

Resolution – Regulation and Taxation of Short Term Residential Rental Units

Background:

As British Columbians continue to embrace the sharing-economy, short term residential rental companies, such as Airbnb and Vacation Rental by Owner (VRBO), are gaining a larger presence across British Columbia. Currently, these companies do not fall under any of the regulatory, legal, taxation, health and safety or insurance laws of traditional accommodation providers.

Housing and Labour Shortages

One major impact of the trend of short term residential rentals is the removal of inventory from the monthly or long term housing market due to the fact that owners are motivated by the higher earning capacity of the short term rental market. By allowing the large-scale conversion of residential units into short-term accommodations, communities suffer from a tighter housing market. Resort communities, who often disproportionately rely on seasonal employees, are greatly impacted by a reduction of monthly leases to longer-term tenants, thereby exacerbating labour challenges.

In many smaller communities the impacts are dramatic. In Revelstoke there are approximately 190 units listed on the Airbnb platform; in Pemberton there are 190 units and in Ucluelet there are 180 units listed. The impact of removing these units from the employee housing market is staggering due to the fact that in most cases these units provided double or triple occupancy for staff. Ultimately, employers and residents alike suffer from a decline of affordable housing in an already tight market.

Challenges stemming from access to affordable housing for qualified labour can additionally create uncertainty and impact investment decisions that help drive economic growth in BC communities.

Provincial and Municipal Resort Destination Taxes

While these platforms have the potential to be valuable conduits for bringing visitors to British Columbia and bolstering the tourism industry, there needs to be further management of this emerging sector. Currently, these commercial transactions are not generating the tax revenue they should.

The size of this segment of the sharing-economy has been growing at a rapid pace over last four years. There are an estimated 10,000+ units province-wide that are currently unregulated and not contributing to the BC tax base.

Because these transactions are private, there is no accurate estimation on the amount of tax revenue lost. Conservative estimates suggest more than \$16 million dollars in general tax revenue and upwards of \$3 million in the Municipal and Regional Destination Tax (MRDT) are being overlooked. This impacts both the province as a whole and, specifically, those communities that rely on MRDT marketing dollars to help boost their local economies. Consequently, accommodation providers, retailers, restaurants and bars, transportation providers and other sectors of the visitor economy are all affected.

In 2013, British Columbia's hotels generated \$572 million in tax revenue for the province and an additional \$294 million for municipal governments. Revenues could be greatly augmented if private accommodation providers were taxed similarly.

Currently, with these platforms, the onus of tax compliance is on the hosts who rent out the space. However, at the 2015 Tourism Industry Conference in Vancouver, Airbnb publically acknowledged that there should be a regulatory requirement to collect taxes to contribute to the visitor economy and that they are supportive of the efficient collection of tourist and/or hotel taxes in jurisdictions that have such taxes.

Recommendation:

That the provincial government regulate that:

- (1) Provincial Sales Tax be collected at the point of purchase by the web booking platform, or directly with the owner or manager of room nights on short term residential rentals;
- (2) All operators of nightly room rentals should pay a tax on gross revenues to be included as part of the community's MRDT receipts; and
- (3) All operators of nightly room rentals be registered within each community and agree to comply with local regulations.