

STATE & LOCAL TAXATION OF **SHORT TERM RENTALS**

Liz Malm | MultiState Associates | lmalm@multistate.us



Taxation of **Short Term Rentals**

(1) What is the issue?

(2) Solution.

(3) Action in 2016 and predicting 2017.

Tax on STRs | **The Issue**

- Will focus only on the tax implications for short-term rentals booked via online marketplaces, but recognize there are other policy issues (those are beyond the scope of this presentation).
- The tax issue is simple. It is not a question of liability; liability definitely attaches somewhere when a consumer books a short-term rental via an online marketplace (exception: illegal short-term rentals).
- **The question is, *who* should collect?**

Tax on STRs | **The Issue**

Sound familiar? Two differences between this and the sales tax debate:

- 1) There is no constitutional impediment here. Online lodging marketplaces have nexus by virtue of their relationship with property owners.
- 2) State statute doesn't impose tax collection obligation on these online marketplaces (aka, the imposition statute doesn't apply to them and generally only applies to more traditional lodging).

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Tax on STRs | **The Solution**

- Standard principles of taxation must apply (simplicity, neutrality, transparency).
- Solution is easy: clarify that online marketplaces are the collector. Marketplaces have already demonstrated willingness to collect by pursuing voluntary collection agreements (VCAs).
- VCAs are a suboptimal solution because there is no certainty for state and local governments, and agreements unnecessarily limit governments' ability to verify that the proper amount of was collected and that the total amount collected was remitted.
- Tax should be imposed on the full amount paid by the consumer.

