
Vacation Rental and Shared Housing Tax Surcharge.

The enactment in October of a shared housing surcharge in Chicago and a new tax on online bookings in Pennsylvania both will have an impact on the hotel industry.

Chicago's Shared Housing Surcharge
The City of Chicago has enacted a new surcharge targeting one of the hotel industry's biggest competitors: the vacation rental and shared housing industry. Section 3-24-030(C) of the Chicago Municipal Code imposes a new surcharge (the "shared housing surcharge") on the rental or lease of any vacation rental or shared housing unit in the City. Effective December 1, 2018, the shared housing surcharge is 2%, plus the 4% surcharge already in place under Section 3-24-030(B), for a total surcharge of 6% of the gross rental or leasing charge.

The shared housing surcharge is also in addition to the City's 4.5% hotel accommodations tax. Thus, effective December 1, 2018, the total City tax rate on vacation rentals and shared housing units will be 10.5% (compared to 4.5% for most hotels). As with the hotel accommodations tax, operators are responsible for collection and remittance of the shared housing surcharge.
A vacation rental is defined in §4-6-300 as a dwelling unit that contains six or fewer sleeping rooms that are available for rent or for hire for transient occupancy by guests. Likewise, a shared housing unit is a dwelling unit with six or fewer sleeping rooms that is rented in whole or in part for transient occupancy by guests. City Code §4-14-010.

The surcharge does not apply to temporary accommodations provided by a hospital or the rental of an accommodation which is considered a permanent residence of the person who occupies it.

Pennsylvania's New Tax on Online Travel Agencies
Also in October, Pennsylvania enacted Act 109, a new law increasing the tax payable by online travel agencies for hotel room bookings in the state. This new tax will apply to online travel agencies.

The new law eliminates a loophole that allowed online booking websites to charge the hotel occupancy tax only on room rates as negotiated with the hotel, rather than on the final amount paid by the guest. Under the new law, which is expected to take effect February 1, 2019, online booking agents will also be required to pay tax on accommodation fees and other charges included in the booking price. Guests will pay tax on the same base whether they book through online booking agents or directly through the hotel.

The goal of the new law was to level the playing field for hotel bookings and to raise funds for tourism for the state of Pennsylvania.

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