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Taxing Short-Term Rentals: Options for California Cities and Counties

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Abstract

The revolution in the short-term rental (STR) market led by hosting platforms like Airbnb and VRBO has upended traditional methods local agencies use to collect Transient Occupancy Tax (TOT), a common locally-initiated sales tax on overnight accommodations. With TOT collection and remittance left in the hands of individual STR operators, and data closely held by platforms, local authorities in Santa Barbara have likely been undercollecting legally obligated TOT payments. Policymakers have two options: voluntarily agree with a platform on a channel for centralized collection, or compel platforms to collect TOT via municipal ordinance. Initial descriptive analysis of early results seems to show increased TOT revenues from either option. Though likely a benefit for TOT collection, voluntary agreements generally restrict data transparency. California law on municipal regulation is rapidly adapting to the new platform hosting market, but individual community elected officials are required to affirmatively enact powers if they wish to compel platforms to collect TOT.

Summary

- Transient Occupancy Tax (TOT) is an important revenue stream for local governments, and it funds many municipal programs staffed by union members.
- TOT collection from short-term rentals (STR) poses unique challenges for local agencies wanting to ensure compliance.
- Santa Barbara County and its cities have substantial STR activity within their boundaries.
- Some agencies within Santa Barbara County may be undercollecting TOT from STR operators.
- Local governments have two options for collecting TOT via booking platforms: voluntary collection agreements (VCA) signed bilaterally between the agency and any platform, or municipal regulation affecting all platforms booking within an agency's boundaries.
- Both VCAs and local ordinances seem to be generally effective in increasing TOT revenues, though evidence is slim given the relative novelty of either option.
- VCAs almost universally include clauses that can substantially limit a local agency's ability to verify tax compliance from specific STR operators.
- California law has clearly delineated substantial powers to local agencies seeking to compel both TOT collection and data disclosure from STR platforms. These have largely been upheld by federal court rulings in our circuit.

Introduction

Many local cities and counties throughout California are struggling financially. Property tax revenues, which are generally intended to be the pillar of any local government's finances, are strictly limited in California by Proposition 13.[1] This has led many California agencies to rely more heavily on various types of sales taxes to meet revenue shortfalls.

The Transient Occupancy Tax (TOT) is one such tax favored by some local policymakers. This tax is levied on visitors to a region as an additional sales tax charged on overnight accommodations. As local governments become increasingly fiscally challenged, TOT has proven an easy and politically popular way to make ends meet for some agencies, particularly for those with sought-after tourist attractions. According to the California State Controller's Office, by the year 2000, many California cities and counties had already begun levying TOT on overnight visitors—440 agencies in all, taxing an average rate of 9.19%, bringing in a total $1.17 billion in revenues. By 2025, the number of assessing agencies had increased to 475, charging an average rate of 10.3%, bringing in a total revenue of $3.37 billion.[2]

The main barrier to TOT collection is that local agencies generally must collect the tax themselves.[3] Unlike property tax or sales tax, agencies must ensure that lodging companies in their jurisdiction are individually complying with their legal obligation to correctly assess, collect, and remit TOT. Local agencies are tasked with confirming proper taxes have been remitted for each night's stay and auditing lessors of short-term lodging for compliance.

Traditionally, TOT was nonetheless a relatively simple tax to levy—an agency had a fixed list of hotels in its area, and could easily audit them to ensure compliance with local taxation law. This model was disrupted by the arrival of short-term rental (STR) platforms—companies like Airbnb and VRBO—which allowed many residential property owners to list their personal property as an overnight accommodation.

Founded in 2008 with its first booking in the State of California, Airbnb quickly became a common lodging alternative to traditional hotels for travelers. By 2019, the year before Airbnb was first listed on the Nasdaq, the platform was booking almost 327 million overnight stays and other experiences annually worldwide.[4] By 2025, that number had increased to 544 million.[5]

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[1] Lincoln Institute of Land Policy. (2019). *California: State-by-State Property Tax at a Glance*. White paper. July.
[2] CA State Controller website (nd). Frequently Requested Information. Accessed 9/14/2026.
[3] In California, the state collects regular sales tax and remits it to owed local agencies. Counties collect property tax, but usually through a vastly distinct mechanism from TOT.
[4] Airbnb, Inc. (2020). US SEC form S-1 Registration Statement.
[5] Airbnb, Inc. (2025). US SEC form 10-K Annual Report.

