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Tax Impacts of Short-Term Vacation Rentals in the Estes Valley



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Tax Impacts of Short-Term Vacation Rentals (STVRs) in the Estes Valley

PURPOSE OF WHITE PAPER

This white paper has been developed to quantify the economic benefits and significant tax collections generated by STVR guests in the Estes Valley to enable policymakers to weigh the adverse economic effects to the Estes Valley from limiting STVRs against the perceived benefits of limiting the number of STVRs, particularly in residential zones.

SOURCES OF INFORMATION AND METHODOLOGY

The data upon which this analysis is based comes primarily from a September 6, 2022, report commissioned by Visit Estes Park, our local marketing district, and prepared by well-known travel industry research specialists, Dean Runyan Associates. This report, developed by the state of Colorado's travel research company estimates the economic impact of travel within the Estes Park local marketing district for 2021.

This data includes data on lodging sales within the local marketing district and total visitor spending in the Estes Valley. The data also includes breakdowns of visitor spending based on STVR occupancy. The data also includes relevant length of stay and average occupancy of STVRs in the Estes Valley used in determining the economic impact of these STVRs.

In addition to the Dean Runyan study, data was also collected by the local marketing district that analyzed the sources of lodging tax collections during 2021 – allocating these revenues amongst large lodgers (>25 rooms), small lodgers (<25 rooms), short-term vacation rentals, RV and campgrounds, and various on-line booking channels which are often referred to by the acronym OTAs or OTRs. This data indicated that in 2021 39.1% of all lodging tax collected in the Estes Valley came from STVRs located in the Estes Valley both within the Town of Estes Park and outside of the Town. (See Appendix 1 containing the charts shared with the Visit Estes Park board of directors by management.)

This analysis also relies on Town and County data relating to the number of licensed STVRs (515 in the Town (59%) and 362 in the County (41%)).

Finally, the analysis applies current and enacted tax rates in determining the tax and economic impact of STVRs as follows:

- Current local marketing district lodging tax rate – 2%
- Enacted local marketing district lodging tax rate effective January 1, 2023 – 5.5% - the 3.5% increase in the tax rate is dedicated to workforce housing and childcare funding
- Town consolidated sales tax rate of 8.7%, apportioned as follows:
 - State sales tax rate – 2.9%
 - Larimer County sales tax rate - .8%
 - Town of Estes Park sales tax rate – 5%
- County consolidated sales tax rate of 3.7%, apportioned as follows:
 - State sales tax rate – 2.9%
 - Larimer County sales tax rate - .8%
- Current consolidated lodging/sales tax on lodging in Town – 10.7%
- Enacted consolidated lodging/sales tax on lodging in Town effective January 1, 2023 – 14.2%
- Current consolidated lodging/sales tax on lodging in Estes Valley outside of Town – 5.7%
- Enacted consolidated lodging/sales tax on lodging in Estes Valley outside of Town effective January 1, 2023 – 9.2%

In determining total taxes on lodging rentals, revenues are divided between STVRs in the Town and STVRs in the Estes Valley outside of Town based on the relative number of licensed STVRs in each jurisdiction.

In calculating sales taxes generated by STVRs, visitor spending in the Estes Valley is then reduced by the applicable lodging expense (including taxes) to determine the visitor spending on other purchases in the Estes Valley. The resulting number is then adjusted to eliminate sales taxes from that spending so as to determine pre-tax non-lodging spending against which sales taxes are applied. The nonlodging expenditures are assumed to be spent in the Town on taxable purchases.

The total taxes generated by STVR visitors are the sum of those generated on the vacation rental revenues and those generated with visitor spending excluding lodging.

KEY FINDINGS

In 2021, STVR visitors in the Estes Valley generated \$12,742,624 (\$15,129,287 pro forma with lodging tax increase) of state, county and local sales and lodging taxes. (See Chart 1)

\$15,129,287 Projected lodging & sales tax collection from STVR visitors to Estes Valley 2021 pro forma

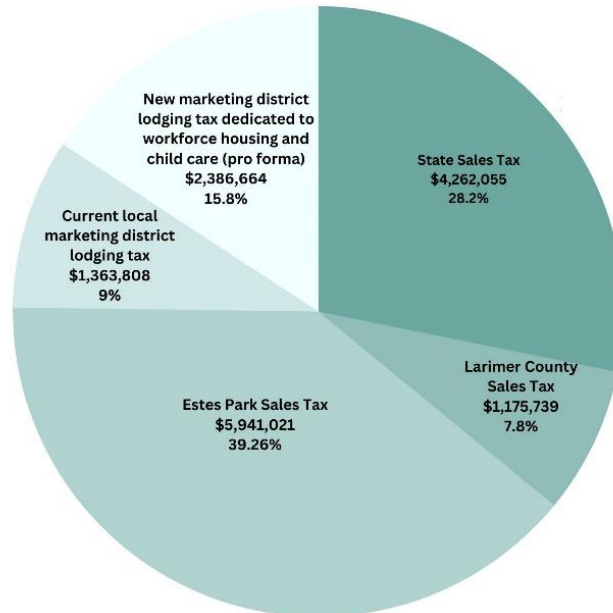


Chart 1

Approximately 59% of these tax collections come from visitors staying in STVRs in the Town and about 41% come from visitors staying in STVRs in the Estes Valley outside of the Town.

