



Vacation Rental Market Analysis

440 Million Reasons to Tax Airbnb Vacation Rentals

October 24, 2016

Executive Summary:

A 50-state analysis of Airbnb vacation rental bookings, conducted by the accommodations search engine AllTheRooms.com, finds that total state-level tax revenue for current active bookings on Airbnb would be \$440 million for calendar year 2016. In New York City, Airbnb's largest market, a projected \$110 million in tax revenue will go uncollected in 2016 unless the legislation governing short-term rentals is changed.

Overview:

A multi-front battle is waging in New York City right now over Airbnb, the popular vacation rental app. The root of the issue is the peer-to-peer business model Airbnb uses, which allows individuals to rent temporary space directly to vacationers, circumventing the traditional supply chain and its various tax collection touch points.

City zoning laws prohibit people from renting their homes for fewer than 30 days unless the occupants are also present. These types of short-term rentals have traditionally been the domain of the hotel industry, for which the state and local municipalities have set up special sales and occupancy taxes. By cutting out the hotel, travelers also cut out a valuable chunk of tax revenue for the city and state.

In a bid to stop this practice, the New York State Assembly [passed a bill](#) in June that would make it illegal to advertise listings for apartments that violate the short-term rental law. The bill, which has not yet been signed into law, would make it all but impossible for Airbnb to include rental listings in New York City, its largest single market.

In September, Airbnb questioned the constitutionality of the bill and threatened legal action in a letter sent to New York Governor Andrew Cuomo, as well as the speaker of the New York State Assembly, and the New York Senate. Suggesting that the law would violate both First and 14th Amendments, in addition to the Communications Decency Act, Airbnb also pointed to its success in other cities around the nation where the company has lobbied to have laws changed so that all revenue generated through their peer-to-peer room sharing model is taxed appropriately.

So far, Airbnb has a combination of state-wide and city-specific deals in place in 26 states, which allow the company to collect some form of tax revenue on behalf of property owners.

In cities and states where no tax-collection mechanism is in place, Airbnb hosts and government officials are often finding themselves at odds with one another. In New York City, for example, an advertising blitz has been unleashed, with Airbnb-sponsored spots featuring hosts sharing their success stories, and a series of anti-Airbnb spots accusing the company of tax-dodging.

Beyond the rhetoric of the increasingly heated Airbnb tax battle, what are the real tax implications of Airbnb on a state-by-state basis? To find out, vacation accommodation meta search engine AllTheRooms.com conducted an analysis of active Airbnb bookings nationwide to project potential state tax revenue if Airbnb rentals were taxed at traditional hotel rates.

Methodology

AllTheRooms.com is an accommodations search engine. Unique among travel websites for its ability to instantly search every single available accommodation—from a traditional hotel room listed on Expedia to a couch for rent on Craigslist—AllTheRooms.com is able to aggregate data from sites like Airbnb, Priceline, Expedia, Tripadvisor, VRBO, HomeAway, and dozens of others to identify total vacation rental availability worldwide.

To conduct this analysis, AllTheRooms.com used coordinate data to identify every available listing posted on Airbnb along with detailed calendar booking and pricing data to project occupancy and revenue figures for calendar year 2016.

In order to estimate the bookings and revenue data from Airbnb's database, AllTheRooms projected a full year's worth of vacation rentals based on algorithmic analysis of historical patterns of bookings and availabilities over a 5 month time period. The numbers derived from this analysis were confirmed by cross checking against public announcements by Airbnb of total revenue and bookings data.