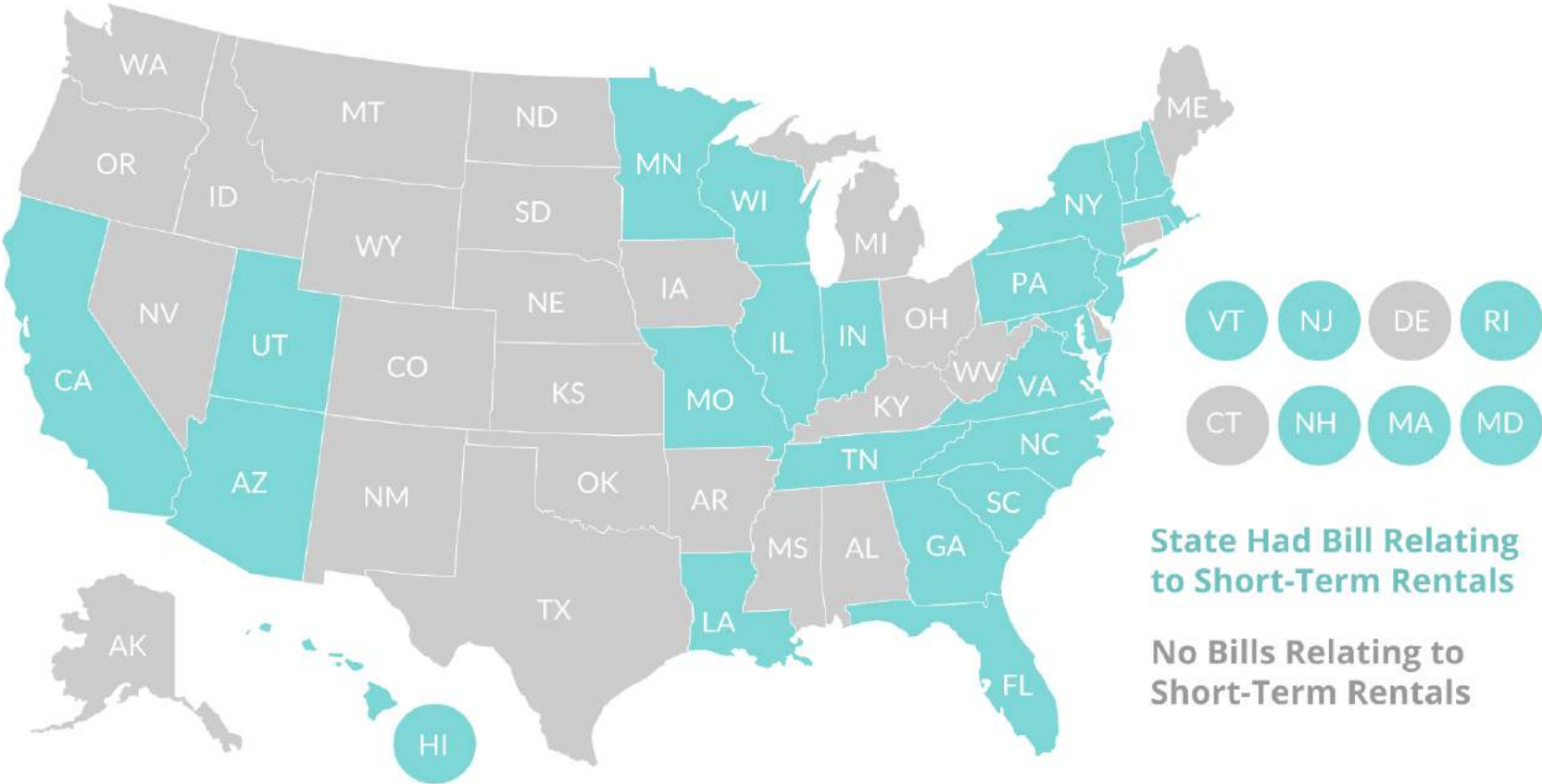
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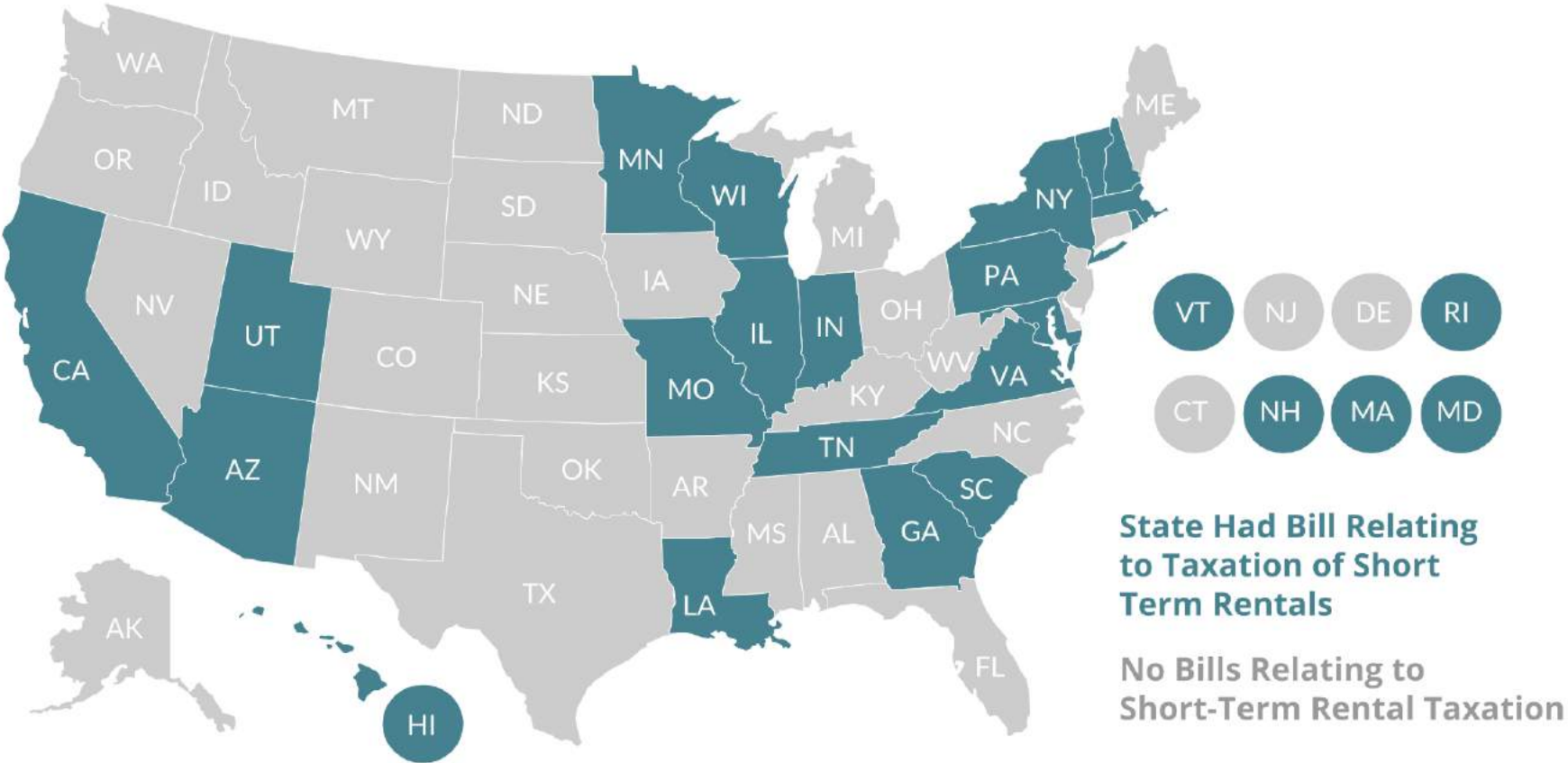
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84 short-term rental bills in 24 states 2016.

