



Short-Term Rental Regulations and Compliance Issues

There are many things to consider when deciding whether to list your property as a short-term rental, either on your own, or through a site like Airbnb. In summary, you should discuss the matter with your attorney and make sure you are compliant with all relevant state and local laws that pertain to your property. This includes, but is not limited to obtaining proper permits, collecting and paying relevant taxes, and abiding by zoning ordinances.

Additionally, a topic that we have discussed in a subsequent article, you also should have a conversation about how to reduce your personal liability when it comes to accidents that may occur at your short-term rental property and evaluate how you are covered in the event of an accident.

Research Local Compliance Issues

Prior to listing your property you need to check with local ordinances and regulations that you need to comply with. As you will see below, penalties for non-compliance can be quite harsh. This article applies specifically to properties that are within Columbus. You should check whatever local rules apply to your specific property to see how they differ because they can be wildly different. Even if you checked when you listed your property, but have not stayed up to date on any developments, you should make sure you continue to comply with current regulations because this is an area of law that is continuously evolving. Dublin, Ohio, for example, chose to not set forth new regulations specific for short term rental units just earlier this year. They tabled the discussion for a later point in time, potentially revisiting the issue at some point in the future.

Applying for a Permit

Now, on to Columbus, if you want to list a short-term rental here in Columbus, you are going to

need to first obtain a letter of good standing from the Columbus Division of Taxation, which I cover in more detail below. Then you can apply for and be approved for a permit. For some hosts, one permit might not be enough. If you plan on listing more than one short term rental, you are going to need a permit for each of your short-term rentals. You also need to include your permit number on any short-term rental platform where you list your property and display your physical permit in a visible location in the unit.

In addition to the permit, at the time of application or renewal, you need to provide results of a fingerprint-based background check performed by



the Ohio Bureau of Criminal Investigations for the applicant, the applicant's emergency contact and the property manager, if applicable.

Also, if you are the owner of the property, you are going to need to also provide identification and two pieces of evidence showing you are the owner. If you are not the owner of the property, you are going to need to obtain permission of the property owner to register the short-term rental. The ordinance isn't entirely clear on its face, regarding what documents will work

Liability Insurance

You will also need liability insurance in the amount of at least \$300,000. However, if a guest is severely hurt, expenses can add up quickly, so you need to consider the minimum required amount that makes sense for you and your specific property. This liability insurance might be an additional policy to your Homeowners Policy, depending on how your current policy covers commercial activity. Keep in mind that if your insurance policy is canceled for whatever reason, Columbus will automatically revoke your permit.

Note: Airbnb does offer Host Protection Insurance up to \$1,000,000, which is obviously over the minimum required amount.

Other hosting sites offer their own versions of similar policies. Beyond the dollar value of the policy, you should review the terms of any hosting site's policy and determine how it applies to you. Specifically, consider the exclusions from the coverage and determine if it makes sense for you and your individual situation, or if certain items are excluded that could leave you open to liability down the road.

Permit Expiration

Once approved your permit does not last forever. If you own the property, the permit is valid for a year before it needs renewed. If you lease the property, the permit is going to be valid for the shorter of one year or whenever your lease ends. Also, you are obligated to update any changes to the information contained in the permit within ten days of such change.

If your permit is denied you can always appeal the decision. There are numerous reasons within the code for which your permit application may be denied in addition to simply not providing the information required or failing to comply with the other above listed requirements.

The Cost of Compliance

There is a \$20 application fee for the permit, a \$32 fee for the required criminal background check and the permit itself costs either \$75 or \$150 per year, depending on whether it is your primary or secondary residence, respectively.

Local Penalties

The penalties for non-compliance can be quite harsh. Specifically, in Columbus, not only can you be fined up to either \$250 or \$500, depending on the nature of your non-compliance, but also you can be forced to remit the gross revenue from the short-term rental transactions to the city of Columbus during the period of non-compliance. Depending on how long you have been non-compliant and the number of short-term rentals you have, this could add up quite fast. Not to mention, this penalty wipes away your profits, which is the lone motivator for most hosts.

Local Excise Tax

Location is key to tax compliance and it will determine which taxes apply to your short-term rental. You need to check the address of your short-term rental and see what state and local taxes apply and how to properly account for and pay these amounts.

For example, Columbus City code taxes short-term rental transactions at a rate of 5.1%. This is supposed to be collected from the guest and paid to the city and is due on the 20th of each month for the prior month. Even if you don't have any guests during a month, you still need to file.

As stated above, before you even apply for a permit, you will need to get a letter of good standing and create an account, if you need to set up an account. To obtain a letter of good standing, you are going to need to bring your previous year's tax return. You need to make sure that your hosting platform is doing this correctly on your behalf or if you are not using a hosting platform, you need to be doing this on your own.

Other Taxes

The Franklin County Convention Facilities Authority is another government unit with an occupancy tax rate up to 4.9% within Columbus (4% in Franklin County and .9% for Columbus). State and County sales tax rates combine to be 7.5% for transactions in Franklin county. Short-term rental hosts are required to collect this from guests. Between the Local Excise Tax and these, you are looking at a tax rate of 17.5%, so if you aren't collecting this properly, it can add up fast. Note that these are

all taxes that apply here are paid by the guest, collected by the host, and then remitted to the proper authority.

Again, if you are using a hosting platform, you need to make sure it is being done correctly on your behalf, or otherwise you need to be doing it on your own.

Zoning

In addition to the above, you should review the relevant city ordinances relating to how your property is zoned. It is possible that the area could be zoned for residential use only, not commercial activity. Further, zoning provisions might determine the length of time you can rent a property and the number of guests allowed at a particular property. Penalties vary based on location. We will discuss zoning in more detail in a subsequent article.

If you have any questions about obtaining proper permits, collecting and paying relevant taxes, or abiding by zoning ordinances, please contact your CPM real estate attorney today.