at wholesale, or net, rates before offering them to customers at higher retail prices.

BIR alleges that the companies charge guests taxes based on the retail room rate but do not remit that full amount directly to the Virgin Islands government.

“In some instances, Defendants do and did not remit any taxes at all,” the lawsuit declares.

When taxes are paid to the government, the complaint alleges that they are often calculated using the lower wholesale price paid to the hotel rather than the retail price charged to the guest. The companies then allegedly retain the difference as “illegal profit.”

Complaint Uses \$100 Room to Illustrate Alleged Underpayment

The complaint provides an example involving a room obtained by an online travel company for \$60 and sold to a customer for \$100.

At the 12.5 percent rate, the tax due on the retail price would be \$12.50.

However, the lawsuit alleges that in “most cases”, the online travel company collects the full \$12.50 from the customer but remits only \$7.50 — the amount calculated from the \$60 wholesale rate.

The resulting \$5 difference represents a 40 percent underpayment of the tax owed to BIR, according to the complaint.

“All of the Defendants commonly utilize this practice when offering hotel room reservations in the Virgin Islands to guests,” the lawsuit claims.

No-Show Reservations Also Cited

BIR alleges that the companies sometimes remit no tax at all when a customer pays for a room but does not arrive for the reservation.

The bureau maintains that the applicable tax remains due because the room was paid for. The complaint alleges, however, that online travel companies often retain the entire payment in those cases.

Bundled Taxes and Fees Allegedly Conceal Amounts Remitted

The lawsuit also challenges the companies' practice of combining taxes, service fees and other charges into a single line item presented to customers.

BIR alleges that bundling allows the companies to "disguise the amount they actually remit in taxes," misleading both consumers and the government about how much of the collected money is ultimately paid as tax.

According to the complaint, the companies deliberately developed the practice over time to make the alleged tax underpayments less apparent.

The lawsuit claims that some service fees and surcharges bear "no relation to any services" actually provided.

Rather, "these tools were really just roundabout ways to effectively charge taxes at retail without saying it," the complaint declares.

BIR alleges that the bundled amount is often structured to resemble the full tax a hotel would charge directly, "so that it confuses taxing authorities and consumers alike into believing that taxes are being collected and paid on the retail amounts when they are not."

"Consumers have been taken advantage of by the Defendants in being charged and paying for tax line charges that, according to the Defendants are not owed."

BIR Seeks Damages and Permanent Injunction

The complaint asks the Superior Court to declare that the online travel companies have a fiduciary duty to collect and remit the correct amount of taxes to BIR.

The bureau also wants the court to declare the companies' existing practices illegal, deceptive and unlawful and find them liable for past-due taxes, penalties, interest and costs.

The lawsuit alleges violations of the Virgin Islands' hotel room tax code, unjust enrichment and breach of fiduciary duty. BIR is seeking damages in an amount to be determined at trial.

The complaint additionally requests a permanent injunction preventing the companies from remitting less than the amount allegedly owed, retaining the difference and concealing the practice through bundled displays of taxes and fees.