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City of Racine, Wisconsin
COMMON COUNCIL

AGENDA BRIEFING MEMORADUM (ABM)

COMMITTEE: Finance & Personnel **LEGISLATION ITEM #:**

AGENDA DATE: February 12, 2018 Finance & Personnel Committee
February 21, 2018 Common Council

DEPARTMENT:

Prepared By: James M. (Jim) Palenick, City Administrator

Reviewed By: Cory mason, Mayor

SUBJECT:

Communication from the City Administrator presenting a proposed, “Voluntary Collections Agreement” between the City of Racine and Airbnb for the reporting, collection, and remittance of Room Tax collections from hosts booking overnight accommodations, through Airbnb, within the City.

EXECUTIVE SUMMARY:

Airbnb is an on-line platform which allows owners of residential property to lease or “rent-out” rooms, or living units, on an overnight, but short-term lodging basis much like a commercial hotel, motel, or bed-and-breakfast might. In turn, Airbnb provides the ubiquitous, international website allowing for ease of booking; they handle the collection of charges and fees; withhold a fee for their services; and remit back to the property owner (“host”) the net collections for the lodging stay.

Up until very recently, these kind of so-called “home-sharing” services, of which Airbnb is the largest and best known (competitors include VRBO and Home-away), did not include, account for, or collect municipally imposed “Room Tax” fees on the lodging charges. However, The State of Wisconsin now has an agreement with Airbnb allowing for and facilitating the collection of Room Taxes on behalf of any municipal jurisdictions within the state where such taxes are imposed. This, in turn, has led to first, the City of Madison, followed by the City of Green Bay, entering into Voluntary Collection Agreements with Airbnb so that each City will get all of the Room Taxes imposed upon Airbnb hosts

30 within their individual Cities. Airbnb will collect the taxes on behalf of the hosts, then remit the
31 aggregated proceeds over to the Cities on a monthly basis – much like what any commercial hotelier
32 would be required to do. In the case of Airbnb, however, they do all the accounting, collecting, and
33 remitting on behalf of all the hosts within the jurisdiction.

34 Based upon the Agreement reached in both Madison and Green Bay, the City of Racine has now also
35 successfully negotiated a similar Voluntary Collections Agreement with Airbnb attorneys and
36 representatives which, if approved by Common Council, will result in Airbnb hosts within the City
37 becoming subject to the 8% Room Tax imposed by local ordinance for short-term lodging stays. Hosts,
38 however, will not have to take on any new or added responsibilities. Rather, Airbnb will account for,
39 charge, collect, and remit over to the City, on a monthly basis, all proceeds received from the Room
40 Tax collections on behalf of all hosts operating and doing business within the City.

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42 **BACKGROUND & ANALYSIS:**

43 Once adopted and executed, Airbnb will set up its procedural systems to begin collecting and
44 remitting Room Taxes over to the City on the first day of the first full month succeeding passage of the
45 Agreement (expected as April 1st, assuming a February 21st adoption before Common Council).

46 The City is also currently working with Real Racine to get a new Contract in place (existing contract
47 expired in 1986) which clearly defines what portions of Room taxes are and will continue to be paid
48 over to Real Racine, and conversely, what portions will be retained by the City. The proposal put
49 forward has made clear that 100% of all Room Taxes collected from Airbnb, or other home-sharing
50 services, is to be retained by the City.

51

52 **BUDGETARY IMPACT:**

53 At this point in time, it is difficult to estimate the expected yearly collections that the City might
54 receive from Airbnb hosted room taxes except to know that they will, by ordinance, equal 8% of all
55 fees charged for lodging stays. There currently is not a significant number of hosts operating within
56 the City, however, we expect that number to increase exponentially as the demand for lodging posed
57 by the influx of 10,000 Foxconn construction workers prompts many City property owners to begin
58 offering an expanding supply of rooms to meet the growing demand.

59 The City must use these proceeds consistent with state statute -- which is to further tourism
60 marketing and promotions, along with creating and supporting the facilities, events, or programs
61 which bring visitors to our community.

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63 **OPTIONS/ALTERNATIVES:**

- 64 1.) To recommend, adopt, and execute the Voluntary Collection Agreement for City of Racine,
65 Wisconsin Room Tax, by and between Airbnb and the City of Racine, as attached herewith;
66 thereafter allowing for the collection and remittance of Room Tax proceeds from Airbnb hosts
67 to the City of Racine.

68 **2.) To recommend the deferral or denial of action on the Voluntary Collection Agreement for City**
69 **of Racine, Wisconsin Room Tax, by and between Airbnb and the City of Racine; thereafter**
70 **foregoing the opportunity for the collection and remittance of Room Tax proceeds from**
71 **Airbnb hosts to the City of Racine.**

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73 **RECOMMENDED ACTION:**

74 **To recommend, adopt, and execute the Voluntary Collection Agreement for City of Racine, Wisconsin**
75 **Room Tax, by and between Airbnb and the City of Racine, as attached herewith; thereafter allowing**
76 **for the collection and remittance of Room Tax proceeds from Airbnb hosts to the City of Racine**

77

78 **ATTACHMENT(S):**

79 **Voluntary Collection Agreement For City Of Racine, Wisconsin Room Tax**