

Highlights

Why We Did This Audit

Short Term Rentals are part of the accommodation industry in Kansas City. Determining their impacts on tax and fees related to the industry can help the city make policy decisions. This audit was also partly based on public suggestions.

A companion audit reviews permit compliance.

Objective

Do short term rentals impact city convention and tourism taxes and the arena fee?

Background

A short term rental is when a person or business ("host") provides a ("property" or "unit") house, apartment, or other non-traditional hotel residence for rent as overnight lodging for less than 30-days. A host may be an owner, renter, or investor that does not occupy the property.

The host typically lists the unit on an intermediary website. Common third-party websites include companies like Airbnb, VRBO, Flipkey, and HomeAway. Short term rentals grew in popularity throughout the U.S. during the 2010's.

Short Term Rentals increased in popularity throughout the 2010s. The city council passed an ordinance regulating short term rental use in Kansas City in 2018.

The city assesses a 7.5% Convention and Tourism tax on the amount of sales or charges for all sleeping rooms paid by guests at hotels/motels. Additionally, the city assesses a \$1.50 per occupied room by a guest per day on all hotels/motels in the city.

[Click here to view the full report.](#)

PERFORMANCE AUDIT – November 2022

Kansas City Misses Out on Millions in Tax Revenue from Short Term Rentals

What We Found

The city is unable to collect the convention and tourism tax (C&T tax) and the hotel and motel occupancy fee from short term rental activity. The city would have collected an estimated \$2.28 million and \$353,600, respectively, from July 2021-Aug 2022. The city is limited in collecting both the C&T tax and occupancy fee because they define a hotel as being a building having greater than 8 rooms that accommodate guests.

Estimated Lost Revenues

(Jul 2021-Aug 2022)

\$2.28 million

Convention and Tourism Tax

\$353,600

Hotel, Motel Occupancy Fee

The inability to collect these revenues impacts the city's ability to fund tourism and convention programs and facilities like Visit KC, the convention center, and the T-Mobile Center. These funds are currently being supplemented by the general fund.

Short term rentals are a significant part of the accommodation industry in Kansas City. The number of units with listings in August 2018 were the equivalent of two downtown convention hotels. Or about 11% of the hotel supply in the city. Short term rental occupied room nights make up a similar percentage of the total occupied room nights in a year in Kansas City.

The City Council has different avenues to change the C&T tax and the occupancy fee. State statute creates and city code follows the definition for the C&T tax that limits collection of this tax. The occupancy fee has no such definition in state statute. Therefore, the city can act with a citywide vote to change the occupancy fee, but needs state action first to change the C&T tax.

What We Recommend

To optimize city revenues and create tax parity, we make recommendations to the City Council to:

- continue their legislative priority to change the state statute that limits Kansas City's ability to tax short term rentals like other businesses in the accommodation industry.
- take steps to assess an occupancy fee on short term rentals similar to the hotel, motel occupancy already paid by most of the accommodation industry under City Code of Ordinances Sec 40-111.



**KANSAS CITY
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