MEMORANDUM

CC-26-171

Ordinance 26-51, an Ordinance of the City Council of Homer, Alaska Amending Homer City Code Chapter 9.16, Sales Tax, to Provide for Collection and Remittance of City Sales Tax by Marketplace Facilitators for Short-Term Rental Transactions; Authorizing Administration Through the Alaska Remote Seller Sales Tax Commission; and Providing for an Effective Date.

Item Type:	Backup Memorandum
Prepared For:	Mayor Lord and Homer City Council
Date:	August 25, 2026
From:	Councilmember Davis

Purpose

The ordinance before Council would amend Homer City Code Chapter 9.16 to require marketplace facilitators, including online short-term rental platforms, to collect and remit the City of Homer sales tax on covered short-term rental transactions occurring within the City.

The ordinance gives Council an opportunity to decide whether Homer should opt in to platform-based collection of City sales tax for short-term rentals or continue with the current system.

Background

The City of Homer currently levies a 4.85% City sales tax. For local transactions, City sales tax is typically paid by customers to local businesses, which remit the tax monthly or quarterly to the Kenai Peninsula Borough. The Borough then transfers the City portion to Homer.

For remote sales and marketplace-facilitated transactions, the process is different. City sales tax is collected by the remote seller or marketplace and remitted through the Alaska Remote Seller Sales Tax Commission, which transfers the City portion directly to Homer without Borough involvement.

The proposed ordinance would treat marketplace-facilitated short-term rental bookings in the same general manner as other remote marketplace sales subject to City sales tax. Short-term rental bookings made through platforms such as Airbnb, VRBO, and Booking.com are similar in structure to other remote marketplace transactions: the customer selects the lodging, pays through the platform, and the platform processes the transaction remotely.

The policy question for Council is whether City sales tax on those bookings should be collected at the time of sale by the platform, as with other remote marketplace transactions, or whether the City should continue relying on individual short-term rental operators to collect and remit the tax after the transaction.

ARSSTC Treatment of Lodging

The original Alaska Remote Seller Sales Tax Commission Uniform Code excluded marketplaces facilitating transient lodging accommodations from the marketplace-facilitator collection obligation. That exclusion applied to lodging accommodations such as hotels, commercial transient lodging facilities, homes, apartments, cabins, and other residential dwelling units.

The ARSSTC Uniform Code now allows a member jurisdiction to opt in to requiring marketplace-facilitator collection for transient lodging accommodations. This creates an opportunity for Homer to require remote platforms to collect the City portion of sales tax on short-term rental bookings in the same general manner as other remote marketplace sales.

Several Alaska municipalities have moved in this direction. The City and Borough of Juneau has adopted marketplace-facilitator provisions for short-term rental and lodging-related taxes. The City of Fairbanks has also adopted marketplace-facilitator provisions for room-rental transactions. Homer would not be the first Alaska municipality to address short-term rental platform collection through this mechanism.

What the Ordinance Would Do

The ordinance would:

1. Add a new section to Homer City Code requiring marketplace facilitators to collect, report, and remit City sales tax on covered short-term rental transactions within Homer;
2. Define marketplace facilitator, marketplace seller, short-term rental, and covered transaction;
3. Clarify that the ordinance applies only to the City sales tax, not to Kenai Peninsula Borough sales tax;
4. Provide that, notwithstanding Homer's general incorporation of Borough sales tax provisions, marketplace-facilitated short-term rental transactions will be administered through ARSSTC for the City tax portion;
5. Avoid duplicate City tax collection by clarifying that an operator is not required to remit the same City sales tax twice if the marketplace facilitator has collected and remitted it; and
6. Authorize the City Manager to take administrative steps needed to implement the ordinance.

City Tax and Borough Tax

It should be noted that, because the Kenai Peninsula Borough has opted out, the City and Borough portions of the tax will not be remitted through the same channel. Platforms that collect the full applicable local tax at booking will need to remit the City portion through ARSSTC while continuing to make the Borough portion available to short-term rental operators for remittance under the existing Borough process. This is a split-remittance issue, not a change in the underlying tax owed by the guest or operator.

The ordinance does not impose or administer Borough sales tax. The obligation to collect and remit any Borough sales tax remains governed by Borough law unless the Borough provides otherwise.

