



## DEPARTMENT OF AUDITS AND ACCOUNTS

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STATE AUDITOR  
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March 1, 2019

Honorable Brett Harrell  
Chairman, House Ways and Means  
133 Capitol  
Atlanta, Georgia 30334

SUBJECT: Fiscal Note  
House Bill 448 (LC 43 1252)

Dear Chairman Harrell:

The bill would modify the definition of innkeeper in relation to the collection of excise taxes on rooms, lodging, and accommodations. It would include those who facilitate the sale of these services, not just those who deliver the services. These facilitators would be required to collect and remit state and local hotel-motel taxes provided the total charges in Georgia total \$100,000 or more in the previous or current calendar year. The bill also extends the tax from only hotel and motel rooms to smaller beds and breakfast inns, cabins, and other lodging facilities below the current five room minimum size. Rentals of private rooms and residences, including those available through online services, would be taxed if the provider or facilitator meets the bill's definition of an innkeeper. The proposed law would apply to all sales occurring on or after July 1, 2019.

### Impact on State Revenue

Georgia State University's Fiscal Research Center (FRC) estimated that the bill would increase state revenue by \$12.5 million in FY 2020, with the amount increasing slightly in subsequent years (Table 1). Local revenue would increase \$30.2 million in FY 2020, with the amount also increasing in subsequent years. The attached appendix details the analysis.

**Table 1. Estimated State and Local Revenue Effects from HB 448 LC 43 1252**

(\$ millions)	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
State Revenue	\$12.5	\$12.5	\$12.7	\$13.0	\$13.3
Local Revenue	\$30.2	\$31.0	\$32.1	\$33.4	\$34.9

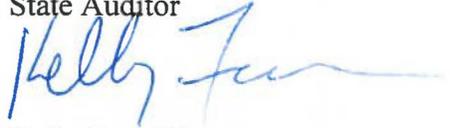
### Impact on State Expenditures

The Department of Revenue would require no additional funding to implement the provisions of the bill.

Sincerely,

A handwritten signature in blue ink, appearing to read "Greg Griffin".

Greg S. Griffin  
State Auditor

A handwritten signature in blue ink, appearing to read "Kelly Farr".

Kelly Farr, Director  
Office of Planning and Budget

GSG/KF/mt

### **Analysis by the Fiscal Research Center**

Under current law and regulation (O.C.G.A. §48-13-50.3 and Ga. Comp. R. & Regs. R. 560-13-2-.01), rooms in hotels and motels are taxed at \$5.00 per room for each calendar day rented, unless for the 31<sup>st</sup> or subsequent days of an extended stay of more than 30 consecutive days. A hotel, as defined by current regulations, is “a building that has 5 or more hotel rooms under common ownership, regardless of the name of the facility and regardless of how the facility classifies itself.” Thus O.C.G.A. §48-13-50.3 presently applies to any lodging provider with 5 or more rooms for rent in a common building. Hotels are required to file returns and pay the tax within 20 days of the end of the month for which the tax is owed.

Under the proposed bill, the tax base is unclear and subject to regulations to be written by the Department of Revenue but is assumed for this analysis to be expanded to include:

- stays of less than thirty days at hotels, inns, etc. with fewer than five rooms;
- stays of less than thirty days at serviced apartments or corporate housing (furnished apartments, condos, and houses rented on a temporary basis); and
- rooms in private residences or entire residences rented by the owner or through a facilitator, if such provider or facilitator is an innkeeper as defined in the proposed law.

The proposed bill tax base is assumed *not* to include unfurnished apartments, condos, or houses or other lodging typically rented as the tenant’s legal domicile, or student and diplomatic housing, special care facilities, or complimentary accommodations exempted under current regulations.

Three categories of lodging are analyzed separately below. For all categories, the local area rate assumed is the weighted average of current Local Area Hotel-Motel rates (updated February 2019) published by the Department of Community Affairs, weighting each taxing jurisdiction’s rate by their tax base. In addition, as local taxes are a percentage of room prices, average room prices are assumed to grow with inflation at a rate of 2 percent per annum for all categories.

#### Small Lodgings:

Small lodgings are those with four or fewer rooms, which had been excluded under current law. The following summarizes the facts and assumptions used in the estimates for this category. Estimated state and local revenue gains from extending the tax to small lodgings are presented in Table 2.