In 2015, Expedia Inc. purchased HomeAway, the parent company of VRBO,[6] which would become Airbnb's primary competitor in the STR platform market.[7] Previously a subscription-based platform, as Airbnb's success grew, VRBO shifted away from this model to a publicly accessible platform for booking STRs. By 2025, VRBO boasted 2.4 million 'online bookable alternative accommodations' available on its platform worldwide, twice the number of hotels available on other Expedia websites.[8]

The STR market expanded rapidly throughout the nation, including in Santa Barbara County and its cities. The decision to permit, or restrict, STRs within a jurisdiction is a complex one. STR activity could potentially impact local housing markets, rental rates, and quality of life for current residents. This report addresses none of those important but complex concerns. Rather, we focus here specifically on the impact of STR operations on local tax revenues. Just like hotel stays, STRs generally require the collection and remittance of TOT. However, the current growing STR market creates new concerns for local governments seeking to collect the taxes they are rightfully owed.

STR accommodations created a logistical issue for local agencies seeking to collect TOT. Platform-based bookings could make many homes into instant accommodations for travelers. While local law generally also requires the collection and remittance of TOT for short-term platform-based rentals, the burden to calculate, collect, and remit TOT was initially left up to the homeowner. Because platforms do not make data on bookings accessible to the public, a local agency may not even realize which properties were being rented out at any given time within their boundaries, making auditing a particularly daunting challenge for local administrators.

By 2014, Airbnb had become involved in disputes with multiple jurisdictions across the world over whether the online platform was obligated to collect and remit TOT (or the local equivalent) to the local governments where it assisted in leasing homestays. In 2014, the city signed its first voluntary collection agreements (VCA) with Portland, Oregon and San Francisco, California.[9] While denying being a hotel or operator of STRs itself, Airbnb agreed to collect and remit local taxes as a part of its booking operations on a voluntary basis. Many local agencies followed suit–by 2016, Airbnb had reportedly signed 200 such agreements.[10]

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[6] For simplicity's sake, we will refer to the firm as VRBO for the rest of this report, though VRBO is a tradename and not an independent firm. Of note, any voluntary collection agreement signed with VRBO is technically an agreement with HomeAway Inc.

[7] Expedia, Inc. (2016). US SEC form 10-K Annual Report.

[8] Expedia, Inc. (2025). US SEC form 10-K Annual Report.

[9] Hern, A. (2014). "Airbnb to collect taxes from San Francisco." *The Guardian*. April 2.

[10] Hook, L. (2016). "Airbnb looks to secure 700 tax deals with cities." *The Financial Times.* November 20.

Later, some cities sought to compel STR platforms to remit taxes without entering into VCAs. Santa Monica, California, passed Ordinance 2535 in early 2017, which required platforms facilitating STRs to collect and remit TOT to the city directly, and to provide periodic disclosure of data concerning the number of listed properties and stays within the city's jurisdiction.[11] VRBO and Airbnb sued the city seeking to block the law, ultimately losing their appeals in federal court in 2019.[12] This landmark ruling allowed other local agencies to similarly regulate the platforms without relying on voluntary agreements, and many cities opted for this pathway to streamline TOT collection rather than signing individual VCAs with platforms.

This report seeks to analyze approaches available to California local agencies for TOT tax remittance. The report does not address larger concerns about the appropriateness of STR activity for any specific jurisdiction and its residents; complex factors will shape any community's response to STR activity. Rather, the report looks at options for communities that allow STR to ensure they are able to collect TOT effectively. The first section of the report describes the STR market in Santa Barbara County and provides estimates of the 2026 TOT revenue those local agencies should have expected. The next section explores the current state of TOT remittance strategies used by California local agencies. The third section assesses the fiscal impact of these various policies, namely VCAs and regulation, on the agencies that use them. The fourth section examines the contents of VCAs signed in California to highlight salient details around what these agencies commit to in order to facilitate TOT collection. The fifth section analyzes the changing landscape of California law around platform data transparency in municipal regulation.

Section I: Platform Activity and Possible TOT Projections for Santa Barbara County

Santa Barbara County is a unique tourist destination. According to the California Department of Transportation, over seven million visitors come to the county annually, spending billions of dollars locally.[13] Many of these visitors stay overnight. When they pay to do so, they are obligated to pay a Transient Occupancy Tax (TOT), collected by the owner of the lodging with the rent and remitted to the local agency where their short-term lodging is situated.

This section uses data from a third-party platform, AirDNA, to estimate how much TOT revenue local agencies in Santa Barbara County should have collected via short-term rental (STR) platforms. These are estimates, and should not be taken as concrete numbers of what TOT

[11] Santa Monica Municipal Code §6.20.050, adopted January 24, 2017 by Ordinance No. 2535CCS.
[12] *HomeAway Inc. and Airbnb Inc. v. City of Santa Monica*, 918 F.3d 676 (9th Cir. 2019).
[13] California Department of Transportation. (2022). Santa Barbara County Economic Forecast. 2022 County-Level Economic Forecast report.

revenues should actually be. Nonetheless, the estimates, based on data from industry observers from July 2025 to June 2026, speak to the high volume of platform-based STR activity within the county and its various municipalities. See Appendix I for details on our methodology in putting together this analysis.

