



TESTIMONY OF ALEX DAGG, PUBLIC POLICY, AIRBNB
NEW YORK STATE JOINT BUDGET HEARING ON TAXES
TUESDAY, FEBRUARY 23rd, 2021

Thank you for the opportunity to submit written testimony. For more than a decade, Airbnb has served as an important economic tool for New Yorkers by providing a platform for them to leverage space in their homes to generate much-needed supplemental income. Through opening their homes, New York Hosts provide unique and authentic lodging options for travelers looking to experience all parts of the state, all while supporting local economies through tourism and spending at small businesses. As Airbnb has expanded its presence all over the globe, it has proven itself an effectual tool for economic empowerment and, in these unprecedented times, will be an effectual tool for New York's economic recovery.

Just as Airbnb has provided a means of empowerment to New Yorkers, Hosts in the Empire State have returned the favor by presenting creative and impactful ways of leveraging our platform to benefit their communities. When Superstorm Sandy struck the five boroughs in 2012, Airbnb Hosts organized to open their doors for free to New Yorkers in need of housing. That early example of community organizing inspired Airbnb to launch similar programs in response to disasters across the country and around the world. Now known as Airbnb.org, these programs have helped over 75,000 people find shelter. Most recently, as COVID-19 hit New York, Airbnb partnered with the NYS Nurses Association and 1199 SEIU, providing free lodging to more than 250 nurses and healthcare professionals, allowing them to safely quarantine separate from their loved ones to avoid potential spread of the virus.

During the summer and fall of 2020 when out-of-state travel options were limited, Airbnb became a safe and affordable way for New Yorkers and their families to plan getaways within the state. And in 2021 and beyond, we look forward to aiding in New York's economic recovery by providing a wide range of opportunities for Hosts, visitors and partners. Approximately 4,000 new Airbnb Hosts from New York State have joined the platform since the pandemic began in March. These new Hosts have made more than \$36 million by sharing their space on Airbnb and we're proud that this income can be used to pay important bills such as mortgages and rent.



Airbnb is in support of the FY 22 Executive Budget proposal (Revenue Bill, Part I) to mandate and streamline tax collection for all vacation rentals, subject to amendments which would ensure fair competition in the marketplace, certainty among Hosts and guests, and a full and uniform capture of all relevant taxes. A full list of these proposed taxes is listed in our appendix.

Background

In dozens of states throughout the country, Airbnb and other home sharing platforms are legally authorized to collect and remit taxes. This includes neighboring states of New Jersey, Pennsylvania, and Connecticut -- and most major metropolitan areas around the globe, from L.A. and London to Milan and Mumbai.

In New York there is no such comprehensive tax schema and our authority has heretofore been limited to working on a voluntary basis with county governments to collect local “bed” taxes. Airbnb is proud to have pioneered this approach, entering into Voluntary Tax Collection Agreements with 34 of the state’s 62 counties. In 2019, Airbnb collected and remitted approximately \$3.3 million in taxes to these counties (less than 34 counties at the time). **By comprehensively taxing and regulating home sharing and vacation rentals statewide, we estimate, using 2019 data, that New York state and local jurisdictions could have collected nearly \$130 million in taxes through the Airbnb platform alone**, not including any taxes that would also be collected by our competitors. Out of this total, approximately \$44 million would have gone to New York State, \$75 million to New York City, and \$10.4 million to counties.

In addition to the hardship COVID-19 has created for New Yorkers, COVID has also decimated local and state budgets in desperate need of revenue. A recent State Comptroller report noted that traveler accommodation taxes fell approximately 80% between March and August of 2020. Centralizing tax collection for home sharing and vacation rentals provides a significant opportunity to help raise new and much needed revenues. With billions in funding cut from last year’s budget and at risk of being cut in FY22 and future years, it is more important than ever to consider new tax revenue proposals like this one. For example, the estimated \$44 million in state taxes that Airbnb could have generated in 2019 would almost eliminate the proposed \$46 million cut to SUNY funding in FY22, or fully fund the proposed reduction in Aid to Municipalities for Cities (\$34.6 million).



Amendments Necessary to Part I of the Revenue Budget Proposal

We believe there are two crucial amendments needed to ensure that New York State treats all home sharing and vacation rental providers equally and fully realizes all potential tax revenue to make a real difference in the state budget:

- The definition of “Vacation Rental Marketplace Provider” must be amended. The budget proposal's current definition only includes marketplaces that collect the fees (as a payment processor) paid for the vacation rental or short-term rental – which not all platforms do. Some platforms do not collect the rent on behalf of their users but do collect their own fees. We recommend updating the definition of “Vacation Rental Marketplace Provider” to include all platform business models, those that facilitate short-term and vacation rentals as well as collect fees for providing these rental services. This will eliminate loopholes for platforms to avoid paying these taxes.
- Update the Multiple Dwelling Law (MDL). Homeowners, renters, and enforcement agents alike lack the clarity to ensure a safe and beneficial home sharing ecosystem. This has caused both uncertainty for Hosts on the platform and inconsistent interpretations of the law, resulting in New Yorkers who occasionally share their own home being targeted by enforcement agencies. "To clarify, for consumers and vacation rental marketplace providers, the taxable base included in the proposed amendments to tax vacation rentals, the state should also amend the Multiple Dwelling Law (“MDL”)."

Along with this change, after years of experience in municipalities across the U.S. and around the world, we have developed best practices for regulations that we believe should likewise be enacted. To prevent abuses and illegal conversions of housing, we recommend restricting home sharing in New York City to one entire home across all platforms. We support other strong regulations to be created within the MDL, including mandatory registration of all short-term rentals, mandatory insurance on all rentals, and strict prohibitions on short-term rentals in all government subsidized or rent regulated housing units.

We understand estimates based on the current proposal predict vacation rental taxes would generate \$10 million in revenue for New York State in the coming fiscal year, and \$18 million annually in subsequent years across all vacation rental marketplace



providers. However, we believe that with our proposed amendments, taxes applied to short-term rentals could generate far more than that: had our proposal been in place in 2019, Airbnb alone would have collected \$130 million in revenue for New York State.

Thank you again for the opportunity to testify in support of the Revenue Bill, Part I. Enacting this budget proposal to legalize the taxation of vacation rentals and home sharing, including the proposed amendments, will be essential in helping New York's tourism sector recover after being decimated by the effects of the coronavirus. By including these two recommendations, New York State and localities will be able to fully realize this crucial tax revenue for the state, local and county governments.

Appendix: Recommended Taxes

NYC Hotel Room Occupancy Tax - Collected by NYC Department of Finance, with revenue going to the City General Fund

- 5.875% + \$0.50-\$2 per night per room (rooms with rent of \$40+/night are subject to the full \$2/night/room fee) + \$0.50-\$2 per night per room (rooms with rent of \$40+/night are subject to the full \$2/night/room fee)

County Occupancy ("Bed") Taxes - Collected by New York counties

- Varied Rates from 2% - 7%

State Administered City Sales Tax - Collected by the State and remitted to NYC

- 4.500%

State Administered Local Sales Tax [Outside of NYC] - Collected by the State

- 3% - 4.75%

New York State Sales Tax [Outside NYC] - Collected by the State

- 4% - 4.375%

New York State Sales Tax [Inside NYC] - Collected by the State

- 4.375%

New York State Hotel Unit Fee - applies to lodging in NYC only and is collected by the State for State General Fund

- \$1.5 Per Unit Per Night