



## DEPARTMENT OF AUDITS AND ACCOUNTS

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**Greg S. Griffin**  
STATE AUDITOR  
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March 26, 2021

Honorable Chuck Hufstetler  
Chairman, Senate Finance  
121 State Capitol  
Atlanta, Georgia 30334

SUBJECT: Fiscal Note  
House Bill 317 (LC 43 2037S)

Dear Chairman Hufstetler:

The bill would revise the definition of innkeeper and add a definition of marketplace innkeeper for purposes of state and local excise taxes on lodging. Marketplace innkeepers, or marketplace facilities with a substantial economic presence in Georgia (e.g., Airbnb), would be required to collect and remit state and any local excise taxes for lodging and public accommodations. The bill would be effective July 1, 2021, except for collection of excise taxes if the room was reserved and a deposit made prior to that date.

### Impact on State Revenue

Georgia State University's Fiscal Research Center (FRC) estimated that the bill would increase state revenue by \$17.1 million in FY 2022, with the amount increasing by approximately \$1.1 million annually through FY 2026 (Table 1). Data are not sufficient to provide an estimate of the bill's impact on local tax revenue. The attached appendix provides details of the analysis.

**Table 1. Estimated State and Local Revenue Effects of LC 43 2037S**

<i>(\$ millions)</i>	<b>FY 2022</b>	<b>FY 2023</b>	<b>FY 2024</b>	<b>FY 2025</b>	<b>FY 2026</b>
State Estimate	\$17.1	\$20.3	\$21.3	\$22.4	\$23.5
Local Estimate	-- No data available --				

### Impact on State Expenditures

The Department of Revenue (DOR) would implement the provisions of the bill with existing resources.

Sincerely,

A handwritten signature in blue ink that reads "Greg S. Griffin". The signature is written in a cursive style with a horizontal line extending from the end.

Greg S. Griffin  
State Auditor

A handwritten signature in black ink that reads "Kelly Farr". The signature is written in a cursive style.

Kelly Farr, Director  
Office of Planning and Budget

GSG/KF/mt

## Analysis by the Fiscal Research Center

The bill would require lodging network services, such as Airbnb and HomeAway/VRBO, that facilitate short-term rentals of private homes to collect and remit hotel-motel taxes. Long-term stays of more than 30 days are exempt from the tax, as under current law.

The following summarizes the facts and assumptions used in the revenue estimates for lodging network services:

- Based on listing information data from Airdna.com, an Airbnb data analytics service, Airbnb's available rooms and nights in Georgia's major cities are estimated to be about 2.3 million available room-nights annually as of 2020. The average occupancy rate for Airbnb listings in major Georgia cities is estimated to be 54 percent.<sup>1</sup>
- As part of their preparation for a possible initial public offering, Morningstar released a report discussing Airbnb's market share, among other financial and growth metrics.<sup>2</sup> The number of Airbnb room-nights available, calculated above, was divided by this estimated market share to approximate the size of the overall alternative accommodations market in Georgia's major cities. If Airbnb's market share estimate was inflated, then total room-nights, rental spending, and taxes received would be higher than the estimates presented in Table 2.
- Research firm eMarketer estimates Airbnb's growth from 2018 to 2019 to have been about 10.4 percent in the U.S., before a precipitous drop in 2020 due to the coronavirus pandemic. The same report projects year over year growth rates in the U.S. market rebounding in 2021, then growing steadily moving forward. These eMarketer forecasted growth rates were used to estimate Airbnb's room-night rental sales through FY 2026, and its market share projections (from the report mentioned previously) were in turn used to estimate the total industry's rental sales.<sup>3</sup>
- According to Airdna.com listing data, Georgia's Airbnb stays only declined by an estimated 17 percent in 2020 vs. the 60 percent drop anticipated by eMarketer. As a result, this fiscal note assumes the percent increase in 2021 will not be as steep as the eMarketer growth forecast, because Georgia's travel industry is rebounding from a smaller dip.
- Because reservations purchased in advance of July 1, 2021 are exempt from the new tax, state revenue collections will be slightly reduced until those pre-booked stays have occurred. No comprehensive data on the timing of Airbnb bookings could be found; this estimate assumes about half of bookings occur within a month of the stay, with most other advanced bookings occurring anywhere from 2 to 6 months out. As a result, this estimate assumes a 22% reduction in assumed revenue from July to December 2021 to account for those reservations.

**Table 2. Estimated State Excise Tax Revenue from Lodging Network Services**

<i>(millions)</i>	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
Room Night Rentals	3.83	4.06	4.26	4.48	4.70
Total State Revenue	\$17.1	\$20.3	\$21.3	\$22.4	\$23.5

<sup>1</sup> <https://www.airdna.co/vacation-rental-data/app/us/georgia/atlanta/overview> as of Jan. 21, 2021

<sup>2</sup> <https://www.morningstar.com/articles/997581/airbnb-ipo-looks-poised-to-take-flight>

<sup>3</sup> <https://www.emarketer.com/content/airbnb-usage-will-drop-60-percent-this-year>