Table 1 shows the results of the analysis. Every agency within Santa Barbara County contains at least some STR properties, regardless of whether they are regulated or anticipated in municipal code, though activity varies substantially by agency.

Table 1: STR activity and estimated revenues, Santa Barbara agencies in 2026

Agency Name	Avg. Bookings per Month (min/max)	Avg. Daily Rate per Month (min/max)	Total Estim. Annual STR Revenues	Local TOT Rate	Total Est. TOT due from STRs
Buellton	67 (43/95)	$143 ($101/$194)	$115,403	12%	$13,848
Carpinteria	1429 (985/2116)	$353 ($279/$425)	$6,072,339	15%	$910,851
Goleta	896 (671/1184)	$269 ($223/352)	$2,935,396	12%	$352,247
Lompoc	698 (399/852)	$215 ($168/$368)	$1,799,541	10%	$179,954
Santa Barbara (city)	15,828 (12,596/20,454)	$415 ($360/$476)	$79,684,391	12%	$9,562,127
Santa Maria	846 (633/1074)	$135 ($124/$43)	$1,420,788	10%	$142,079
Solvang	1429 (985/116)	$302 ($286/$318)	$5,189,546	14%	$726,536
Unincorporated County	12,420 (8718/17,568)	$521 ($433/$584)	$78,551,329	14%	$10,997,186

It is difficult to derive how much TOT any given agency is actually collecting from STRs, given local agency financial reports typically present STR TOT aggregated with revenues from hotels.

However, some evidence exists that key agencies in Santa Barbara County may be undercollecting what market data indicates they should. In a report to the city council, Santa Barbara city staff indicated that they collected only $3.2 million in voluntary remissions from STR operators in FY2026, with an additional $1.3 million collected from STR owners who had failed to remit TOT and faced city enforcement action after an audit.[14] The City of Santa Barbara recently passed a law regulating STRs and restricting STR activity, so these TOT estimates may drop in the future as STR activity declines.

Santa Barbara County does not disaggregate TOT revenues between STRs and hotels. However, the county did report in 2024 that only 520 rental properties submitted TOT to the County.[15] AirDNA estimates that roughly 885 unique properties were listed for at least one available day within the unincorporated areas of the County in the month of September 2026. While some agencies may be undercollecting, other agencies may be closer to the estimated values. Carpinteria reported $886,000 in TOT revenues from STRs in FY2024-2025,[16] very close to the estimated owed TOT for the following year.

The potential underpayment of TOT by individual STR operators intentionally or unintentionally skirting local tax laws directly underscores the importance of centralizing TOT collection into a single source, namely the platforms that collect STR rents. Many sister agencies to those in Santa Barbara County have attempted to do just that by various means in recent years.

Section II: The Current Landscape of TOT Remittance in California

Local government agencies seeking to centralize Transient Occupancy Tax (TOT) collection at the platform level, rather than relying on individual home lessors to collect and remit the taxes, essentially have two options.

First, they can sign a voluntary collection agreement (VCA) with an online platform (like Airbnb or VRBO) in which the platform voluntarily agrees to collect and remit TOT and/or additional local taxes (for example, a tourism improvement district tax). These are bilateral negotiated contracts between the local agency and the firm, which generally must be ratified by the governing body of the agency (i.e. the city council or county board of supervisors). In theory, any terms could be included in such agreements so long as both parties agree to them. Airbnb

[14] City of Santa Barbara. (2026). Council Agenda Report, Community Development Department. City council agenda packet, October 6, item 13, pg. 9.
[15] Santa Barbara County. (2024). Board of Supervisors agenda letter, from County Executive Officer. July 9.
[16] City of Carpinteria. (2026). Mid-cycle budget: proposed recommended adjustments FY 2025-27. City council agenda packet, June 8, attachment B, pg. 1.

and VRBO have been reluctant to agree to data sharing or, in some cases, sought to limit auditing powers of local agencies under VCA frameworks (see Section IV).

Local agencies have the alternative option of passing a law compelling online platforms connecting lessors to renters for short-term rentals (STR) to collect and remit TOT and/or other local taxes to the agency. In this latter scenario, all firms that facilitate property leasing within the jurisdiction of the agency are required to submit TOT on a regular basis to the agency. Local agency powers here are relatively broad. An agency could compel firms to disclose data to facilitate auditing in order to ensure compliance with local law. California SB 346, passed in 2025, addresses these powers (see Section V for further details on this bill).

Thus, local policymakers are faced with a choice–to pursue bilateral agreements with the limited number of platform firms operating in the STR market, or regulate them through a local ordinance.