Potential Benefits of Opting In

The main argument for opting in is improved tax compliance.

Platform-based collection captures the City tax at the point of booking, when payment is made. That is generally a more reliable collection point than requiring each host to collect or account for City tax after the platform transaction has occurred.

Opting in may also create a more even playing field among short-term rental operators. Operators who already collect and remit all applicable taxes transparently, at the time of sale, may be at a price disadvantage compared to operators who do not. Requiring the platform to collect the City tax would reduce that disparity for platform-based bookings.

There may also be administrative benefits. Platform collection may reduce confusion among hosts and guests regarding whether City tax is included in the booking price. It may also make it easier for the City to receive tax from transactions that might otherwise be missed.

The ordinance could increase City sales tax revenue. The amount of any increase is uncertain and would depend on the current level of noncompliance, the number of platform-based bookings, booking prices, and the accuracy of platform reporting. However, if some taxable transactions are not currently being reported, collection at booking would likely improve capture of City tax on those transactions.

Finally, adopting marketplace-facilitator collection would align Homer’s treatment of online short-term rental bookings with the City’s existing treatment of other remote marketplace sales.

Potential Downsides and Concerns

There are also reasons for caution.

First, implementation is more complicated because the City and Borough portions of the tax will not be remitted through the same channel. Platforms will need to remit the City portion through ARSSTC while the Borough portion remains subject to the existing Borough process.

Second, ARSSTC collection has an administrative cost. Published ARSSTC materials indicate that the total fee has declined as statewide collections have increased, with the lowest published total fee tier reported at 7.65% through the end of 2025. The current applicable fee should be confirmed before final action.

Because ARSSTC fees are deducted from collected revenue, the fiscal benefit depends on the current level of compliance. If nearly all short-term rental operators are already collecting and remitting City sales tax correctly, including proper application of the sales tax cap, direct platform collection could produce little additional revenue and could reduce net City revenue after administrative fees. If compliance is meaningfully below that level, direct platform collection would be expected to increase net revenue.

Third, platform collection is not a substitute for a broader short-term rental policy. If Council's goals include life-safety information, local contacts, housing data, neighborhood impacts, or limits on short-term rental activity, those goals would likely require a separate registration or land-use ordinance. This ordinance addresses City sales tax collection only.

What Other Alaska Communities Are Doing

Several Alaska communities have moved toward platform-based tax collection or marketplace-facilitator requirements for short-term rentals and similar transactions.

The City and Borough of Juneau has required short-term rental registration since 2023. Juneau also requires marketplace facilitators to collect and remit applicable taxes on behalf of sellers making sales or rentals in Juneau. In 2026, Juneau adopted additional changes delegating administration of marketplace-facilitator sales tax reporting and remittance to ARSSTC.

The City of Fairbanks adopted marketplace-facilitator language in 2026 for its room-rental tax code. The stated purpose was to clarify that parties involved in booking short-term rentals are on notice regarding the duty to collect and remit applicable taxes.

Wasilla appears on Airbnb's Alaska tax collection page for collection of Wasilla sales tax on Airbnb bookings. Wasilla's public guidance also treats marketplace facilitators as remote sellers for sales facilitated through their marketplaces.

Homer has previously asked the Kenai Peninsula Borough to coordinate with Airbnb for collection of sales taxes on short-term rentals. The current ordinance would allow Homer to act on the City tax component even though the Borough has not opted in to marketplace-facilitator collection through ARSSTC.

Options for Council

Council has three main options.

Option 1: Adopt the ordinance.

This would opt Homer in to marketplace-facilitator collection for City sales tax on covered short-term rental transactions. City sales tax on platform bookings would be collected and remitted through ARSSTC, consistent with other remote marketplace sales.

Option 2: Postpone and request further information.

Council could request additional legal review, fiscal analysis, or implementation information before deciding. This would preserve the current system while allowing more time to clarify the split between City and Borough tax handling.

Option 3: Decline to adopt the ordinance.

This would maintain the status quo, effectively opting Homer out of direct collection by platforms. Individual short-term rental operators would remain responsible for collecting and remitting applicable City sales tax unless they ask the platform to collect tax at the time of sale, as many already do.