

HOUSE BILL REPORT

SHB 1798

As Passed Legislature

Title: An act relating to short-term rentals.

Brief Description: Concerning short-term rentals.

Sponsors: House Committee on Consumer Protection & Business (originally sponsored by Representatives Ryu, Mosbrucker, Stanford and Pollet).

Brief History:

Committee Activity:

Consumer Protection & Business: 2/12/19, 2/20/19 [DPS].

Floor Activity:

Passed House: 3/7/19, 65-32.

Senate Amended.

Passed Senate: 4/11/19, 39-6.

House Concurred.

Passed House: 4/18/19, 70-24.

Passed Legislature.

Brief Summary of Substitute Bill

- Requires short-term rental owners and online platforms to register with the Department of Revenue, collect and remit taxes, maintain liability insurance, and comply with certain consumer safety requirements.

HOUSE COMMITTEE ON CONSUMER PROTECTION & BUSINESS

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 13 members: Representatives Kirby, Chair; Reeves, Vice Chair; Vick, Ranking Minority Member; Hoff, Assistant Ranking Minority Member; Barkis, Blake, Dufault, Ryu, Santos, Stanford, Volz, Walen and Ybarra.

Staff: Robbi Kesler (786-7153).

Background:

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Transient accommodations are defined as any facility such as a hotel, motel, condominium, resort, or any other facility or place offering three or more lodging units to travelers and transient guests.

A traveler or transient guest is a person that rents a lodging unit for less than 30 days. The guest, resident, or other occupant who purchases the lodging is a nontransient on day 30, regardless of the lodging unit they occupy throughout the continuous 30-day period.

A guest who contracts in advance and remains in continuous occupancy for the initial 30 days is considered a nontransient from the time they start occupying the unit. A business does not need to charge tax on charges for nontransient lodging.

Property owners who rent out homes, rooms, condominiums, timeshares, cabins, and campsites on a short-term basis (less than 30 consecutive days) for overnight accommodations must register with the Department of Revenue (DOR) and collect and remit retail sales tax and applicable lodging taxes on the rental charges. Property owners also owe business and occupation tax, but may qualify for the small business and occupation tax credit. Property owners may choose to use the services of a property manager or an online marketplace for booking and tax collection purposes. The property owners may still be required to register with the DOR and are required to report their rental income on an excise tax return.

Summary of Substitute Bill:

A short-term rental operator (operator) and a short-term rental platform (platform) are required to register with the DOR. An operator must remit all local, state, and federal taxes on their own accord, or through collection by a platform.

Operators are required to comply with the following consumer safety requirements:

- provide contact information of someone available to respond to guest inquiries during the length of stay;
- comply with all laws and regulations related to carbon monoxide alarms; and
- conspicuously post the rental unit's address, emergency services contact information, floor plan with fire exits and escape routes, maximum occupancy limits, and operator contact information.

Platforms must provide an operator with a summary of these safety requirements. Owners or operators that do not comply with the safety requirements may receive a warning letter from the city or county prosecutor. An owner who does not comply after receiving a warning letter is guilty of a class 2 civil infraction.

A short-term rental operator must maintain primary liability insurance to cover the short-term rental unit or conduct the rental transaction through a platform that provides insurance coverage. The insurance policy may not be less than \$1 million and nothing prevents an operator or platform from seeking contributions from any other insurer also providing primary liability insurance coverage for the short-term rental to the extent of that insurer's primary liability coverage limits.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony:

(In support) Short-term rentals have become very popular and it is important to have some regulations to ensure that short-term rentals are collecting taxes and providing safe accommodations. Although most short-term rentals currently collect taxes, there may be some miscalculations or noncompliance so it is important to incorporate the requirement into law. The minimal consumer safety requirements included in the bill will save lives. Asking short-term rental platforms to communicate the requirements to the operators that use the service is the best way to reach operators. The short-term rental industry impacts affordable housing because those houses are taken out of the long-term rental and sale markets. Bed-and-breakfast businesses are required to comply with safety and inspection standards, and short-term rentals should also be required to meet these standards in order to level the playing field.

(Opposed) Internet platforms cannot be held liable for content posted by third parties and should not be held liable for an operator's failure to comply with provisions of the bill. This is a key protection that has allowed the Internet to grow. Short-term rentals provide families with affordable options. Property managers that manage three or more units would fall under transient accommodations, and this would unfairly impact the short-term rentals that use a property manager. The transient accommodation regulations are written for hotels and should not be applied to homes and condos, which are operated in a very different way. Ensuring proper tax collection and safety standards is important, and there is support for working together to draft legislation that protects consumers, and does not create unnecessary burdens on the short-term rental operators.

Persons Testifying: (In support) Representative Ryu, prime sponsor; Julia Gorton, Washington Hospitality Association; Don Malatesta, The Inn at Mallard Cove; and Nathan Allan, Swantown Inn.

(Opposed) Steve Gano, Expedia; Rose Feliciano, Internet Association; and Darik Eaton and Sally Nichols, Seattle Oasis Vacation Rentals.

Persons Signed In To Testify But Not Testifying: None.