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Director Cathcart
CSRD Area A Director

August 18th, 2017

RE: Request to lobby government to rescind provincial tax regulation 78(1)(b)

Dear Ms. Cathcart,

Over the past several years there has been a rapid loss of affordable monthly rental housing in many communities throughout B.C., including Golden and CSRD Area A, due to the ease with which landlords have changed to nightly rentals using Internet platforms as the medium to attract customers.

As the attached TIABC (Tourism Industry Association of BC) briefing note suggests, the tourism industry needs local government assistance in managing this growing issue in British Columbia. We respectfully request your engagement and assistance in formally contacting the new Minister of Finance, the Hon. Carole James, and calling on the ministry to provide the tools necessary to support your efforts.

Whilst we recognize that the primary responsibility to address this issue lies with local government using zoning, bylaws, and regulations, we also know that the problem can be daunting primarily due to lack of enforcement resources.

That said, there is a significant opportunity for the Province to assist local governments with this critically important enforcement process. Currently, under the Provincial Sales Tax Exemption and Refund Regulation, tax regulation 78(1)b exempts operators of less than four room from collecting the 8% Provincial Hotel Room Sales Tax and the 2-3% Municipal & Regional District Tax (MRDT) used for tourism marketing. The current regulation (as interpreted by the Ministry of Finance) also excuses Internet platforms from collecting taxes on behalf of landlords.

At the recent B.C. Chamber of Commerce conference in Victoria, delegates supported a resolution that would require all operators of one room or more to register and collect the applicable sales taxes associated with their daily sales activity. Doing so will accomplish two things to assist local governments with enforcement:

1. It is anticipated that having to register with the Ministry will compel many landlords to revert to renting their units monthly, or comply with both levels of government requirements to avoid the risk of more rigorous enforcement activity.

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2. The data regarding registration and tax collection will augment local government's management processes and ensure ongoing compliance. The information will be cross-checked with the local government registry ensuring stability and assisting with future planning.

As the attached brief suggests, Tourism Golden, on behalf of TIABC, respectfully request that the Columbia Shuswap Regional District write, call or meet with the new Minister of Finance to request provincial assistance to solving this issue, starting with rescinding regulation 78(1)b.

Important note: Rescinding tax regulation 78(1)b does have implications for destination marketing organizations (DMOs) and/or designated recipients of the Municipal & Regional District Tax (MRDT) that TIABC maintains needs to be resolved in conjunction with this process. This includes a reduction in, or cap on total administration fees charged to designed recipients/DMOs (\$20 per property) given that admin expenses could outstrip revenues in many smaller markets with the prospect of added inventory.

Additionally, designated recipients are required to gain written support of 51% of the properties representing 51% of the total accommodation units in their jurisdiction to renew the MRDT every five years. The exponential increases in applicable eligible collection properties, combined with the reality of multiple absentee owners would make this objective nearly impossible to achieve. The consequences would be dire for DMOs and the current marketing infrastructure.

As part of its policy platform, TIABC recommends that the current voting structure (51/51 rooms/properties) be retained and applied to commercial accommodation providers only, and that the administration fee applied per property be either reduced significantly or capped on a community-by-community basis depending on the estimated number of STRs.

Thank you for your consideration and assistance. If you have any questions or require further information on TIABC's position regarding STRs, please contact Walt Judas, CEO at wjudas@tiabc.ca or 778-953-0620.

Yours sincerely,

p.p. 

Rav Soomal

President

WHY SHORT-TERM RENTALS (STRS) NEED CIVIC & PROVINCIAL GOVERNMENT ATTENTION

- Short-term rentals are a contributing factor to the loss of affordable and available monthly rental housing for residents and workers in communities throughout B.C.;
- Without adequate housing, staff shortages will grow, existing workers will experience burnout, service levels will drop and the customer experience will be affected;
- If monthly housing is not stabilized, any remaining rental housing stock will increase in cost due to the erosion of the community base, while future tourism investment decisions may be delayed or dropped; and
- Online platforms, as well as property owners that offer less than four rooms for rent (STRs, B&Bs) do not have to collect or remit the hotel PST (8%) or MRDT (2-3%) from guests. Rescinding section 78(1)b of BC's *Provincial Sales Tax Act* will:
 - Augment local government enforcement efforts by using data obtained from tax registration and collection to monitor compliance;
 - Increase voluntary compliance among landlords who risk finding themselves offside with both local bylaws and the provincial tax code; and
 - Encourage some landlords to return monthly rental stock back to the community for workers and residents to avoid tax scrutiny and regulation.

PRIMARY ACTION YOUR COMMUNITY CAN TAKE LOCALLY TO MANAGE THE STR ISSUE

Compel operators of STRs to either comply with local regulations or face enforcement action. If local regulation on STRs does not exist, develop policies in consultation with the community.

PRIMARY ACTION YOUR COMMUNITY CAN TAKE PROVINCIALY TO MANAGE THE STR ISSUE

Write, call or engage the Minister of Finance to emphasize the importance of provincial government assistance on this issue and ask government to rescind **Tax Regulation 78(1)b** to strengthen your community enforcement efforts and processes.