Results

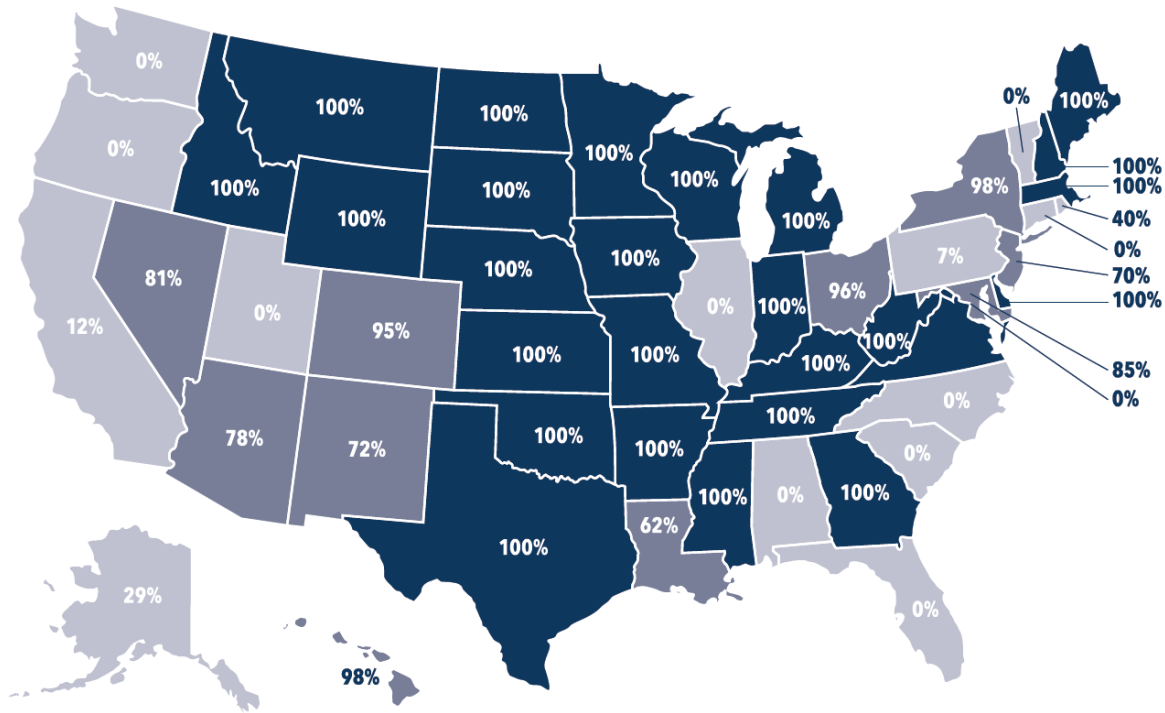
On a nationwide basis, AllTheRooms.com found that state tax authorities would collect \$440 million in total revenue from Airbnb rentals if they were taxed at standard hotel tax rates in each municipality. Following aggressive lobbying efforts by Airbnb, some level of tax is now collected on Airbnb rentals in 26 different states. These vary between state-wide taxes—such as those in Alabama, Connecticut, Florida, Illinois, Louisiana, North Carolina, Oregon, Pennsylvania, Rhode Island, South Carolina, Utah, Vermont, and Washington—and city-specific taxes—such as those in Los Angeles, Colorado Springs, Phoenix, and others.

Though the level and scope of these taxes vary widely in each state, Airbnb is now projected to collect \$177 million in 2016. That number has doubled in the last five months. However, the remaining uncollected tax revenue from Airbnb rentals in 2016 would be over \$260 million.

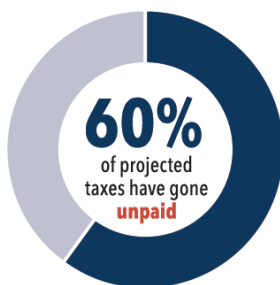
In New York City alone, the AllTheRooms.com analysis projects that \$110,199,839 in potential tax revenue will go uncollected in 2016. The charts below depict the total eligible taxes from Airbnb's current calendar year bookings in each state of the U.S.