The estimated Estes Park Town sales tax generated by STVR visitors represents approximately 28.38% of the 2021 audited Town sales tax collections of \$20,930,809. (See Chart 2)

2021 Town Sales Tax Collections - \$20,930,809

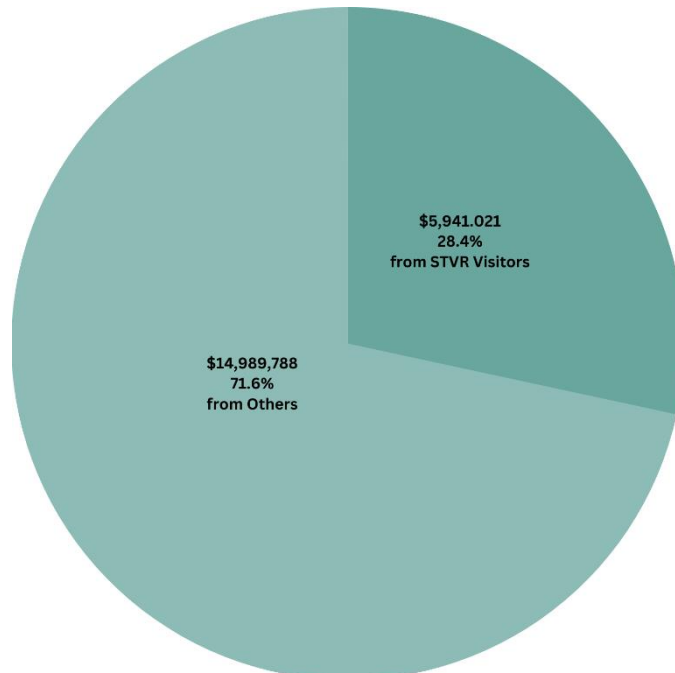


Chart 2

The lodging tax generated by STVR over-night visitors in the Estes Valley represents 39.1% of total lodging tax collections and hence approximately \$2,386,664 of the estimated \$5 million to \$6 million of additional lodging tax dedicated to workforce housing and childcare funding because of the approval of ballot issue 6E this year will come from STVRs in the Estes Valley. (See Appendix 1)

The study also shows that since approximately 266 (73.5%) of the county STVR licenses are in residential zones, eliminating STVRs in residential zones in the county would significantly adversely affect the state and local tax lodging and sales tax collections in the Estes Valley. (See Chart 3)

STVRs in Residential & Accommodation Zones in Estes Valley

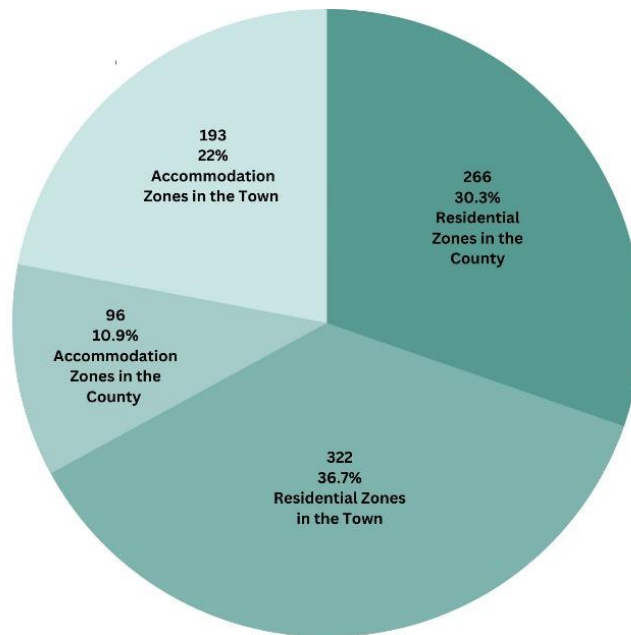


Chart 3

Annual tax collections relating to STVRs in residential zones in the Estes Valley outside of the Town of Estes Park total \$3,365,314 (\$4,089,205 pro forma with lodging tax increase), consisting of the following:

- State sales tax - \$1,328,597
- Larimer County sales tax - \$366,510
- Estes Park Town sales tax - \$1,256,555
- Current local marketing district lodging tax - \$413,652
- New marketing district lodging tax local market district lodging tax (pro forma) - \$723,891

Total annual tax collections relating to STVRs in residential zones in the Estes Valley (including those in the Town and those outside of the Town) totaled \$8,543,515 (\$10,143,696 pro forma with lodging tax increase), consisting of the following. (See Chart 4)

**\$10,143,696 Projected Lodging & Sales Tax Collection from STVR
Visitors to the Estes Valley in Residential Zones in 2021 pro forma**

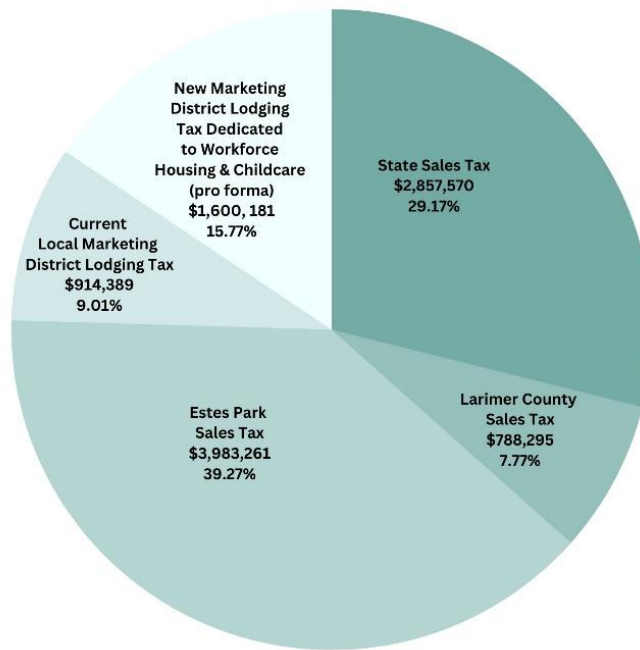
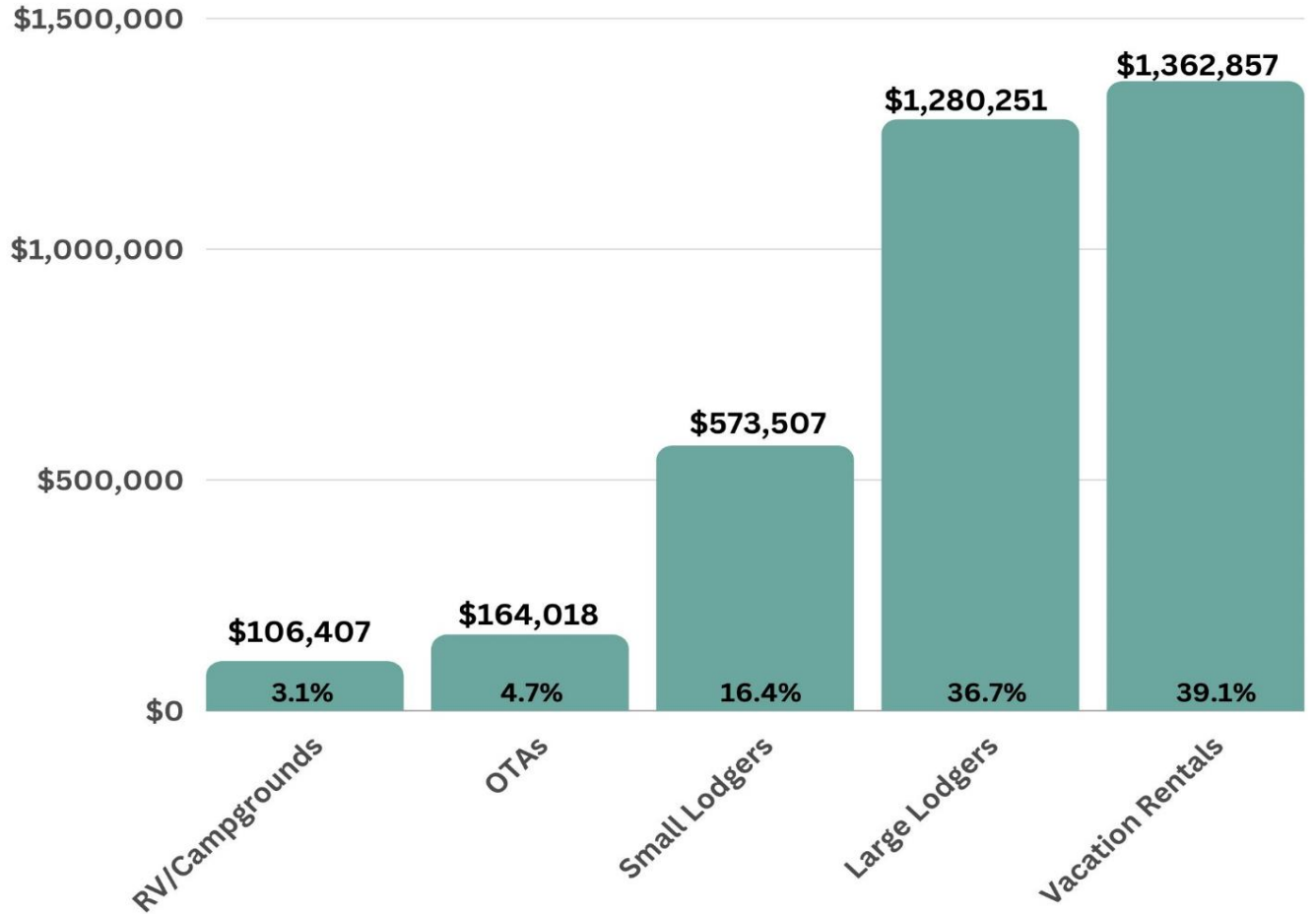


