



## Ocean City hotels battle short-term rentals over room tax

By: Samantha J. Subin August 1, 2019

Some hotels and motels in Ocean City and Worcester County are pushing back against short-term rental services — platforms they argue are cutting into their sales and operating at an unfair advantage because they fail to collect or remit room tax.

“While we welcome competition, we also believe that if individual condos are going to be renting to vacationers, then there must be a level playing field,” said Susan Jones, executive director of the Ocean City Hotel-Motel-Restaurant Association.



Beachgoers wheel their way down Ocean City's boardwalk with some of the city's hotels in the background. (File Photo)

Within the municipal limits of the town of Ocean City, short-term rentals are technically required to obtain a rental license and collect and remit room tax. While the code exists, there are conflicting opinions as to whether the ruling is properly enforced, with some arguing that many rentals evade the law.

Now Worcester County — which houses many popular rental areas outside of the municipality, such as Ocean Pines and West Ocean City — is weighing tweaking what some say is an outdated code to require all short-term rental services to collect a room tax.

Currently, short-term rental services are technically required to collect and remit room tax but there are “gray areas,” said Theodore Elder, a county commissioner with District 4. The bill would rectify the loophole and ultimately help level the playing field. Last year, the room tax in Worcester County amounted to over \$15 million, Jones added.

Pushback against short-term rental services is no new phenomenon. Counties across the U.S. and cities worldwide are limiting rental sales, requiring some services to implement a tax or in some cases cease operating.

In 2018, Baltimore city passed legislation requiring hosts to collect and remit a 9.5 percent hotel tax on short-term rental services like Airbnb or VRBO. Last year the Maryland General Assembly passed a bill requiring short-term rental platforms to collect and remit Maryland sales tax — upon booking — to the state.

In a statement, the Maryland Hotel Lodging Association argued that failing to require short-term rental services to collect and remit sales tax results in missed revenue for the state and “an illegal pricing advantage.” But the room tax issue must be addressed by local governments.

Liz DeBold Fusco, a spokesperson for Airbnb — arguably the largest of short-term rental services — said the platform looks to coexist with hotels and motels in Ocean City and support the local tourist economy.

According to a report released by the company, Worcester County hosted 10,800 guests in 2018, raking in \$1.5 million for hosts countywide. Baltimore city ranked highest statewide in the report, with hosts earning \$14.9 million from 107,700 guests.

Although many hotels attribute declining sales to competition induced by short-term rentals, some report stable business.

“We have a strong customer base,” said Anna Tekmen, an assistant general manager at Gateway Hotel & Suites, a seasonal hotel in the area.

But there are other factors enabling short-term rentals to one-up hotels and motels, some say. Online sites like Booking.com are beginning to list short-term rentals. Many global sites come equipped with national advertising and marketing campaigns that smaller businesses may lack.

For now, counties need to ensure that platforms are facilitating legal transactions and appropriately collecting and remitting taxes, said Amy Rohrer, president and CEO of the Maryland Hotel Lodging Association. In some cases, that means passing local laws, she said.

“The challenge with short-term rentals comes down to enforcement, and that’s where the platform accountability is critical,” Rohrer said.

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