



MEMORANDUM

CC-26-050

Update on Possible Direct Collection of Sales Tax by Airbnb

Item Type: Backup Memorandum, Action Memorandum, or Informational Memorandum
Prepared For: Mayor Lord and Homer City Council
Date: February 19, 2026
From: Councilmember Davis

PURPOSE

This memo summarizes information received from Kenai Peninsula Borough (KPB) leadership regarding platform-based collection of short-term rental sales tax, and outlines policy options the Council may wish to consider for improving long-term compliance, administrative clarity, and encouraging a level playing field among lodging providers.

SUMMARY OF DISCUSSION WITH KPB

On February 12 I met in Soldotna with Borough Mayor Peter Micciche and Finance Director Brandi Harbaugh to discuss the possibility of booking platforms like Airbnb collecting KPB and City of Homer sales tax directly at the time of reservation. I explained that because short-term rentals are decentralized, frequently changing, and primarily transacted through online platforms, there is a widely shared belief that the only consistently reliable point to capture tax is at the moment of booking. Many municipalities nationwide, including Anchorage and Juneau, have already moved to direct collection.

Both borough officials expressed reservations about relying on platform-based collection. Mayor Micciche said he was skeptical about big tech companies handling tax collection correctly. As an STR owner himself, he prefers to handle tax collection manually after booking, by requesting payment directly from guests after they have paid the platform for their stay, and covering the tax himself, from rental proceeds, if payment is not received.

Finance Director Harbaugh said she had several concerns, including reliance on aggregate reporting from Airbnb rather than transaction-level data, the administrative complexity created by multiple KPB jurisdictions with different rates, and the \$500 taxable cap. She said it was also her understanding that Anchorage's agreement with Airbnb had negatively impacted Anchorage's ability to audit local businesses.

At the same time, both the mayor and the finance director emphasized that Homer's 4.85% sales tax is the City's tax, collected by the Borough as an administrative service, and that nothing prevents the

City from entering into its own agreement with booking platforms for direct collection of the City tax at time of booking if it chooses to do so.

The finance director further noted that Borough compliance software regularly identifies STR operators who appear not to be paying sales tax – and that the one KPB municipality with near-perfect compliance is Seward, which requires STR's to register with the city. Soldotna recently adopted a similar requirement and will likely soon begin exhibiting stronger sales tax compliance rates.

POLICY OPTIONS FOR COUNCIL CONSIDERATION

1. Platform-based tax collection at booking

The City could explore agreements with Airbnb (and perhaps eventually other major booking platforms) to collect City sales tax automatically at the time of reservation and remit it directly to the City, as is being done already with Amazon and other online retailers, via the Alaska Remote Sellers Sales Tax Commission (ARSSTC), which remits tax directly to the city, according to KPB officials. This approach captures tax at the moment of transaction, reduces reliance on post-booking collection and reporting, and would simplify compliance for both operators and guests. Hosts would likely ask Airbnb to collect Borough tax collection simultaneously (as many of them do already on a voluntary basis) so that guests experience a single checkout process.

2. Local short-term rental registration requirement

As an alternative or complementary approach, the City could revisit adoption of a registration requirement for short-term rentals similar to Seward's system. Borough staff report that such programs significantly improve visibility of operators and overall compliance. Homer previously considered such a framework and Council may wish to evaluate whether circumstances now favor revisiting it.