In this section, we explore the current landscape of how California cities and counties are navigating this conundrum. Many more local agencies have opted for VCAs than regulatory policy, perhaps because the legality of regulating platforms like Airbnb and VRBO was in doubt until the 2019 ruling in *HomeAway Inc. v. Santa Monica*. In recent years, however, policymakers have increasingly turned towards regulation as a solution to the issue of TOT remittance.

To find our data, we first searched the Airbnb[17] and VRBO[18] websites for lists of jurisdictions where they currently withhold TOT. We then filed Public Records Act (PRA) requests with all jurisdictions on each list for the voluntary collection agreements in question. For unresponsive jurisdictions, or jurisdictions that refused to disclose existing agreements, we performed a search through city council or county board of supervisors archives to seek out the vote on the agreement to determine its effective date and terms. For any agencies where we still could not locate a VCA, we performed a search through their municipal code or county code of ordinances to determine if the agency required platforms to remit taxes.

A Survey of California's TOT Landscape

There are 483 total cities and 58 counties in the State of California. Of these, we were able to identify only a fraction that had set up TOT collection mechanisms directly with online short-term residential booking platforms–78 cities and 23 counties. Note that counties only have the authority to assess and collect TOT for unincorporated areas in their jurisdiction.

[17] Airbnb, Inc. (nd). Occupancy tax collection and remittance by Airbnb in California. Company website. Accessed September 17, 2026.
[18] VRBO. (nd). US (A-E): Where Vrbo collects and remits taxes and lodging taxes. Company website. Accessed September 17, 2026.

Figure 1 shows the distribution of VCAs and ordinances that regulate TOT remittance via the platforms. Note that agreements with either Airbnb or VRBO do not preclude agreements with their competitor; 20 cities and 11 counties had both.

Figure 1: Local Government Arrangements to Collect TOT, California



Chart: Created by the author. • Source: Author's analysis of public records and company websites. • Created with Datawrapper

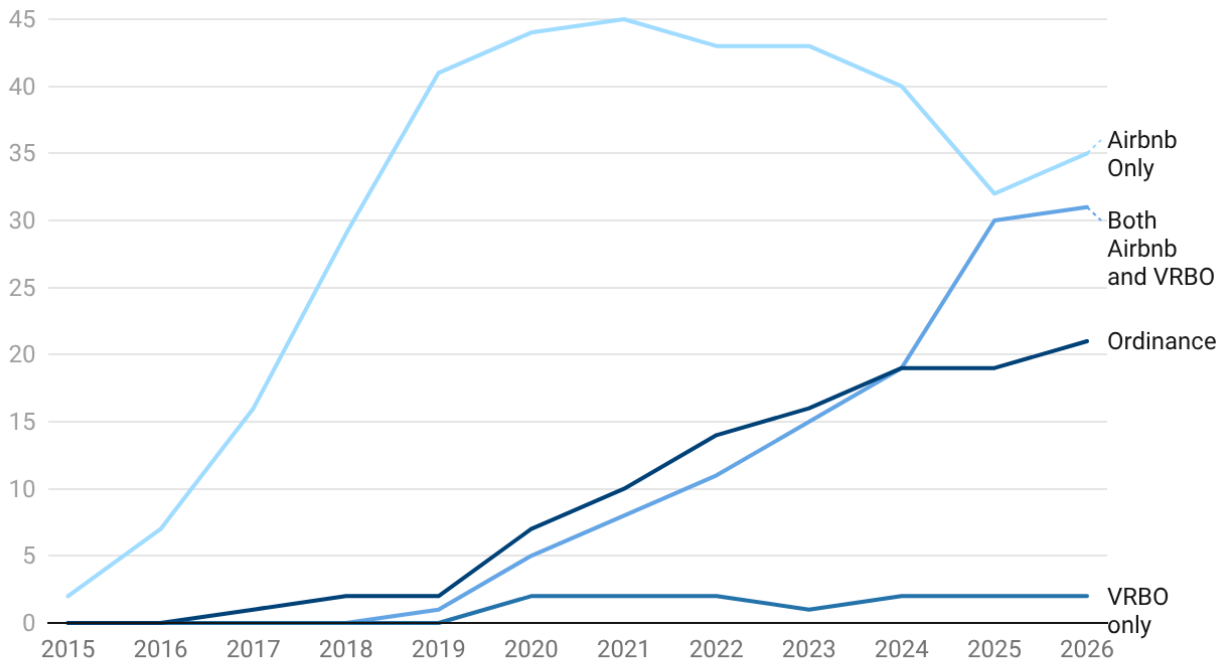
Nine of the ten largest California cities arranged solutions to collect TOT, excluding only Bakersfield. However, many smaller agencies also appear on this list as well. Big Bear Lake (pop. 5046)[19] was the smallest jurisdiction we located that had signed a VCA, holding such agreements with both Airbnb and VRBO.

