



# City of Detroit Detroit City Council

FROM THE DESK OF  
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**TO:** David Whitaker, Legislative Policy Division  
**THROUGH:** Mary Sheffield, City Council President  
**FROM:** Mary Waters, Councilmember, At-Large  
**RE:** Study on Feasibility of Implementing Tax on Short-Term Rentals

Please work with Law and other departments in the city to conduct a feasibility study on implementing a municipal tax on short-term rental properties in the City of Detroit, such as those rented out on platforms like AirBnB. Please address the following:

## Introduction

**Purpose of Study:** To assess the feasibility of implementing a tax on short-term rentals (STRs) in Detroit, modeled after policies in San Francisco and other cities.

**Scope of Study:** Examination of legal, economic, administrative, and community implications of such a tax.

### Key Questions:

- What types of taxes (occupancy tax, business license fees, etc.) are most effective for STRs?
- What impact would STR taxation have on the local housing market, tourism industry, and city revenues?
- What legislative actions are required at the state level to enable Detroit to impose such a tax?

## II. Background & Benchmarking

### Overview of Short-Term Rental Market in Detroit:

- Estimated number of STRs (Airbnb, VRBO, independent listings).
- Distribution by neighborhood.
- Growth trends over recent years.

#### **Comparison to Other Cities:**

##### **San Francisco Model:**

- 14% transient occupancy tax (TOT).
- Registration and enforcement requirements.
- Other comparable cities: Chicago, New Orleans, Austin.
- Lessons learned from cities with successful STR taxation.

### **III. Legal and Regulatory Analysis**

#### **State Legislative Authority Required:**

- Detroit does not currently have the independent authority to impose an STR tax.
- The Michigan Legislature must approve any tax on STRs, either through:
- A statewide STR tax with revenue-sharing provisions for local governments.
- Legislation granting Detroit (and potentially other cities) the authority to impose a local STR tax.
- Amendments to the Michigan Use Tax Act or other relevant tax codes to include STRs.

#### **Precedents in Michigan:**

- Review of past legislative actions related to local taxation powers.
- Examination of Michigan tax policies on hotels and lodging to determine applicability to STRs.

#### **Compliance & Enforcement Considerations:**

- Registration requirements.
- Data-sharing agreements with STR platforms.
- Penalties for non-compliance.

### **IV. Economic and Fiscal Impact**

#### **Revenue Projections:**

- Potential tax rates (e.g., 6%, 10%, 14%).

- Estimated annual revenue under different tax structures.

#### **Impact on Local Economy:**

- How taxation might affect STR operators and hosts.
- Potential effects on hotel industry and tourism sector.

#### **Effects on Housing Market:**

- STRs' role in housing affordability and availability.
- Potential for reducing STR-induced displacement.

### **V. Legislative & Implementation Considerations**

#### **State Legislative Action Required:**

- Analysis of existing Michigan tax laws and precedents for local taxation authority.
- Review of legislative pathways used by other states to enable local STR taxation.

#### **Potential Legislative Approaches:**

- A statewide STR tax with revenue-sharing provisions for local governments.
- Legislation granting Detroit (and other cities) the authority to impose a local STR tax.
- Amendments to the Michigan Use Tax Act or other relevant tax codes to include STRs.

#### **Legislative Advocacy & Stakeholder Engagement:**

- Coordination with state legislators to draft and introduce necessary bills.
- Engagement with Michigan Treasury, tourism boards, and municipal associations.

#### **Projected Legislative Timeline:**

- **Short-term:** Drafting and introducing legislation, building legislative support.
- **Mid-term:** Public hearings, committee reviews, and amendments.
- **Long-term:** Passage, implementation planning, and enforcement infrastructure development.

### **VI. Policy Recommendations & Next Steps**

**Recommended Tax Model for Detroit:**

- Proposed tax rate and structure.
- Suggested exemptions or discounts (e.g., primary residences vs. investment properties).

**Legislative & Administrative Steps Required:**

- City advocacy for state-level approval.
- Coordination with policymakers and industry stakeholders.

**Proposed Timeline for Implementation:**

- Short-term (within one year).
- Long-term (over multiple years).

**VII. Conclusion****Summary of Findings:**

- Feasibility of implementing STR taxes in Detroit.
- Anticipated benefits and challenges.

**Final Recommendations:**

- Path forward to Detroit City Council advocating for necessary legislative changes at the state level.