MEMORANDUM

CC-26-173

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: September 11, 2026

From: Councilmember Davis

Correction to Published Memorandum

The memorandum included in the published packet was an early working draft and was not intended for publication. This memorandum supersedes it. Background: Following the previous Council meeting, the City Manager suggested that I introduce an ordinance allowing Council and the public to consider whether Homer should opt into marketplace-facilitator collection for short-term rentals. We agreed that I would prepare a draft ordinance and a balanced draft memorandum for issuance by the City Manager, coordinated with the Borough, ARSSTC, and the City's legal counsel. After those discussions, the City Manager provided a revised memorandum on September 9 incorporating that input, and I submitted additional revisions. The packet published on September 10 instead included the earlier memorandum, clearly identified as a "rough draft" when I sent it, as the sole backup memorandum, but with the "From" line changed from the City Manager to Councilmember Davis. This corrected memorandum reflects the background, analysis, and recommendation I intended to place before Council.

Purpose

Ordinance 26-51 would opt Homer into marketplace facilitator collection of City sales tax on covered short-term rental bookings. At the City Manager's suggestion, I am sponsoring the ordinance to place that policy choice before Council and the public.

Marketplace Collection by ARSSTC

The Alaska Remote Seller Sales Tax Commission, ARSSTC, was established so that remote sellers and marketplace facilitators making sales into Alaska taxing jurisdictions could collect the applicable local tax at the point and time of sale and remit it through a single, uniform system.

Marketplace-facilitated transient lodging—including bookings of homes, apartments, and cabins—was originally expressly excluded from that collection requirement. The Uniform Code has since been amended to allow each member jurisdiction to opt in and treat those lodging transactions in the same general manner as other remote marketplace sales. This ordinance would exercise that option for Homer's City tax. It would not create a new tax or a new collection system; it would apply the existing marketplace-collection model to a category of online transactions that jurisdictions may now choose to include.

Background

Homer currently levies a 4.85% City sales tax. Under the present system, short-term rental operators report and remit the applicable City and Kenai Peninsula Borough sales taxes to the Borough, which then transfers the City portion to Homer. Some operators opt for a marketplace facilitator to collect City and Borough tax at the time of booking; many others choose to collect it separately from guests after the purchase, or pay it themselves from rental proceeds. The Borough has not opted into ARSSTC collection for its tax.

If Homer opts in, a marketplace facilitator such as Airbnb would collect the City tax on covered bookings and remit it through ARSSTC. How the Borough tax is collected from the guest would remain the operator's choice: an operator could opt for Airbnb to collect it at booking alongside the City tax and pass the Borough amount through to the operator, as many operators do now, or could collect it separately. Either way, the operator—not ARSSTC—would remain responsible for reporting and remitting the Borough tax correctly.

What the Ordinance Would Do

- require marketplace facilitators to collect and remit Homer's City sales tax on covered short-term rental bookings;
- provide for the City portion to be administered through ARSSTC;
- leave collection and remittance of Borough sales tax unchanged;
- authorize the City Manager to complete the administrative steps needed for implementation.

Potential Benefits

The strongest argument for opting in is improved consistency and compliance. Collecting the City tax automatically at the time of booking captures the tax when the guest pays, rather than relying on each individual operator to account for it afterward. Even if overall compliance is already high, platform collection should reduce omissions and reporting differences among operators.

It would also create a more even playing field. Operators who currently collect and report the full tax at the time of sale would not be placed at a price disadvantage relative to operators who do not. Platform collection applies the City tax consistently to covered bookings and makes it clearer to guests that the tax has been included.

The change would align short-term rental bookings with Homer's general approach to other remote marketplace sales. It could also capture some taxable transactions that are currently missed and thereby increase City revenue.

Costs and Practical Considerations

ARSSTC deducts administrative fees before distributing collections to member jurisdictions. Based on the available fee schedule, ARSSTC's collections later in each year (and currently) appear to already exceed the amount necessary to qualify any additional collections for the lowest fee tier. If confirmed, new Homer STR revenue would thus effectively incur the current 7.4% rate. Finance should confirm the applicable tier and rate before final action.

The net revenue effect depends on compliance. If newly collected City tax exceeds the administrative fees, Homer gains revenue; if nearly all City tax is already calculated and reported correctly, net receipts could decline modestly. The ordinance offers benefits beyond revenue, including consistency, convenience for guests, and fairness among operators.

As noted above, because the Borough is not opting in, City and Borough tax would be handled through different channels. Operators would continue reporting and remitting Borough tax to the Borough, while the platform would remit City tax through ARSSTC. Clear instructions will be important, particularly for operators who accept direct bookings or use more than one platform.

Experience of Other Communities

An AI-assisted review of other Alaska communities indicates that Juneau and Fairbanks have adopted marketplace-facilitator provisions affecting short-term rentals or room rentals, and Wasilla appears in public platform guidance concerning collection of local tax. Homer would therefore not be the first Alaska community to use platform collection for lodging transactions, although the details of each community's tax structure differ.

Options for Council

Council has three principal options:

- Introduce the ordinance and, after one or more public hearings, adopt it, thereby opting Homer into marketplace-facilitator collection of City tax on covered short-term rental bookings;
- Introduce the ordinance but postpone final action while seeking additional information and public input; or
- Vote down the ordinance, thereby maintaining the current system and leaving Homer opted out.

Recommendation

I recommend introducing the ordinance so Council, short-term rental operators, and the public can consider the proposal through the normal public-hearing process. Introduction would not commit Council to final adoption. It would allow the City to clarify implementation details, and hear directly from affected operators before making a final policy decision.

Platform collection appears to offer a practical opportunity to make City tax collection more consistent, convenient, and fair. Those potential benefits warrant a full public discussion rather than allowing the present de facto opt-out to continue by default.