Of particular note, Santa Barbara County and its municipalities seem to have avoided formalizing a TOT remittance structure via either VCAs or municipal ordinances. We identified only Goleta and Santa Barbara City as having done so. Goleta first explored a VCA but, in May of 2026, passed an ordinance requiring platforms to collect and remit TOT. On October 6, 2026, the City of Santa Barbara passed a municipal ordinance regulating STR activity, which included several terms compelling platforms to collect and remit TOT.

[19] US Census Bureau 2020 Decennial Census Table P1.

Trends Over Time

Figure 2: Total California Agencies With Each TOT Remittance Strategy Over Time



2026 up to October only.

Chart: Author. • Source: Author's analysis of public records and company websites. • Created with Datawrapper

Figure 2 shows trends in public agency choice over time. Airbnb was clearly an early entrant into the VCA gambit, signing many such deals between 2015 and 2018. Santa Monica passed its ordinance requiring platforms to collect and remit TOTs in 2017. The next year, as the ordinance was tied up in legal proceedings, VRBO also began to sign VCAs with local agencies throughout the state. In 2020, after the legal challenges to Santa Monica's ordinance were defeated in court, a number of local agencies began to pass legislation modeled to regulate STR platforms in light of the ruling. Post-ruling, Airbnb and VRBO continue to be active in signing VCAs with agencies throughout the state.

As the number of agencies either signing VCAs or opting for municipal regulation to centralize TOT collection continues to increase, a valid question poses itself: do these options even work? We turn now to our assessment of the outcomes of either practice.

Section III: Fiscal Impacts of Varying Strategies for Platform TOT Remittance

This section explores the fiscal impact of Transient Occupancy Tax (TOT) collection within a jurisdiction. What effect does a VCA have on the actual TOT revenues of a local agency? Are two VCAs better than one? And how do VCAs compare to regulating the platforms in ways that do not rely on voluntary cooperation?

See Appendix II for a discussion of the methodology we used in this section's analysis. Of particular note, sample sizes were small given this is a rapidly shifting area of the law and financial reporting generally lags by several fiscal years. This section does not purport to show any statistically significant relationship between TOT centralization and revenue outcome, and instead provides descriptive information of the current state of California local agencies. This analysis does adjust TOT revenues for inflation and changes in TOT rate; see Appendix II for further details.

Looking from 2014 to 2024, local agencies that either signed VCAs or regulated the platforms on average saw larger TOT increases than agencies that did not. For each category of municipality (no TOT arrangement; VCA with Airbnb only; VCA with Airbnb and VRBO; regulation), we measured the average percent change in controlled TOT between 2014 and 2024. We also measured the median percent change to avoid skewing from outliers. Finally, we calculated the percentage of all agencies within each group that showed a decrease in adjusted TOT revenues between the two benchmark years. Table 2 shows the results of this analysis.

Table 2: Descriptive statistics of percent change in adjusted TOT revenues for California cities, 2014 vs. 2024.

Group	n	Average Change in TOT revenues	Median Change in TOT revenues	Local TOT Rate	Percent of Agencies with a drop in TOT revenues
No VCA or ordinance	398	87%	25%	12%	21.4%
VCA w/Airbnb only	39	420%	46%	15%	25.6%
VCA with Airbnb & VRBO	6	325%	130%	12%	0%
Ordinance	7	117%	70%	10%	0%

The average percent change over this period for cities that did not address the TOT question was 87%, and the median was only 25%. 85 of these baseline cities (21.4%) saw a decrease in adjusted TOT revenues during this decade.

By contrast, the 39 cities that signed VCAs with only Airbnb on average fared much better. The average increase in adjusted TOT revenues was 420%, and the median was 46%, both substantially higher than the baseline agencies. Ten of these agencies (25.6%) saw a decrease in adjusted TOT revenues over this timeframe, however, roughly close to the percentage of such agencies in the baseline group.

The six agencies that had VCAs in place with both Airbnb and VRBO similarly fared better than those that did nothing. The average increase in adjusted TOT revenues was 325%, and the median was 130%. None of these cities had a negative percent change in adjusted TOT revenues; the lowest value was an increase of 47%.

The seven agencies that regulated platforms through local policies, rather than sign VCAs, similarly fared well compared to the baseline. The average percent change in adjusted TOT revenues was a 117% increase, and the median was a 70% increase. Again, no agency showed a negative percent change in adjusted TOT revenues; the lowest was a 4% increase. It should be noted that regulating STR activity to require remittance of TOT directly from platforms is often accompanied by restrictions on STR activity within the jurisdiction (see the recent bill by the City of Santa Barbara as one such example, which requires platforms to remit TOT but also

restricts STR activity overall). As such, in some cases total bookings might actually decrease as a result of STR regulation, which would in turn decrease the owed amount of TOT. Despite this possible issue, on average cities with STR regulation saw only increases in revenues in the cases we explored.

