

## SHORT-TERM RENTAL COMPANIES & OCCUPANCY TAXES

### Why Airbnb's "Voluntary Collection Agreements" Deserve Careful Scrutiny

#### Local governments across the country should be wary of Airbnb-orchestrated tax deals

Airbnb has pitched tax deals, in the form of *voluntary collection agreements* (VCAs), to state and local officials across the country, as a way to facilitate the collection and remittance of transient occupancy taxes from Airbnb users and hosts. But there are often strings attached to these agreements that should raise red flags for policymakers.

#### #1: There is a disturbing lack of transparency associated with Airbnb's voluntary collection agreements that make it difficult for policymakers to ensure accurate payments.

- Without proper data, tax authorities across the country will have a limited picture of Airbnb's operations in their jurisdiction, and will not be able to properly evaluate the company's tax bill.
- Furthermore, if tax authorities are not able to access and review all relevant records associated with Airbnb and its users, how can authorities collect and audit all of the taxes they are due?

#### #2: Airbnb has asked that they receive special treatment when it comes to taxation in cities where they operate. Why should Airbnb be treated differently than lodging businesses?

- Airbnb and its operators should not be given special tax treatment. No other legal lodging business gets to decide which information to share with tax authorities, or which taxes to remit – especially from a company worth \$30 billion.
- Other lodging business must abide by rules set out in each jurisdiction they operate in – why should Airbnb be able to skirt certain taxes and reporting requirements that legal hotels must follow?

#### #3: A lack of a strong enforcement mechanism raises concerns about whether Airbnb will help with enforcement and tax collection.

- Airbnb has a spotty track record of assisting local governments in the past with enforcement issues and tax collection.
- In San Francisco, Airbnb has already proven to be an ineffective partner and has resisted calls to stop illegal hotels and compel hosts to register with the city. In fact, Airbnb recently launched a lawsuit against the city arguing that it has no responsibility to help regulators ensure compliance with city code.
- These are complex tax issues and no way to ensure that hosts or the company are following appropriate tax guidelines. Airbnb must demonstrate to local governments that it will help enforce community regulations and give tax authorities a clear picture of their operations.

## What policymakers are saying...

*“Will Airbnb divulge mysterious owners to Keys tax collector?” – [Miami Herald](#), June 13, 2016*

- “They have to provide me with more information” said Monroe County Florida Tax Collector Danise Henriquez. “There are too many things we just don’t know. They want to send a lump sum every month and have us accept that,” Henriquez said. “I would lose total control.”
- “How do we know if they’re remitting the correct amount of tax?” she said. “Are these units in areas where they are legally allowed to rent? Do they have a homestead exemption? I don’t know.”

*“Airbnb starts paying Florida taxes but still plays by different rules” – [Tampa Tribune](#), April 22, 2016*

- “We are greatly distressed by (Airbnb) because they are saying they are going to be the collection agent, and not publish the names and addresses of people providing the service,” said Palm Beach County Florida Tax Collector Anne Gannon. “Under the statute, we should be the agency that has the names.”
- “This is a big business. This is a fairness issue,” Gannon said. “We have brick and mortar hotels and bed and breakfasts pay us. Why should this business be exempt?”

*“Airbnb’s proposed tax agreements with cities raise more questions than answers” – [Skift](#), April 18, 2016*

- “This report I commissioned reveals that Airbnb continues to blatantly flout our local short-term rental law – a law that Airbnb itself helped draft,” said San Francisco Supervisor David Campos. “The findings make it clear that this company cannot regulate itself, contrary to its claims.”

*“Airbnb to mayors: We want to pay taxes” – [USA Today](#), June 25, 2016*

- In one exchange, a city official (Mayor Paul Soglin) from Madison Wis., called Airbnb’s pitch “a sham.” “We have not had any responses as to tax collection,” he said. “We have not had any responses as to inventorying the Airbnb’s in our city.”

*“Gov. Ige says ‘Airbnb bill’ hides illegal rentals” – [News of Hawaii](#), July 13, 2016*

- “The use of an intermediary as a tax accommodations broker also provided a shield for owners who choose not to comply with county laws, and this was a big concern of mine,” Hawaii Gov. David Ige said.

### **Bottom Line**

**The ‘honor system’ as tax policy and enforcement won’t work. Tax authorities across the country need data transparency and cooperation from Airbnb.**