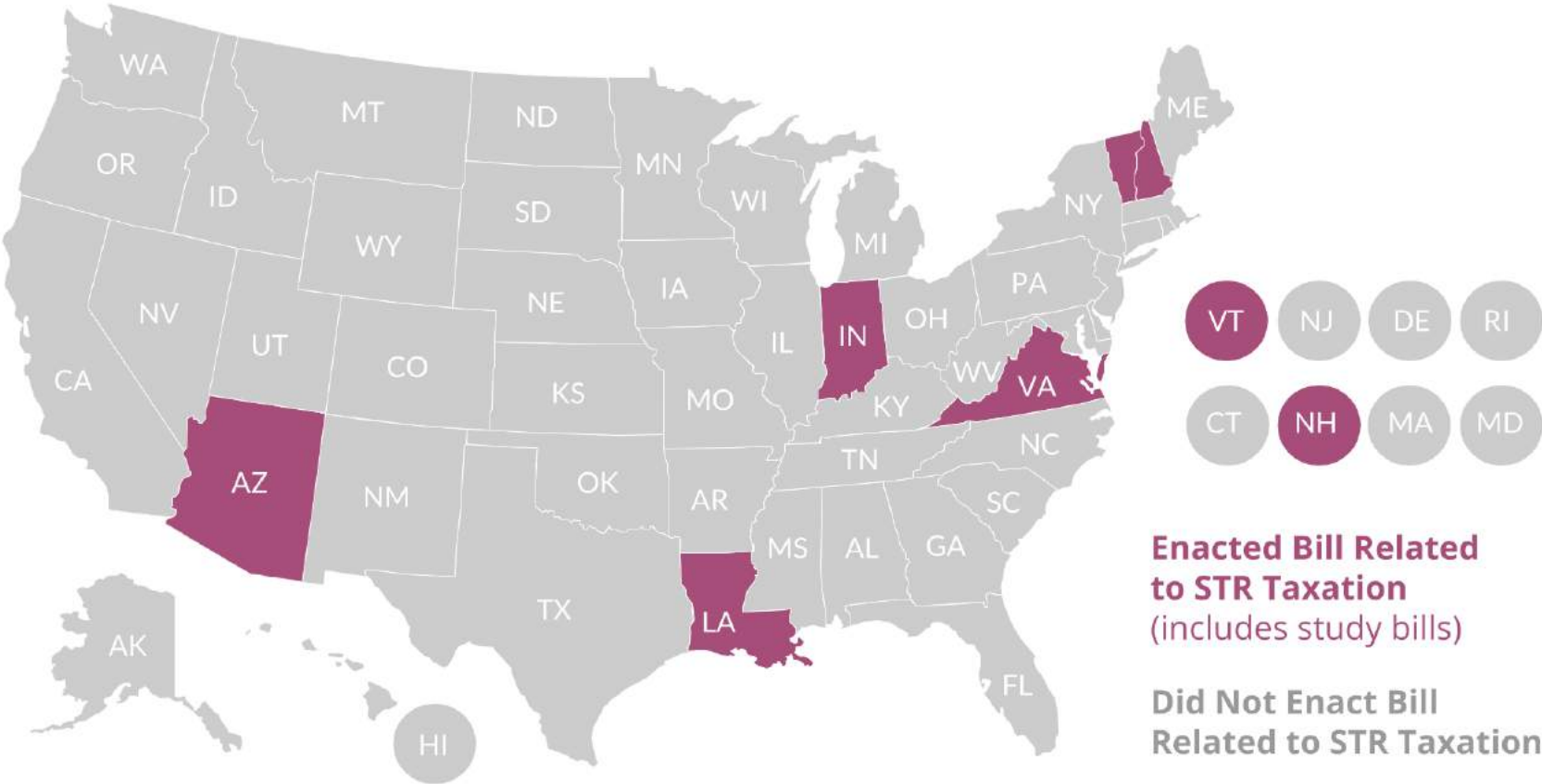


84 short-term rental bills in 24 states 2016.

48 of those bills dealt with **taxation** of STRs (21 states).



8 tax-related bills were enacted in 6 states.



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