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Senate Bill 533: Sales and Use Tax – Limited Residential Lodging

Budget & Taxation Committee

February 27, 2019

SUPPORT

Senate Bill 533 requires internet hosting platforms (such as Airbnb) to collect and remit the sales and use tax that is currently already due on the sale of certain lodging accommodations.

Short-term residential rentals are a fairly new, but quickly-growing practice in the on-line “sharing economy.” In these transactions, an owner of residential property (i.e., a “host”) rents the use of a portion or all of the property for “short” (i.e., generally less than 30 days) periods of time through an on-line platform, which charges the “guest” a fee per rental. Some of the more popular on-line platforms included Airbnb, Flipkey, HomeAway, and VRBO (vacation rental by owner).

Notwithstanding the fact that the sales and use tax applies to their transactions, we understand that many internet hosting platforms may not be remitting the tax to the State of Maryland. As a result, Maryland is missing out on a significant amount of tax revenue. SB 533 would impose the burden of collecting and remitting the existing sales tax on the hosting platforms at the point of sale. We believe this makes perfect sense because the hosting platforms facilitate and finalize the sale of the accommodation.

The Chamber believes that applicable taxes should be imposed and collected fairly. If internet hosting platforms are failing to remit taxes due on their transactions, other law-abiding tax payers in Maryland are left to make up the difference. SB 533 is a simple and straight-forward solution to a serious problem in our State.

For these reasons, we request a **favorable report on Senate Bill 533**.

The Montgomery County Chamber of Commerce (MCCC) accelerates the success of our over 400 members by advocating for increased business opportunities, strategic investment in infrastructure, and balanced tax reform to advance Metro Maryland as a regional, national, and global location for business success. Established in 1959, MCCC is an independent non-profit membership organization and is proud to be a Montgomery County Green Certified Business.

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