



CalTravel Update on SB 584 (Limon) Short Term Rental Tax and Grassroot Activation

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Overview of the Bill:

SB 584, introduced by Senator Limon, would impose a short-term rental tax of 15% on short-term rental stays throughout California. Other components of the bill would include taking 15% tax on short-term rental stays and putting those funds into a labor force housing fund. This would create a revolving fund to incentivize the creation of affordable housing for workers. The following provisions were noted: skilled labor had to be used to create said housing and tenant protection laws needed to be enforced. The bill would go into effect on January 1, 2025 if it were to pass. The generation of this bill has activated various business sectors. While a labor sponsored bill, there are other labor camps that are opposed to this bill including: tourism, realtors, league, and CSAC.

Breakdown of Legislative Process Ahead:

We are at the halfway point of the legislative calendar. The house of origin deadline, when all bills introduced in the first house must get to the second house or they die, was at the end of May. CalTravel was given a heads up about SB 584 but was unaware of the specifics of the bill ahead of time. Fortunately, SB 584 aligned with CalTravel's Tourism Advocacy Day which allowed CalTravel members to activate legislators to the negative impacts of the bill. It is crucial to note Senator Limon made several comments and commitments to work with the opposition to address the concerning provisions of the bill. Had she not done this, the bill would not have gotten out of the Senate as it barely received the 27 votes needed. As this is a tax provision, it needs 2/3 vote to pass in each house. With the support of our tourism champions Senator Dodd, Senator Alvarado-Gil, and Senator Weiner, this bill barely passed. SB 584 has not been referred to its policy committees, but it is anticipated it will go to Assembly Housing and Assembly Revenue and Taxation. CalTravel has started having conversations with these committee chairs and members, as well as setting up meetings to educate them regarding the bill and the concerns facing our membership. The following groups were brought together to create a larger voice and to elevate the urgency of killing the bill: the Chamber, Realtors, Airbnb, Expedia, Vacation Rental Management Association, Travel Technology Association, and others. Once referred to the Policy Committee, which will hopefully be this week, it must be heard in hearings by July 14 and referred to the Fiscal Committee (otherwise known as Appropriations). After this, legislators will go on a month-long recess. Upon return on August 14, they have one month. The bill will continue to change due to the conversations that have been had with Senators at this point. If the bill gets through Fiscal Committee, then it would go to the floor of the Assembly and would require 54 of 80 votes to get out. If it were to get out, it would need to go back to the Senate as it will need to be amended for a concurrence vote, which would require 27 votes to pass. At this point, it would finally go to the Governor. There are several hurdles this bill must get through. The intention is to stop it from getting there.

Next Steps:

Once the bill is referred, we will be activating the Assemblymember's who sit on the housing committee: Buffy Wicks (Chair), Joe Patterson, Kate Sanchez, Wendy Carrillo, Jesse Gabriel, Ash Kalra, Sharon Quirk-Silva, and Christopher Ward. Fortunately, we have some friends on the committee, but if your legislators are in these districts, we ask you to reach out to them to elevate the urgency of this bill. CalTravel will create the messaging, so all you will need to do is send an email to your respective legislator.

Questions:

Q: If the bill were to pass, do we know how funds would come to a community for workforce housing construction?

A: This is a point we are raising in our opposition letter. Unfortunately, the bill right now says the fund would endeavor to get the money to the communities that paid into it.

Q: Are there proponents of the legislation? Unions for example?

A: Yes, it is sponsored by the state building trades. The opposition has surpassed who is a proponent.

Q: Can you fill us in on the contract lobbying team and their recommended strategy for defeating vs modifying the bill?

A: CalTravel has Tami Miller with Political Solutions, Airbnb has their own lobbyist, and CalTravel is working with the other associations to defeat the bill first and foremost. CalTravel to follow-up with final letter, list of members and the areas they represent, updates, activation notes, and so forth.

Q: Does the name of the bill change going to the assembly or stay SB584?

A: No, the bill will always be SB 584.

Q: What does it mean that these funds will be built and managed by a "public entity"?

A: As the bill is written, the taxes would go to the California Department of Tax and Fee Administration and the fund would be administered by the Department of Housing and Community Development.

Q: Could you please elaborate on the strategy for defeating the bill?

A: The lobbyists will be talking directly to the legislators, there will be individual outreach from CalTravel members, as well as interested short-term rental facilitators to legislators. In general, legislators need to feel the pressure of hard this would hit the tourism industry.

Q: What are the action steps currently for those on the call?

A: If you are not represented by anyone on the policy committees, your opportunity to activate will come. For now, we need activation from those whose legislators are on the housing committee.