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KEY: <50% of Projected Taxes Owed 50%-99% of Projected Taxes Owed 100% of Projected Taxes Owed



26 states are currently owed **100%** of their projected taxes
36 states are owed **more than half** of their projected taxes

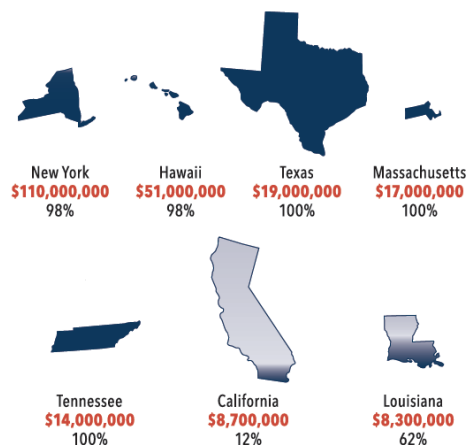
26 States have **state-wide** and city-specific deals with Airbnb to collect some form of tax revenue

Alabama
Connecticut
Florida
Illinois
Louisiana
North Carolina
Oregon
Pennsylvania
Rhode Island
South Carolina
Utah
Vermont
Washington



The remaining uncollected taxes would still be over **\$260 million**

7 States That Are Owed the Most in Projected Taxes



Conclusion

The challenges facing both the burgeoning vacation rental marketplace and the municipalities that must address these new business models are significant. Just as we've seen in other disruptive business, such as the Uber car-sharing service, and even professional service providers like LegalZoom.com, the pace of innovation is moving much faster than the pace of regulation.

Any changes to current legislation governing short-term room rentals needs to take into account, not only the tax implications of the rental market, but also the wide variety of operational standards that the travel industry has been held to for years. Policies governing customer refunds, discrimination, damages to rooms—these are all a part of the regulatory pie, in addition to hotel-specific tax. There are no easy solutions, but with this much money at stake for state governments, individual Airbnb hosts and the rapidly growing peer-to-peer business segment, finding the right balance will be critical.

Addendum:

Following is a state-by-state breakdown of total projected taxes, % collected and \$ value of uncollected tax for 2016 Airbnb vacation rentals.

STATE	PROJECTED TAXES	UNCOLLECTED	% UNCOLLECTED
Alabama	330,000	0	0
Alaska	760,000	220,000	29
Arizona	2,500,000	1,900,000	78
Arkansas	68,000	68,000	100
California	74,000,000	8,700,000	12
Colorado	3,800,000	3,600,000	95
Connecticut	2,000,000	0	0
Delaware	580,000	580,000	100
District of Columbia	12,000,000	0	0
Florida	32,000,000	0	0
Georgia	2,000,000	2,000,000	100
Hawaii	52,000,000	51,000,000	98
Idaho	340,000	340,000	100
Illinois	10,000,000	0	0
Indiana	580,000	580,000	100
Iowa	130,000	130,000	100
Kansas	250,000	250,000	100
Kentucky	1,700,000	1,600,000	100
Louisiana	13,000,000	8,300,000	62
Maine	3,100,000	3,100,000	100
Maryland	870,000	740,000	85
Massachusetts	17,000,000	17,000,000	100
Michigan	1,800,000	1,800,000	100
Minnesota	870,000	870,000	100
Mississippi	61,000	61,000	100
Missouri	1,600,000	1,600,000	100
Montana	230,000	230,000	100
Nebraska	260,000	260,000	100
Nevada	1,400,000	1,100,000	81
New Hampshire	1,600,000	1,600,000	100
New Jersey	2,300,000	1,600,000	70
New Mexico	2,200,000	1,600,000	72
New York	120,000,000	110,000,000	98
North Carolina	7,400,000	0	0
North Dakota	5,100	5,100	100
Ohio	1,100,000	1,000,000	96
Oklahoma	290,000	290,000	100
Oregon	8,100,000	0	0
Pennsylvania	4,400,000	310,000	7
Rhode Island	3,000,000	1,200,000	40
South Carolina	2,800,000	0	0
South Dakota	97,000	97,000	100
Tennessee	14,000,000	14,000,000	100
Texas	19,000,000	19,000,000	100
Utah	3,600,000	0	0
Vermont	3,200,000	0	0
Virginia	1,300,000	1,300,000	100
Washington	13,000,000	0	0
West Virginia	39,000	39,000	100
Wisconsin	1,000,000	1,000,000	100
Wyoming	3,700	3,700	100
TOTAL	440,000,000	260,000,000	60