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Bill Looking to Collect Taxes From Virgin Islanders With Short-Term Rental Properties Not Listed on Airbnb Moves Forward

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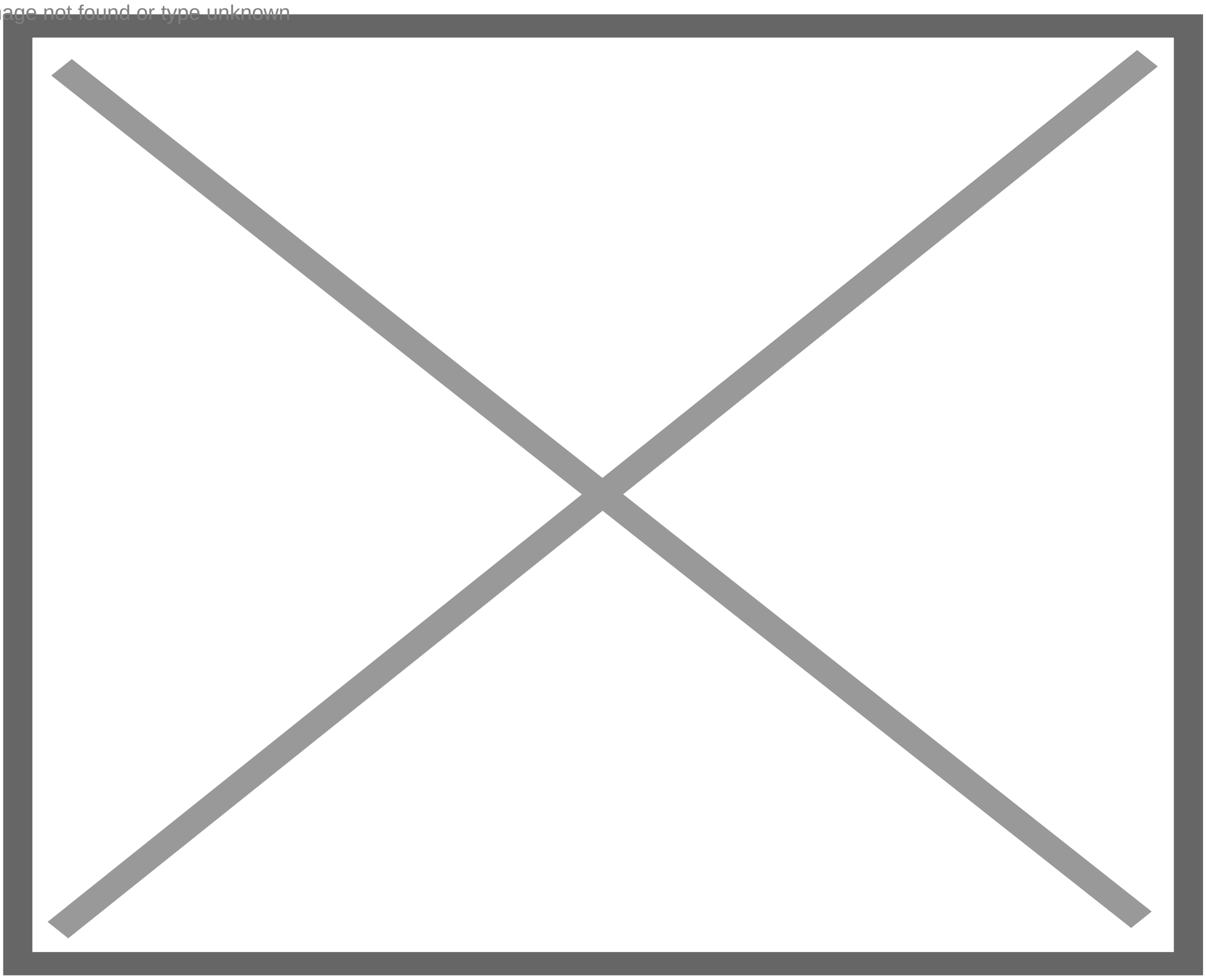

Senators through a bill forwarded to the Committee on Rules and Judiciary Tuesday are hoping to collect tax dollars from Virgin Islanders with short-term rental properties that are not currently listed on platforms that have come into agreements with the local government.