Q: I am confused about the definition of operator or STR rental facilitator and the de minimums clause says that it would only apply to those who make more than !00K. Is this targeting only professional operators? Would they be applying all our properties to that limit?

A: The author has intended to have coverage for smaller businesses, but based on interpretation this would apply to everyone.

Q: Any indication the Governor will veto the bill if it makes it to his desk?

A: The Governor has already been very vocal about not wanting to support tax increases currently, which is what this bill ultimately is. With that, we are hopeful that this will work to our advantage. In addition, the Governor was very supportive of the tourism industry, so that is something to consider as well.

Q: It seems they are attempting to establish a Labor Force fund, and if it passed do you think other lodging types would also be vulnerable to this assessment in the future?

A: Absolutely, which is another reason to kill this bill.

Q: Do you have an economic analysis re: the loss of tourism dollars; jobs, etc.? If so, is it a third-party analysis or in-house?

A: We do not have this, as it would not have been available in a timely fashion.

Q: Please distribute the list of members of the two assembly committees and the areas where they represent. –

A: <https://ahcd.assembly.ca.gov/membersstaff> (for housing committee)

Q: Is anyone looking at the legality of applying this tax for all coastal areas under the jurisdiction of the Calif Coastal Commission? This will impact “coastal availability”.

A: They have been reached out to have them review and ocline on it.

Q: Would this tax apply to only Airbnb and the like or hotels as well?

A: Hotels, motels, and inns are specifically exempt from this bill as it is in print currently.

Q: Is the Ca Restaurant Association taking a stand?

A: They have not engaged yet; however, Emellia will ask tomorrow during CalTravel’s Government Relations Committee call.

Q: Is there any benefit in talking with the union about the impact on tourism and their support of SB 584?

A: This issue has been raised with the proponents of the bill, and do not seem to be moving the needle.

Q: Because of the potential damage to local TOT amounts, which is often local general fund dollars, does it also make sense to reach out to local elected (cities and county supervisors) that are in the districts of those Assemblypeople on the policy committees? Or is the League of CA Cities and CSAC covering that?

A: League of California Cities and CSAC are covering that. While we are all in opposition, their issues are different and are looking for different concessions. As a result, we will be working separately.

Q: Will private residences managed by resorts by subject to the tax?

A: Yes.

Q: Does this bill include traditional bed and breakfast properties?

A: No. They are also exempt from this bill.

Q: Does the bill need 6 aye votes (out of the 8) to get out of Housing & CD Committee?

A: No, it needs a simple majority.

Q: I have firsthand knowledge of at least one legislator being told by a union lobbyist that only hotels and not VR are locally taxed. Therefore, this bill will have little to no impact on VR's which are not paying their "Fair share" of taxes. Have you also heard this?

A: Yes.

Q: Have we engaged other statewide travel/tourism associations on position and engaging in strategy, such as but not limited to CA Hotel & Lodging Association and others?

A: We do have other statewide travel associations on our Government Relations Committee, so they are aware. CHLA is not positioning on this, as they are not implicated in this bill.

Q: is the League of CA Cities opposed, officially? Our local government is looking for their lead, to take their own position.

A: Yes, however, a formal letter has not been issued.

Q: Do CSAC & League want to kill rather than modify?

A: They want to amend the bill to their advantage.

Q: Maybe a draft article for local number insertion could be circulated that we can then send to our local media?

A: CalTravel to work with Communications Committee to create communication around this issue.

Q: Are there any destinations in the world that have overnight tax and assessments as high as they would be in CA? 27%-31% in Sonoma County.

A: No, we are the leader in this regard.

Q: Is there a study on how many jurisdictions actually tax STRs?

A: Sonoma County Tourism to share their materials for distribution.

Q: I know I asked this before via email but a "hotel" with owned units like our Westin is considered part of this as well?

A: If it is labeled as a short-term rental, the tax could apply.

Q: Does it specify Residentially zoned property?

A: No, it says short-term rental means occupancy via home, house, room in home or house, or other lodging that is not a hotel in motel or bed and breakfast in the state for a period of 30 days or less.

Q: Can you put out a timeline on the process you discussed?

A: Timeline to be added to the CalTravel website. Next check-in to take place during summer recess to review what has happened and what is ahead.

Q: When do you think the bill be assigned to committees? And when might committee hearings be?

A: The bill will be referred on Thursday, which is when bills are referred to committees. The housing committee meets twice a month. Regardless of this, it was emphasized how now I she time to activate.

Q: Does it have to pass the housing committee to be heard by revenue and taxation committee?

A: Yes.

Q: Can you speak to Senator McGuire's position?

A: Senator McGuire supported the bill the first time, but this doesn't guarantee his support the next time.