

# **Bond Case Briefs**

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## **Counties Grapple with Short-Term Rentals.**

### ***Short-term rentals are a mixed bag of complaints and tax revenue for counties***

When Airbnb, Homeaway or FlipKey move into town, the short-term rental surge they set off can be a blessing or a curse to local governments. The new business model can put an average of \$6,100 a year in hosts' pockets, according to Airbnb, especially in areas that attract a lot of tourists, raising questions about tax rates and tax collection.

Even the prospect of companies like Airbnb moving into town can prompt local opposition and pit neighbor against neighbor with local governments stuck smack in the middle. Again raising another set of questions: this time, about zoning and regulation.

A look across the country shows a landscape of answers to the more perplexing questions.

### **Do we want short-term rentals in our county at all?**

On one side of the issue, are hosts who want to make extra money from renting their home to tourists. On the other side are residents who prefer not to live next door to a quasi B&B or "party hotel."

Residents complain that guests aren't acting too neighborly. In Nashville and Davidson County, for example, the city received at least 975 complaints against 568 addresses with active short-term rental permits from April 2015 to February 2017, The Tennessean recently reported. The complaints were about everything from noise to trash to cars parking on grass to intoxicated persons and indecent exposure.

The Metro Planning Commission there is set to vote on phasing out growth of short-term rentals that aren't occupied by owners or placing a temporary moratorium on issuing new permits for short-term rentals. The commission has deferred the vote, requested by Airbnb and Homeaway, to April 13.

### **States attempt to assert control over short-term rentals**

At the state level in Tennessee, two bills that have been introduced (and crafted with the help of Airbnb and Homeaway, the Knoxville News-Sentinel reported), in the state Legislature would curtail local control over short-term rentals. The proposed statewide law would limit local regulations to enforcing public health and safety issues. If passed, a new law would overturn any current bans on short-term rentals in the state, including one in Brentwood, a community in Williamson County, Tenn.

In Florida, counties are fighting similar proposed legislation that would take control of short-term rentals out of their hands. A Florida senator's bill says counties can't treat vacation rental homes differently from any other residential use.

"This bill would basically preempt local governments from making those decisions," said state Sen. Jose Javier Rodriguez (D-Miami). "Local government is the best level of government to mediating

these issues.”

Bills in the House and Senate have cleared several hurdles. The Florida Senate Community Affairs Committee postponed a vote April 3 on the bill after local government representatives noted that they would not be able to enforce local safety regulations if the bill passed. It’s expected to come before the committee again the week of April 17.

### **Virginia hands control to local government**

In Virginia, where Airbnb hosts raked in \$41 million last year, Gov. Terry McAuliffe (D), signed a bill that allows localities to regulate short-term rentals. The new law allows local governments to require hosts to register with the county; counties would be allowed to charge fees to register and levy fines to anyone who violates regulations.

The law follows regulations made last year by Arlington County, Va., that requires hosts to register with the county. If taxes (a 7 percent transient occupancy tax) aren’t paid, registration would be revoked and hosts would face misdemeanor charges and interest penalties on any unpaid taxes. If someone makes more than \$10,000 a year from his short-term rental, they’re also required to apply for a business license.

Arlington County legalized short-term rentals in December; rented units must be owner-occupied for at least six months of the year and meet state building codes. The county requires fire and smoke detectors and a fire extinguisher be on the property. It also sets limits on the number of visitors — six per unit or two per bedroom.

### **Collecting taxes**

In tourism-heavy Florida, Broward County joined more than 30 other counties April 4 when it approved an agreement for Airbnb to begin collecting a 5 percent tax (the same amount that hotel guests in the county pay) they say could exceed \$1 million a year. The agreement says both sides retain their options, including the county suing Airbnb over past due taxes, the Sun-Sentinel reported.

Miami-Dade County also reached an agreement with the company April 4, voting 10-3 to approve a memorandum of understanding between the county tax collector and the provider. County Commissioner Joe Martinez, who voted no, argued the county should first come up with regulations before taxing Airbnb users. “It’s putting the cart before the horse,” the Real Deal, a local real estate newspaper, reported him saying. “I know a lot of people in my neighborhood who don’t want it.”

The Broward County Commission is also set to consider allowing county staff to pursue similar agreements with other online short-term rental platforms. Airbnb said it collected \$20 million in tourist tax dollars in Florida in 2016. It currently has agreements in place to collect tourist taxes in 39 of Florida’s 63 counties.

In New Mexico, a recent report by Southwest Planning and Marketing estimates counties and cities there are missing out on \$2.6 million annually. An old state law from 1969 prevents counties from collecting taxes for short-term rentals. Local governments have gotten behind proposed legislation introduced last month in the state House and Senate that aims to remove the exemption.

In some areas of the country, counties might be sending a mixed message. In Shasta County, Calif., near Lassen Volcanic National Park, the county collected more than \$100,000 in taxes from vacation rentals last year (and even provides a form on the county tax Web site for homeowners to fill out, to obtain transient occupancy tax certification) but recently sent letters to homeowners and managers

telling them to stop renting out their homes because they were violating the county's zoning code.

Shasta County Supervisor Les Baugh said it confuses residents when one department says short-term rentals are OK and another says they're illegal, the Redding Record Searchlight reported. "There are those who thought they did right because they took the time to follow all the instructions that are on the Web site," he said.

Baugh said he thinks the county should revisit the issue to help bring more tourism dollars into the county. "It's not just the economics of the rentals," he said, "but when people come to visit, they leave their money."

NATIONAL ASSOCIATION OF COUNTIES

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