



Regulate Short-Term Online Rental Properties

POSITION: Hospitality Minnesota believes private owners of homes, cabins, condominiums, or other lodging options who wish to rent their properties to travelers should be subject to a reasonable level of regulations. Our membership supports regulations to require registration, fire and health inspections and the collection of state and local sales taxes—including lodging taxes—by online rental platforms and their hosts, so that businesses in the overnight accommodation space are operating on fair and level playing field.

BACKGROUND: Our members follow numerous federal, state, and local laws and we support legislation to ensure that short-term online rentals compete fairly, and that the health and safety of the public are protected. We believe there is widespread under-collection of sales and lodging taxes associated with online short-term rentals. We also believe there is a risk to health and safety because many online rentals aren't inspected for compliance with the Minnesota State Fire Code or Department of Health rules.

- The global short-term online rental market continues to grow as a business, and as such, it should be regulated as a business to ensure it is meeting the proper standards of public health and safety, just like other entities in the accommodation ecosystem.
- According to national research, there are over 8,000 short-term vacation listings in Minnesota. News reports indicate that in greater Minnesota alone, short-term rentals brought in \$23 million in revenue last year.
- By avoiding the collection of sales and lodging taxes, private renters are at a competitive advantage in the marketplace and the state and local units of government lose out on much needed tax revenue.
- By avoiding required licensing and inspections by the Health Department and Fire Marshall, privately rented cabins and homes have an additional competitive advantage in the marketplace, which is unfair to businesses that provide jobs, follow the applicable regulations, and collect and remit all required taxes.

- While the “sharing economy” may have begun with renting out a room or owner-occupied property on a temporary basis, many are now commercial operations, and some are operating multiple properties. Some of these companies appear to be operating as faux hotels without any regulation or oversight and a growing number appear to be owned by investors or hedge fund operations.
- Vacation rental regulations should set forth guidelines to ensure that such properties act in good faith both as neighbors and as stewards of the environment. Standards should include a process to resolve complaints and a point of contact for the property to respond swiftly, as well as requirements that the property meet appropriate environmental and water quality standards for other overnight accommodation businesses.