The territory already receives occupancy taxes from property owners who list their facilities through Airbnb following a landmark agreement executed during the former Governor Kenneth Mapp administration in 2018. The deal, which levies a 12.5 percent hotel occupancy tax on properties listed on Airbnb, was the first of its kind in the Caribbean.

But many more properties are not listed on Airbnb, and senators, including the bill's chief sponsor Samuel Carrion, want to collect those dollars that Mr. Carrion contends are "being left on the table."

Lisa Hamilton, president of the USVI Hotel and Tourism Association called for changes in the language of the bill, contending that it casts too large of a net that would affect businesses that already have tax remittance agreements with the Bureau of Internal Revenue. She pointed to firms such as Expedia and HotelBeds.com as two examples of firms that would be impacted. "These companies have tax collection procedures in place that ensure [B.I.R.] receives the taxes on the 30th of the following month from when a guest arrives at his or her hotel. This system has been in place for years and is very streamlined thus ensuring that the Government of the Virgin Islands is receiving the collected taxes on a timely basis. We see no reason to disrupt that system," she said.

The company that would be impacted the most by the potential law would be VRBO, a company whose operation is selfsame to that of Airbnb. Ms. Hamilton said if the bill becomes law, it would probably result in VRBO delisting the U.S. Virgin Islands, an outcome that would impact property owners. Yet, she believes VRBO, which was acquired by Expedia in 2015, should come into an agreement with the local government.

"Many Caribbean destinations have approached VRBO, which is now owned by Expedia, demanding that they collect and remit the taxes. Because Expedia is the 800lb gorilla in the travel arena, VRBO has refused such agreements," she said. "The proposed legislation would include VRBO, which we believe is appropriate. We recognize that VRBO might withdraw the USVI as one of the destinations they market should they be required to collect and remit the hotel tax. We believe, however, that the loss to host properties in the USVI would be mitigated by the fact that many hosts list on multiple platforms, including Airbnb, a company that has taken on the responsibility to collect and remit the hotel tax."

According to the bill, upon becoming law, the director of the Bureau of Internal Revenue and the commissioner of the Dept. of Tourism are to enter into agreements with these companies. However, B.I.R. Director Joel Lee said it would be dependent on the companies' willingness to participate. "As you know, these online marketplaces are not within the jurisdiction of the Virgin Islands, and may not be willing to expand their services to collect and remit these hotel occupancy taxes to the Bureau and the Bureau will have no control over that," Mr. Lee said in his testimony.

Bill sponsor Mr. Carrion said money was being "left on the table" without agreements with the private accommodation firms similar to the 2018 Airbnb accord. “We are not legislating new fees, but rather providing for the more efficient collection of our existing Hotel Occupancy taxes,” he said.

Some local property owners are already going avoiding taxes by enlisting individuals who have built small operations of placing vacationers into short-term rentals. Others have simply added the 12.5 tax levy on vacationers.

The measure was heard in the Committee on Finance, whose chairman, Sen. Kurt Vialet supports the legislation. He said the government collected just over $35 million in Hotel Occupancy taxes this year — "more than we have ever collected" — he stated, even as some of the territory's major lodging facilities remain closed or were closed for most of the year. St. Thomas's 478-room Frenchman's Reef Marriott Resort & Spa and Noni Beach have been closed since 2018 and are undergoing major construction. Mr. Vialet said the surge in the Hotel Occupancy Tax revenue was a direct result of the villas and Airbnbs. Roughly $2.6 million was collected from Airbnb in 2019 following the 2018 agreement. That number will continue to increase as more residents abandon longterm rentals and list their facilities for the more lucrative short-term stay sector.

"We just need to make sure that we don't have any loopholes," Mr. Vialet said.