In short, for the vast majority of cities that took a proactive approach to collecting TOT via hosting platforms, whether through VCAs or through a legislative approach, the effort seems to have been worthwhile. While sample sizes are too small to make assessments on the overall validity of either approach, both approaches seem to mostly correlate with an improvement in TOT collection by a local agency.

This leaves the remaining question of what differences arise between VCAs and municipal regulation. We turn first, in the following section, to an examination of the contents of California VCAs. In the final section, we discuss the powers afforded under California law to local agencies seeking to regulate STR platforms via the ordinance channel.

Section IV: Voluntary Collection Agreement Contents

Even as Airbnb signed its first voluntary collection agreements (VCAs), critics noted that the agreements posed potential challenges for cooperating local officials. A report by the former Director of the Montana Department of Revenue (financed by the American Hotel and Lodging Association, admittedly hardly a neutral party in the question of regulating short-term rental (STR) platforms) examined in detail 12 VCAs from across the US. All of those agreements permitted Airbnb to remit TOT to the signatory municipality in a periodic lump sum. In addition, the examined VCAs put auditing of TOT revenues[20] on a property-by-property basis in the hands of the platform rather than the municipality itself, allowing the municipality to audit the platform for TOT compliance only using aggregated data.[21] In short, Airbnb declined to disclose actual data on individual bookings within the signatory jurisdiction's territory in any of these early VCAs. By 2020, regulators in several states were becoming increasingly convinced that Airbnb was not remitting all appropriate TOTs to local jurisdictions.[22] This question of data transparency continues to haunt VCAs.

We were able to locate 73 VCAs between California agencies and hosting platforms (51 with Airbnb and 22 with VRBO/HomeAway), including both cities and counties, by submitting Public Records Act (PRA) requests and reviewing city council and county board of supervisors archives. We reviewed these for auditing restrictions, data transparency, and remittance of TOT and/or

[20] Or the appropriate local overnight accommodations tax, depending on the state in question.
[21] Bucks, D. (2017). *Airbnb Agreements with State and Local Tax Agencies.* White paper.
[22] Bologna, M. (2020). Airbnb targeted by states suspecting tax collection shortfalls. *Bloomberg Tax.* March 24.

other collected taxes from the platform to the signatory municipality. Table 3 shows the results of this review.

Table 3: Review of California Voluntary Collection Agreements

Clause	Airbnb (51 total)	VRBO/HomeAway (22 Total)
Hosts remain anonymous/ platform will not identify host to municipality	98% (50)	100% (22)
Host exempt from audit/ municipality agrees not to audit any individual for bookings via the platform	55% (28)	82% (18)
All audits and agreements to be kept confidential from the public	0% (0)	100% (22)
Remittance of TOT to the agency in accordance with agency rules rather than platform practice	16% (8)	41% (9)

Airbnb has signed far more VCAs in California than its competitor. Although these VCAs varied substantially in content, one thing was clear in every contract we reviewed except for one–Airbnb and the agency agreed that any data provided to the agency would be done on an anonymized basis without individually identifying information about specific properties. This clause effectively limits agency access to data concerning the quantity or cost of bookings within its jurisdiction–an agency would never know who was leasing property within its jurisdiction, on what terms, and how often. For example, one Airbnb VCA includes the following clause:

> *(H) The Taxing Jurisdiction agrees to audit Airbnb on an anonymized transaction basis for Taxable Booking Transactions. Except as otherwise agreed herein, Airbnb shall not be required to produce any personally identifiable information relating to any Host or Guest or relating to any Taxable Booking Transaction without binding legal process served only after completion of an audit by the Taxing Jurisdiction of Airbnb with respect to such*

> *users. The parties agree to utilize appropriate sampling methodologies based on a standard sample period which may be projected against the remainder of any periods open under the applicable statute of limitations, unless Airbnb elects, at its sole discretion, to undergo further audit of such open periods by the Taxing Jurisdiction.*
>
> – Clause from a 2019 VCA between Airbnb and a California agency

Clauses like this one effectively withhold data on economic activity within an agency's jurisdiction in a way not typically afforded to hotels, which have to account for the number of nights rented. Indeed, most VCAs we reviewed went a step further. Of the 51 Airbnb VCAs, in just over half of them (56%), the signatory agency agreed that it would not audit any individual lessor utilizing the Airbnb platform for any bookings made via the platform for the duration of the agreement. This clause effectively insulates the property owner from any kind of oversight for this activity. Clauses like these represent a municipality voluntarily agreeing to suspend its police power for certain types of economic activity within its boundaries. One such clause from a California VCA reads:

> *(F) During any period in which this Agreement is in effect, and Airbnb is not in breach of its obligations under this Agreement, then with respect to Booking Transactions covered by this Agreement, the Office of Revenue Collection shall audit Airbnb on the basis of TOT returns and supporting documentation filed by Airbnb with the Office of Revenue Collection and shall not directly or indirectly audit any individual Guest of Host relating to such Booking Transactions unless and until an audit of Airbnb by the Office of Revenue Collection has been exhausted with the matter unresolved.*
>
> – Clause from a 2015 VCA between Airbnb and a California agency

In theory, during a complete audit of a short-term lessor, the agency could match up all transactions (both those based on platforms and those not) with specific rentals. However, the VCA ensures this would be incredibly challenging for hosts that operate both on- and off-platform (or on multiple platforms).

In all but eight of the 51 agreements, the agency agreed to allow Airbnb to aggregate TOT remissions rather than provide line-item property-by-property accounting of collected TOT tax revenues. In the final eight cases, Airbnb stipulated to follow local reporting laws, but it is

unclear if a line-by-line accounting would be required in any of the underlying circumstances. One clause discussing the aggregated TOT remittance process reads:

> *(C) Airbnb agrees reasonably to report aggregate information on the tax return form prescribed by the Taxing Jurisdiction, including an aggregate of gross receipts, exemptions and adjustments, and taxable receipts of all TOT that is subject to the provisions of this Agreement. Airbnb shall remit all TOT collected from Guests in accordance with this Agreement and Airbnb's Terms of Service (www.airbnb.com) (the "**TOS**") in the time and manner described in the Code or as otherwise agreed to in writing.*
>
> – Clause from a 2018 VCA between Airbnb and a California agency

VRBO's VCAs were substantially more uniform than Airbnb's, though variations in language did appear. Importantly, much like Airbnb, VRBO also went to great lengths to ensure lessor anonymity and preserve the platform's data from disclosure. In every VRBO agreement we reviewed, the VCA included a clause explicitly stating that VRBO would never disclose lessor identity or physical address (though some created exemptions for subpoenas or other contingencies). In most cases (18 of the 22 agreements), this language was coupled with language exempting individual lessors from audits by the agency for VRBO-related TOT obligations. One such clause reads:

> *5. During any period in which this Agreement is in effect, and without waiving any audit rights provided to the City, with respect to any transaction for which TOT and/or XTMD[23] is due and paid pursuant to this Agreement, the City agrees to audit HomeAway in the manner provided in the TOT and XTMD, except that: (a) HomeAway will not be required on the basis of this Agreement to disclose the Homeowner or Guest name or property address at issue; and (b) the City shall not, directly or indirectly, audit any individual Guest of Homeowner relating to such. Nothing in this paragraph prevents the City from auditing an individual who (or entity that) happens to be a Homeowner based upon transactions that the City learns of independently.*
>
> – Clause from a 2019 VCA between VRBO/HomeAway and a California agency

[23] XTMD substituted for an identifying tourism district name.

In addition to protecting lessor personal information, VRBO went beyond Airbnb in specifying the privacy of its data in relation to its activities within the boundaries of signatory agencies. In every VRBO VCA we reviewed, the agency stipulated to keep all information related to the agreement, collected taxes, or audits private (though again in some cases, language was added to specify except as required by law or court order). One such clause reads:

> *10. Any and all tax returns, data, records, documents or information, including property address information, provided to the County in connection with this Agreement, including but not limited to any audit, shall be deemed confidential and shall not be shared with any third party, including but not limited to any other government agency or any other jurisdiction and shall not be used for any purpose other than for enforcement of the Taxes.*
>
> – Clause from a 2019 VCA between VRBO/HomeAway and a California agency

In short, regardless of the signatory platform, VCA agreements substantially bind the signatory agency's access to data for the duration of the accord, often with little recourse to independent verification of proper TOT remission. Provisions of the VCA that mask individual tax payers, or even bind the city from auditing them, could certainly complicate matters for an agency seeking to ensure full compliance with local tax laws. In some cases, signatory municipalities agree to never disclose any information about the agreements or their enforcement activity whatsoever. In exchange, an agency gains ease of collecting TOT into a single source.

Section V: California's Legal Landscape for Platform Regulation

As discussed in Section IV, voluntary collection agreements (VCAs) largely prioritize siloing booking information data in the hosting platform. The vast majority of the California VCAs we reviewed contained clauses that restricted signatory agencies' access to data underlying booking activity. The limitations in data access can pose substantial challenges to local agencies seeking to ensure hosts are remitting the correct amount of Transient Occupancy Tax (TOT) due from the short-term rental (STR) operators to the agency.

