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May 4, 2023

The Honorable Chris R. Holden
Chair, Assembly Appropriations Committee
1021 O Street, Suite 8220
Sacramento, CA 95814

**RE: AB 537 (Berman) Short-term lodging: advertising: rates - SUPPORT
As Amended April 19, 2023**

Dear Assemblymember Holden:

The California State Association of Counties (CSAC), representing all 58 counties in the state, writes in support of Assembly Bill 537 (Berman), which would prohibit a place of short-term lodging, as defined, from advertising or offering a room rate, if specific travel dates are selected, that does not include all taxes and fees required to stay at the short-term lodging. The bill would also prohibit an internet website, application, or other similar centralized online platform from advertising or offering a room rate that does not include all taxes and fees required and would make a knowing violation of those provisions subject to a civil penalty not to exceed \$10,000 and would authorize an action to enforce those provisions to be brought by a city attorney, district attorney, county counsel, or the Attorney General.

County Tax Collectors are responsible for collecting transient occupancy taxes (TOT); where approved by voters, those taxes apply to lodging in hotels, motels, and short-term rentals (STRs). Hotels have fixed addresses, signage, and business licenses and are audited regularly by county tax collectors to verify accurate TOT collection and remittance. Short-term rentals continue to operate in California without many statewide standard requirements regarding operations, disclosures, land use planning compliance, and tax collection.

STRs need a more transparent and robust framework, particularly in this era of explosive rates of conversion of long-term rental housing stock into short-term rentals, exacerbating our already-acute housing crisis by removing needed housing stock at a rate that is likely faster than new units are being constructed.

One of the vital pieces of information that frustrates the process of accurate tax collection is the absence of a mandatory disclosure requirement on platform operators regarding the exact location of the short-term rental unit. That piece of information is critical to accurately calculate applicable taxes; the address will be able to confirm the correct tax rate area. Recently, a platform was collected for the wrong county because the listing for the STR was

vaguely in “The Tahoe Area.” Because some local governments have capped or banned STRs due to their housing stock crisis, or concerns for neighborhoods, there are STRs offered for rent on platforms that are operating illegally. Because the address or APN would quickly identify if that were the case, platform operators have historically and aggressively opposed legislation requiring that they disclose the address or assessor parcel number information on their sites – going so far as proposing to establish, via legislation, a state agency to manage TOT collection that would very overtly have prevented local agencies from knowing or gaining access to information regarding the location of the homes that are generating the TOT.

Further, some operators historically have elected not to collect TOT at all, leaving the property owner and renter to figure out who is responsible for remitting the tax; one practice counties have seen is that the STR platform does not collect it and then once the rental is complete, the property owner then sends a final bill for the TOT well after the rental has occurred. These are some of the “add on” fees that catch renters by surprise and drive up the cost of their vacation rental. None of these practices are fair or transparent. The solution is a robust and well-regulated STR industry that discloses the physical location and assessor parcel number of the unit in connection with the tax rate, so that the accurate and timely collection of TOT can occur at the time of the rental, and renters are not surprised with a late bill or higher bill than listed on the site.

CSAC strongly supports the requirement that the TOT is disclosed overtly on the platform’s listing. It is for these reasons that CSAC supports AB 537 and respectfully requests your AYE vote. If you have any questions about our position, please do not hesitate to contact me at kdean@counties.org.

Sincerely,

A handwritten signature in cursive script that reads "Kalyn M. Dean".

Kalyn M. Dean
Legislative Advocate

cc: The Honorable Marc Berman, Assemblymember, 23rd District
Members and Staff, Assembly Appropriations Committee
Joe Shinstock, Consultant, Assembly Appropriations Committee