

# Short Term Rental Research Summary

## Rules, Regulations, Taxes and Fees

The most common state tax regulation on short term rentals (STR hereafter) are sales and/or lodging taxes. In most states it is required that owners or their representatives collect these taxes based on the rental fee and file these taxes quarterly with their Department of Revenue (or equivalent department). Additionally most states have regulations that allow local and municipal governments to collect taxes on STR. For more information please view the Short Term Rental Tax Chart put together by the National Association of Realtors.

<https://realtorparty.realtor/wp-content/uploads/2018/11/HTA-Chart-State-Short-Term-Rental-Tax-Rate.pdf>

## Property Taxes and Classifications

Although each state has their own classification system that does not always facilitate a direct comparison to Colorado's property classification system, a review of state laws allows us to understand several nationwide trends. The majority of states view and administer property tax on STR the same way they would with any other residential dwelling. A breakdown of major trends can be seen below.

- 22 states do not classify their properties for property tax purposes and use only value to determine property taxes. (Also note that Connecticut and New York do not classify property at a state level but Hartford and New York City have their own classification systems)
- 18 states do not change the properties classification if it is used as a STR and tax them as they would any other residential property.
- 7 states change the classification based on owner occupied status.
- Only Missouri has decided to classify all STR properties as Commercial property. They do split classification for the first property owned at 75% commercial, 25% residential. Every other STR property (per owner) after that is considered 100% commercial property. The residential assessment ratio is 19% and the commercial assessment ratio is 32%. It is important to note that Missouri is currently fighting appeals to this classification and at this point no determination has been made.
- It is currently unclear how Iowa classifies STR and I have not received clarification at this point.

For further information I have included a link to the Lincoln Institute of Land Policy that has detailed charts on Property Taxes.

<https://www.lincolnst.edu/research-data/data-toolkits/significant-features-property-tax/access-property-tax-database>

In summary, most states are still "figuring out" how to deal with Short Term Rentals and it is very possible that we will see many changes in the future as we look to fairly value and tax these properties. It seems that one major challenge that states have faced is how to differentiate between an owner-occupied property and those owned as a business. One resource that may be of use is IRS Publication 527. This explains the method with which the Federal Government classifies rentals for tax purposes (Schedule E vs Schedule C) I have included a link as that may be helpful in approaching this topic.

[https://www.irs.gov/publications/p527#en\\_US\\_2020\\_publink1000219175](https://www.irs.gov/publications/p527#en_US_2020_publink1000219175)

Do not classify properties

Alaska	Nevada
Arkansas	New Hampshire
California	New York*
Connecticut*	New Jersey
Delaware	Ohio
Florida	Oregon
Hawaii	Pennsylvania
Idaho	South Dakota
Indiana	Texas
Maine	Virginia
Michigan	Washington

Classified Residential

Georgia	New Mexico
Kansas	North Carolina
Kentucky	North Dakota
Louisiana	Oklahoma
Maryland	Tennessee
Massachusetts	Utah
Minnesota	Vermont
Montana	Wisconsin
Nebraska	Wyoming

Differentiate Between Owner Occupied and Non-Owner Occupied

Alabama  
Arizona  
Illinois  
Mississippi  
Rhode Island  
South Carolina  
West Virginia

Classify Commercial

Missouri