



Virginia Association of Local Tax Auditors

Virginia is for Tourists: The Impact of New Business Models in the Tourism Industry on State and Local Taxes

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Kings Dominion

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- ▶ Online Travel Companies (OTC's)

- ▶ Shared Services:

 - Airbnb

 - Uber

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- ▶ OTC's
 - Travelocity
 - Expedia
 - Orbitz
 - TripAdvisor
 - Kayak
 - Hotels.com

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Direct Hotel Booking



Third Party Intermediary Wholesale Booking



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“To ensure full collection of taxes that are due and to promote equity and fairness in the tax code, states should consider requiring OTC’s to remit taxes based on the rental price paid by the USER”

National Council of State Legislatures

2014

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Benefits from closing the OTC Loophole
Virginia

\$3,255,000

Sales and Use Tax: \$500,00

Transient Occupancy Tax: \$2,755,000

Virginia Beach -\$421,000

Arlington- \$394,000

Fairfax County- \$364,000

Norfolk- \$131,000

Roanoke City- \$59,000

James City- \$47,000

Source: The Commonwealth Institute

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July 24, 2015

Washington, DC Court of Appeals Decision requiring online travel companies to pay more than **\$60 Million** in unpaid Sales Taxes and Interest.

Asserting that these companies are liable to pay sales tax on the amount charged to consumers

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Share Economy

Forbes estimates the revenue flowing through the share economy directly into people's wallets will surpass \$3.5 Billion, with growth exceeding 25%.

At that rate peer-to-peer sharing is moving from an income boost in a stagnant wage market into a disruptive economic force.

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Airbnb

- ▶ Started in 2007/8. 2 people in San Francisco. Rented Mattresses in their Apartment.
- ▶ 2010 – The sites revenue doubled and doubled again.
- ▶ 2011 – 1 Millionth booking since 2008.
- ▶ January 2012 – 5 Millionth Night booked.
- ▶ June 2012 – 10 Millionth Night booked
- ▶ 2013 - 9 Million Guests served since 2008

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Airbnb

► 2014

1 Million listings

34,000 cities

190 Countries

Valued at nearly \$13 Billion

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Airbnb

Cities now receiving Hotel Tax from Airbnb:

Chicago

Portland

San Francisco

San Jose

DC

San Francisco - \$11 Million (since October 2014 to February 2015)

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Airbnb

New York City Case

Estimated to generate \$65 Million

Hotel Association against it (Legitimizes a business model that at it's core is not legitimate)

New York City Council against it.

New York State Government – Many against it.

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Airbnb

Issues

Local Regulations and Codes

Liability

Crime

Lease Violations

Permits and Registration

Collection of Taxes

New Support Businesses (Licensing and permitting)

Competition (Hotels/Motels/B&B)

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Uber

Operating in 140+ cities. 45 Countries.

Most of Uber's revenue is generated from 10 of it's earliest cities.

Annual Revenue projected for 2015 - \$10 Billion

Uber keeps 20% of all transactions – Netting \$2 Billion

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Uber

San Francisco

Taxi Market in San Francisco \$140 Million annually

Uber - \$500 Million a year. (Three times the Taxi Market)

Uber rides growing by 3X a year

Revenue growth 200% annual

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Uber

Last valuation- \$18 Billion

Believed it will go public in a few years at \$50-\$100 Billion Valuation

Total revenues will grow by 300% in 2015

In 2016 predicted to grow another 300%

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Uber

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Taxes

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Thank you!

Questions and Answers (Hopefully)