

Chicago Bed and Breakfast Position Statement

All short-term rentals of less than 32 days should be licensed and comply with any existing Chicago ordinances. There should be no selective enforcement of taxation or licensing.

Sharing Economy Platform Issues:

We understand that this new “advertising” model is not going to disappear and is a preferred choice for not just the younger generation of the travelling public, but also now with an older demographic, since Airbnb’s recent national advertising campaigns, these “sharing economies” will no longer be associated with just “couch surfing”. The Airbnb model lists individuals wanting to make money quickly, not a licensed industry. Although they suggest that their “hosts” check into local regulations, they do not require any city license# and the sign-up process takes about 15 minutes to list a vacation rental with the license number being the last detail provided and nearly lost in the registration process. There are no up-front costs for a “host” to register their listings. Airbnb is estimated to be a \$13 Billion business from collecting a 3% service fee from their hosts.

Airbnb also purposely hides these short-term rentals by not publicizing physical addresses and map arrows point 1-2 blocks off on their maps from the exact location of the listing; they also most often show exterior photographs that are inaccurate and so without booking and paying at the time of booking, there is no easy way to discern the location of an illegal short-term vacation rental without extensive investigative work or pre-payment.

Licensing Issues:

City of Chicago Ordinances

The city of Chicago has 17 licensed B&Bs and 103 licensed Vacation Rentals. The Bed and Breakfast Establishment (4-6-290) and Vacation Rental (4-6-300) Ordinances cover any stays under 32 days for either owner-occupied (Bed and Breakfast) or not owner-occupied (Vacation Rental) properties and require biennial building and fire inspections of licensed B&Bs to ensure the public’s safety and initial inspections for Vacation Rentals.

Since Feb 15, 2015 the City of Chicago has been collecting 4.5% hotel tax directly from Airbnb in exchange for silence when it comes to enforcing the licensing of Airbnb’s illegally operated guestrooms. Through Airbnb, “hosts” can list a license number, but most of their listings (1880+) are renters and condo owners in non-compliance with the City of Chicago’s Ordinances or ensuring the public safety by having any fire or building inspections of these properties. This acceptance of the 4.5% hotel tax puts the City of Chicago in a higher liability class in the event of any death/injury of an Airbnb client as they have failed to properly license and inspect the properties from whom they are collecting hotel taxes.

We have petitioned the City of Chicago’s Licensing and Public Safety Committee to amend the ordinances 1) to make enforcement of these ordinances easier and to level the playing field by enforcing and licensing all “advertised” B&Bs and Vacation Rentals or 2) to eliminate the ordinances altogether if the city of Chicago is incapable of licensing 99% of the short-term rental businesses currently operating illegally.

Taxation Issues:

Currently, licensed B&Bs are being taxed at different levels than “shared economy” platform hosts and it is discriminatory and illegal to selectively enforce taxation on only 1% of the licensed short-term rental businesses in Cook County and the State of Illinois.

Cook County Assessor

Joseph Berrios, Cook County Assessor, has dealt another blow to the B&Bs industry by arbitrarily re-assigning their tax class code to 5-97a(special commercial use) that places all of the 25 licensed Cook County B&Bs in the same tax class as: Wrigley Field, United Center, Trump Hotel, Shops at North Bridge, Rivers Casino and the John Hancock Observatory by misinterpreting the Cook County Ordinance # 14-290 excluding licensed B&Bs from the Sec.74-63 (2) b. Class 2.

The Assessor's office has stated they are not concerned with equally assessing the other 1880 illegal short-term vacation rental or "Airbnb" listings considering those only a "city problem." Initial Oak Park, Lake View and Rogers Park B&B reassessments sent out to licensed B&B owners before the Assessor's April 22, 2015 press release postponing this tax class change until January 1, 2016, showed increased assessed values from 239% - 469% with estimated tax bills \$19,000 to \$72,000 *higher* than the actual 2014 tax bills.

This current tax class change will force 75% of the legally operating, licensed B&Bs located in residential areas, as allowed by city ordinance, to go out of business by December 2015. The other licensed B&Bs are currently in commercially-zoned properties and are already taxed at a lower tax class, but a 25% tax rate and so are not affected.

The Chicago Bed and Breakfast Association has, through legal counsel, petitioned the Cook County Board of Commissioners and the Cook County Assessor to have this tax class change repealed and to retain the former tax-classes for Bed and Breakfasts based on their 2014 assessments.

State of Illinois

The State of Illinois has 583 RHM-1 Hotel Occupancy Operator's Tax (HOOT) operators registered for the City of Chicago, including all hotel/motels/SROs/B&Bs and Vacation Rentals. Not only is the state of Illinois losing 11.9% in hotel taxes, on the "Shared Economy" income, the city of Chicago's MPEA is also losing revenue from their portion of this hotel tax.

By definition, a State of Illinois hotel operator includes any persons engaged in the business of renting, leasing or letting rooms is liable for the HOOT tax as an operator, and it is their discretion to pass on a tax to the occupant as a reimbursement charge.

The Chicago Bed and Breakfast Association suggests that the State of Illinois should retroactively tax 11.9% of all revenue on the 1099's totals of any "Shared Economy" platform host, if not already registered and paying HOOT.