Chart 4

Detailed calculations are contained on the Excel spreadsheet attached to this white paper as Appendix 2. Upon request an electronic copy of this spreadsheet with accompanying formulas will be supplied.

2021 Lodging Tax Collections by Category



Data from Visit Estes Park 2022
Large Lodgers are greater than 25 rooms

Appendix 2
Estimate of state and local taxes, including lodging tax, from STVRs in the Estes Valley
Estes Valley Short-Term Rental Alliance

	Number	Percent	Number in R zone	Percent		Town	County	Estes Valley
STVRs in town	515	59%	322	62.5%				
STVRs in county	362	41%	266	73.5%				
	877	100%	588	67.0%				
Taxable lodging sales in local marketing district (2021)	\$ 174,400,000							
Percent of STVR of lodging sales (2021)			39.1%					
Pre-tax STVR lodging sales (2021)	\$ 68,190,400							
			* tax rate					
STVR lodging sales with tax						\$ 40,043,393	\$ 28,147,007	
						1.107	1.057	
						\$ 44,328,036	\$ 29,751,386	\$ 74,079,422
Visitor spending by STVR guests (including tax)	\$ 158,000,000					\$ 92,782,212	\$ 65,217,788	
STVR lodging sales with tax						\$ (44,328,036)	\$ (29,751,386)	
Visitor spending by STVR guests (excluding lodging and lodging tax)						\$ 48,454,176	\$ 35,466,402	\$ 83,920,578
			/ tax rate			1.087	1.037	
Pre-tax visitor spending by STVR guests (excluding lodging)						\$ 44,576,059	\$ 34,200,966	

Total taxes below are sum of taxes on lodging rentals plus taxes on other visitor spending:

	Town	County	Estes Valley	Residential Zones County	Residential Zones Estes Valley
State sales tax (2.9%)	\$ 2,453,964	\$ 1,808,091	\$ 4,262,055	\$ 1,328,597	\$ 2,857,570
County sales tax (.8%)	\$ 676,956	\$ 498,784	\$ 1,175,739	\$ 366,510	\$ 788,295
Town sales tax (5%)*	\$ 4,230,973	\$ 1,710,048	\$ 5,941,021	\$ 1,256,555	\$ 3,983,261
Lodging tax (2%)**	\$ 800,868	\$ 562,940	\$ 1,363,808	\$ 413,652	\$ 914,389
	\$ 8,162,760	\$ 4,579,863	\$ 12,742,624	\$ 3,365,314	\$ 8,543,515
Percentage from STVRs in residential zones	62.5%	73.5%	67.0%	\$ 723,891	\$ 1,600,181
Total taxes from STVRs in residential zones	\$ 5,103,706	\$ 3,365,314	\$ 8,543,515	\$ 4,089,205	\$ 10,143,696

* in county, calculated only on spending excluding lodging

** calculated only on lodging spending

Projected lodging tax after tax increase (5.5%)**	\$ 2,202,387	\$ 1,548,085	\$ 3,750,472		
Lodging tax at 2%	\$ (800,868)	\$ (562,940)	\$ (1,363,808)		
Additional lodging tax under 6E	\$ 1,401,519	\$ 985,145	\$ 2,386,664		
Percentage from STVRs in residential zones	62.5%	73.5%	67.0%		
Total additional lodging tax from STVRs in residential zones	\$ 876,289	\$ 723,891	\$ 1,600,181		

Town and county short-term rental licenses from a recent search of Town and County records.
The percent of STVR lodging sales from charts presented to Visit Estes Park board of directors from management.
Shaded cells contain data from pages 8 and 9 of the September, 2022 Dean Runyan study.