



MEMORANDUM

Resolution 24-056, A Resolution of the City Council of Homer, Alaska, Requesting the Kenai Peninsula Borough Assembly to Pass an Ordinance and Directing the Finance Department to Coordinate with Airbnb to Collect Sales Taxes on Short-term Rentals. Davis/Aderhold.

Item Type: Backup Memorandum
Prepared For: Mayor Castner and Homer City Council
Date: May 7, 2024
From: Councilmembers Davis and Aderhold

At the December 2023 Alaska Municipal League meetings in Anchorage, Airbnb representatives told Homer City Council members that the company was setting up arrangements with municipalities nationwide whereby Airbnb would collect local sales taxes directly from customers at the time they made their purchase of a vacation rental. Airbnb would then remit the taxes directly to the municipal tax authority, relieving property owners of the burden of tracking, calculating, collecting, and remitting it. We were told that all Airbnb needed to start the process was “a copy of the municipal ordinance requiring collection of the tax.”

This sounded like great news, given that, anecdotally, it seems that some new and existing Airbnb hosts in Homer may not even be aware they are required to collect sales tax from their guests, while traditional Bed and Breakfast owners and many existing short-term rental owners are appropriately collecting sales taxes from their guests. (The City of Homer had earlier embarked on a process of identifying online short-term rentals so hosts could be contacted regarding sales taxes and other matters, but found the process too complicated, cumbersome, and time consuming for staff.)

The City of Homer receives sales taxes via two channels: The Kenai Peninsula Borough (KPB) Sales Tax Division collects (from business owners) city sales taxes for purchases made within the City of Homer, and the Alaska Remote Sellers Sales Tax Commission (ARSSTC) collects (from Amazon and other online retailers) city sales taxes for remote sales to customers with City of Homer addresses. Vacation rental platforms like Airbnb do not participate in ARSSTC.

Moving to a system whereby Airbnb collected the sales tax and directly submitted it to the KPB Sales Tax Division would simplify sales tax collection for short-term rental owners. Airbnb would add the appropriate sales tax to the bill for every single short-term rental sold on its platform Borough-wide, collect it at the time of purchase, and then remit the tax directly to KPB, removing from property owners, the burden of collecting and submitting sales taxes to the KPB Sales Tax Division themselves.

While the resolution sponsors see Airbnb's collection of sales taxes as beneficial, in that it would level the playing field by ensuring all Airbnb hosts collect sales taxes, and reduce the burden on property owners and operators using the Airbnb platform, the KPB Finance Department has been reluctant to launch the process with Airbnb.

After outreach to the KPB Mayor, the Assembly President, and Homer's representative on the Assembly, it was suggested that a resolution from the Homer City Council could be an effective way to get the ball rolling on a serious, in-depth consideration of the pros and cons of such an approach.

Recommendation:

Consider passing Resolution 24-056