- According to Bedandbreakfast.com, Georgia currently has 97 bed-and-breakfast establishments, ranging from one to 37 rooms each. According to the property listings on that site, 29 of those 97 establishments (30 percent) have four or fewer rooms, a total of 94 rooms in this category. This source also provides an estimated price for each room-night at each establishment, averaging to \$133 per night.
- According to industry website TripSavvy, the average bed-and-breakfast operates at just over 50 percent occupancy as of December 2018, so an occupancy of 50 percent was assumed for all years.
- IBISWorld’s December 2018 report on the bed-and-breakfast industry projects 1.8% growth per year through at least 2023, so this rate was used for all years.

**Table 2.**

<i>(\$ millions)</i>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>FY 2024</b>
State Revenue Gain	\$0.1	\$0.1	\$0.1	\$0.1	\$0.1
Local Revenue Gain	\$0.2	\$0.2	\$0.2	\$0.2	\$0.2

Corporate Housing and Serviced Apartments:

Corporate housing and serviced apartments, for this Appendix, refer to furnished apartments, condos, and houses rented on a temporary basis. The following summarizes the facts and assumptions used in that estimate; resulting revenue estimates are provided in Table 3.

- The Corporate Housing Providers Association (CHPA) estimates there were 71,201 corporate housing units in the United States in 2017. These rooms had an average nightly price of \$161. The same report indicates that these units experienced 86.4 percent occupancy, a low compared to the average 89 percent occupancy the industry had experience in the previous sixteen years (1999 through 2016). Out of an abundance of caution, the lower 86.4 occupancy figure was used for all years.
- CHPA also reports that the average stay in such units in 2017 was 78 nights and CorporateHousing.com reports that corporate housing providers generally require minimum stays of at least 14 nights, if not 30 nights. Thus, we assume that substantially all stays would qualify as extended stays, subject to tax only for the first 30 nights.
- The American Hotel & Lodging Association estimated 144 thousand total hotel rooms in Georgia in 2017. This report was combined with a Business Travel News article that put total U.S. lodging units at just over 5 million to estimate that Georgia represents 2.9 percent of the national stock of lodging units. This share was applied to the U.S. corporate housing total to approximate Georgia's corporate housing units. Given that Georgia, particularly metro Atlanta, is home to a high concentration of corporate headquarters, it is possible that the state has a larger share of corporate housing units than this estimate captures, in which case the resulting revenues would be higher.

**Table 3.**

<i>(\$ millions)</i>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>FY 2024</b>
State Revenue Gain	\$1.4	\$1.4	\$1.5	\$1.5	\$1.6
Local Revenue Gain	\$3.3	\$3.5	\$3.7	\$3.9	\$4.2

Lodging Network Services:

The term lodging network services here covers services such as Airbnb and HomeAway/VRBO, which facilitate short-term rentals of private rooms, apartments, and homes. The following summarizes the facts and assumptions used in the lodging network revenue estimates; Table 4 presents estimated revenue effects of capturing state and local taxes on these rentals.

- Based on listing information from Airdna.com, an Airbnb data analytics service, Airbnb's available rooms and nights in Georgia's major cities are estimated to be about 14.8 thousand units and 1.9 million available room-nights annually as of 2018.

- Based on data also from Airdna, the average occupancy rate for Airbnb listings in major Georgia cities was 46 percent and the average nightly price was \$170 in 2018. The average price of a night is expected to grow with inflation, two percent annually.
- As part of their preparation for a possible initial public offering, Airbnb released a report discussing its market share, among other metrics. The number of Airbnb room-nights available, calculated above, was divided by this reported market share to estimate the approximate 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 4.
- Research firm eMarketer estimates Airbnb's growth from 2015 to 2016 to have been about 44.4 percent in the U.S. but warns of significant regulatory, safety, and other challenges coming for the company and its industry. The same report projects year-over-year growth rates slowing dramatically to 2.4 percent between 2021 and 2022. These eMarketer forecasted growth rates were used to estimate Airbnb's room-night rental sales through FY 2024, and its market share projections (from the report mentioned previously) were in turn used to estimate the total industry's rental sales.

**Table 5. Estimated State and Local Sale Tax Revenue from Lodging Network Services**

(\$ millions)	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
State Revenue Gain	\$11.0	\$11.0	\$11.1	\$11.3	\$11.6
Local Revenue Gain	\$26.8	\$27.3	\$28.2	\$29.3	\$30.6

Table 6 presents total baseline projections of added room-nights rentals and state and local hotel-motel tax revenue effects under the proposed law.

**Table 6. Room-Night Rental and Revenue Projections**

(all amts in millions)	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Added Room-Night					
Rentals	2.94	2.96	3.02	3.09	3.17
State Revenue	\$12.5	\$12.5	\$12.7	\$13.0	\$13.3
Local Revenue	\$30.2	\$31.0	\$32.1	\$33.4	\$34.9

Note: Numbers may not add due to rounding.