

Memorandum: S.204 Proposal Summary

From: Douglas Farnham, Policy Director and Economist, Department of Taxes

To: Rep. Janet Ancel, Chair, House Ways & Means; Rep. Helen Head, Chair, House General, Housing, and Military Affairs; Sen. Ann Cummings, Chair, Senate Finance; Sen. Michael Sirotkin, Chair, Senate Economic Development, Housing and General Affairs

CC: Stephen Klein, Chief Fiscal Officer, Joint Fiscal Office

Date: 4/16/2018

Current version of S.204:

- Creates of a \$65 registration fee to be collected by the Health Department. This fee results in \$115,000 to \$215,000 of revenue over time to offset Health Department costs
- Creates \$255,000 of FY19 and \$364,000 of Future year administrative costs in the Health Department
- Creates of a public database for short-term rentals
- Increases FY19 Meals and Rooms tax revenue an estimated \$20,000 to \$40,000 and FY20 Meals and Rooms tax revenues an estimated \$150,000 with growth over time
- Provides authority and resources for VDH inspection of properties

Administration alternative: Focus on Meals and Rooms Revenue and Database Creation

- Adopts an approach used in Denver by posting the tax account number with all advertisements
- Collects health and safety self-certification with meals and rooms tax accounts and creates a platform which could be used for licensing and registration improvements in future years
- Creates an administrative database which Tax is authorized to share with Health and Public Safety for Health and Safety purposes in FY19
- Increases FY19 revenues an estimated \$300,000 to \$400,000* and FY20 revenues an estimated \$500,000 with growth over time
- No significant increases to administrative costs

Key Elements of the Proposal:

- The Department supports the Rep. Scheuermann amendment to S.204 with minor additions
- Requiring the Meals & Rooms tax account number to be posted with all public advertisements for short-term rentals will be an exceptionally valuable for voluntary and involuntary compliance
- Meals & Rooms licenses are already required to be posted publicly in regulation, this updates the requirement to account for the online environment
- Does not create additional inspection capacity
- Confidentiality exclusion required for Health and Safety purposes
- Existing account holders would be contacted through outreach and prompted to self-certify
- No additional staff necessary
- A minimum of programming changes

*FY19 fiscal estimates assume July 1, 2018 effective date for advertisement requirements and assumes 20% of \$1.5 to \$2 million in uncollected Meals & Rooms tax revenues is collected. The Department recommends a January 1, 2019 effective date for the remainder of the bill.