

HB1103: Local Government – Accommodations Intermediaries - Hotel Rental Tax Collection by Comptroller

Sponsor: W&M Chair Vanessa Atterbeary

Hearing: Monday, February 24, 2025, 11:00AM

Position: FAVORABLE

Testimony on behalf of Airbnb, Inc.

Economic Impact:

Airbnb is an economic lifeline for many Hosts and an affordable travel option for guests.

Recent survey data shows:

- 42% of hosts said the money earned helped them stay in their home.
- 60% of MD hosts are Female and earned about \$13,000 in additional income.
- More than 20% are over 60 years old.
- Approximately 800,000 people visited MD by staying with an Airbnb Host.

In 2023, Airbnb contributed \$667 Million to Maryland's GDP and collected \$210 Million in total tax revenue.

Issue:

- There is a need for efficient, industry-wide collection of taxes on local transient charges.
- Many local jurisdictions lack the authority to capture platforms currently (Commissioner Counties for example generally lack this authority with limited exceptions) and it is difficult for platforms to track changes to local tax bases, exemptions, and tax rates across thousands of jurisdictions in the US simultaneously.
- The Supreme Court in South Dakota v. Wayfair, permits states and locals to mandate platform collection of local taxes so long as they provide the following protections and systems:
 - + Single state level administration
 - + Uniform definitions
 - + Uniform rules
- Without these protections, mandating the collection of local taxes by remote sellers and platforms (whether they are accommodations intermediaries or marketplace facilitators) is an unconstitutional undue burden on interstate commerce.
- Localities that have mandated platforms to collect without centralized "single state level administration" have been sued and forced to centralize collection of local taxes through legislation. For example, the Halstead Bead suit against Louisiana which resulted in Louisiana centralizing local sales tax collection for remote sellers/platforms, and the Wayfair v. Colorado suit which resulted in tax centralization for remote sellers/platforms.

Concern:

- Counties have been using voluntary agreements with short-term rental platforms, however not every platform participates, which creates an unlevel marketplace.
- Cities and Counties lack authority under *South Dakota v. Wayfair* to collect tax from platforms.

Proposal:

- Centralized collections at the Comptroller's Office with distribution to the respective counties on a regular basis.
- The Comptroller is better equipped to require all industry platforms to participate as the Comptroller already administers the state sales tax on accommodation and collects it from platforms.
- The Comptroller will be able to charge a reasonable administrative fee.
- A more efficient, centralized collection process will increase revenue to local jurisdictions.
- The State of Tennessee adopted similar legislation in 2021 and saw a significant increase in local revenue raised.
- Increases local tax revenues for all counties and cities by:
 - +Increasing collection of local hotel taxes by capturing all short-term rental platforms, including international based platforms who will not collect and remit local taxes unless they are legislatively captured, which creates a competitive disadvantage for Maryland hosts who want to use domestic platforms by allowing the international platform to charge 15-18% less (no taxes charged).
- The bill also reduces local administrative costs by:
 - + Transitioning responsibility for collecting the taxes from decentralized and numerous Hosts to a few centralized Platforms for facilitated stays
 - + Centralizing the collection and audits of both taxes with the Comptroller
- The bill lowers future legal risk at the local level by:
 - + Eliminating the risk that local ordinances capturing Platforms are undue burdens (*Wayfair*).
 - +The bill ensures that traditional hotels and short-term rentals are always treated equitably.

Conclusion:

This legislation is good public policy that is beneficial to the short-term rental platforms and the local jurisdictions by creating a more efficient and level tax collection system that will raise uncollected revenue.

For any questions or more information regarding Airbnb's position, please contact Jamie Gregory at jgregory@lhstrategy.com or 202-841-3567.