

The Local Transient Occupancy Tax & Online Rental Platforms

Presented to the Virginia Beach City Council

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Authority

Code of Virginia 58.1-3819

Allows the City of Virginia Beach to raise **local** revenue through a Transient Occupancy Tax (“TOT” aka Lodging Tax)

Code of Virginia Beach 35-158 through 168

Defines the **local** TOT which provided \$30 million in **local** revenue for CY15

Local Rates

LOCAL TOT Rates - Three (3) factors must be considered:

- Every room or home rental for not more than 90 consecutive days is assessed a \$1 per night fee (\$2 starting 01.01.2017)
- The rate is 8% of the total rental charge, EXCEPT for the Sandbridge Rental District
- The Sandbridge Rental District rate is 9.5%

How It Works

Who is required to pay the *local* TOT?

Transients (aka tourists, guests, patrons, limited lodgers, etc.)

Who is required to collect the *local* TOT from transients for the City of Virginia Beach?

Anyone renting lodging space for 90 consecutive days or less . . . operators of hotels, motels, bed & breakfast inns, real estate rental companies renting houses, homeowners renting primary and secondary homes, apartment owners renting apartments, condominium owners renting condos, motor home/RV parks renting pads and campgrounds renting sites.

Who Collects the TOT & How Much?

Local Statistics for CY15:

- 116 hotels & motels are renting 11,000+/- rooms and collecting \$24.2 million in TOT
- 18 real estate companies are renting 1,163+/- homes and collecting \$5.6 million in TOT
- 7 bed & breakfast inns are collecting \$46 thousand in TOT
- 63 homeowners are renting 63 houses collecting \$183 thousand in TOT

New Business Model

- Online Rental Platforms (“ORPs”) provide a means for **anyone** to advertise entire homes, apartments, condos, single rooms or shared occupancy space for short-term rental.
- ORPs advertise properties in localities around the globe. Their participation in collecting or facilitating the collection of **local** TOTs is spotty. In Virginia they ignore localities and have lobbied the Governor and General Assembly members to “fast-track” statewide legislation excluding any need to deal with localities in Virginia.
- We reviewed two ORPs for the period of 7/2/16 through 7/9/2016 and found the following available accommodations:
 - For 2 guests - 427 listings
 - For 4 guests - 366 listings
 - For 8 guests - 152 listings

What Are We Doing?

Compliance Efforts

- Revenue Investigators regularly review ORPs for unregistered rentals and use Google Maps to help locate properties.
- Owners of located properties are identified through a search of City real estate records and then sent a letter or summons requesting them to contact our office concerning the **local** TOT. We then create a **local** TOT account(s) and assess uncollected **local** TOTs.
- Property owners that do not respond are issued a statutory assessment based on available information.
- Our website (www.vbgov.com/cor) explains the **local** TOT. We also receive and follow up on anonymous calls, letters and emails regarding suspected lodging operators.

What Are We Doing? (continued)

- We are negotiating with two companies that claim to have technology identifying Virginia Beach properties and owners offering short-term rentals via ORPs.
- We are analyzing the product to determine its cost effectiveness.
- I am working with Bob Matthias, my statewide association, VML, VACO, affected business and neighborhood associations.

Recommendations

- **Immediately adopt ordinances with appropriate penalties for lodging businesses that do not register as trustees for the TOT.**
- Provide General Assembly delegation with a resolution addressing short-term lodging issues that protects neighborhood quality and our community standards while encouraging business formation in accordance with the principles of free enterprise and our City vision of the future.
- Over the fall, personally reach out to residents about transient lodging in neighborhoods and advise them of pending state legislation.