Historically, platforms have been very reluctant to share their data with local governments, citing federal law as their reasoning. In *HomeAway.com Inc. v. City of Santa Monica*, HomeAway (the parent company of VRBO) argued that Santa Monica's 2017 homesharing ordinance requirement for the platform to disclose the names, addresses, dates, and price of any bookings falling within Santa Monica's jurisdiction to the city constituted a violation of Section 230 of the

Communications Decency Act of 1996 (CDA).[24] Section 230 of the CDA provides some immunity to online platforms for the content they display when that content is user-generated. Courts have broadly found that Section 230 often prevents liability for content providers for third-party information.[25] The Ninth Circuit Court of Appeals soundly rejected this argument in 2019, however, ruling that local agencies could in fact require platforms to disclose data about bookings that they handle directly.[26]

In 2025, California lawmakers codified this ruling into the state's law with SB 346. The law defines a new category of legal entity, the "short-term rental facilitator," as anyone assisting a lessor to rent out their property via a marketplace, including websites or other online forums, emphasizing that payment processing in particular constitutes being a STR facilitator. Further, California local governments are now explicitly permitted under state law to request that STR facilitators (like hosting platforms) provide the following data to the agency, in "the form and manner prescribed by the local agency":

- Physical address of any rental
- Assessor Parcel Number (APN) of any rental
- The URL for the rental
- Identification of the built structures on the parcel

The law does not seemingly require the disclosure of the owner's name, but as each APN has a unique owner recorded at the county level, matching would be simple.

SB 346 allows agencies to assess fines when a STR facilitator fails to provide this information either on demand (up to four times a year) or on a schedule laid out in the municipal code. The law explicitly allows for auditing of the records of the STR facilitator if the facilitator is responsible for collecting and remitting TOT pursuant to either a VCA or municipal regulation.

Finally, the law requires STR facilitators to include relevant information about license numbers or TOT certifications issued by local agencies with the booking itself.[27]

The powers granted to local governments by SB 346 seemingly counter several clauses typical of VCAs we reviewed (see Section IV of this report). However, SB 346 leaves the extent and manner of requesting information solely in the hands of the local authorities, who can tailor their ordinances with local preferences and needs, and do not need to take advantage of all of the powers afforded to them under the law.

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[24] Compl. §4, *HomeAway Inc. v. City of Santa Monica*, No. 2:16-cv-06641-ODW-AFM (Fed. 9th Cir. Sep. 2, 2016).
[25] Congressional Research Service. (2024). *Section 230: An Overview*. Government report no. R46751. January 4.
[26] *HomeAway Inc. and Airbnb Inc. v. City of Santa Monica*, 918 F.3d 676 (9th Cir. 2019).
[27] Local agencies: Transient Occupancy Taxes: short-term rental facilitator, California Senate Bill No. 346 (2025-2026), Chapter 751 [2025].

The City of Santa Barbara updated their STR policy in early October 2026. As a part of this overhaul, the city may take advantage of the powers granted both by state-level policymakers in SB 346 and approved by the Ninth Circuit federal appeals court in *HomeAway v. Santa Monica.* Specifically, the city will require monthly TOT payments made directly from platforms to the city, and have the power to demand from the platforms data with line-item information about specific listed properties and their respective revenues.

Conclusion

Whether local policymakers decide to approve short-term rentals (STR) within their boundaries is a complex decision, with effects potentially spilling into multiple areas of civic concern. This report looks at just one area–impact on tax revenues. At least some agencies in Santa Barbara County have not been collecting the full amount of owed TOT from local STR operators. Many cities and counties have faced the same issues and have attempted to centralize TOT collection and remittance via listing platforms, either through voluntary agreements with the platforms or via policy. Initial examination of fiscal data from California indicates that either option shows promise for improving TOT collection. However, data transparency issues vary substantially depending on the selected TOT remittance channel, and should be of particular note to policymakers as they weigh solutions to the problem of TOT collection from STR platforms.

Appendix I: Methodology for TOT Projections, Section I

To assess likely short-term rental (STR) activity and project possible owed Transient Occupancy Tax (TOT), we primarily relied on data from AirDNA, an online database of STR activity. AirDNA uses data from over 35,000 hosts and data from hosting platforms collected through webscraping technology to closely monitor and predict trends and patterns in the STR market. We relied on several data points for the Santa Barbara market, aggregated by month. These include the number of unique listings, the number of nights actually booked, the average nightly revenue per booking, and the monthly occupancy rate. AirDNA provides both county-level data and data by 'submarket': sub-county-level regions defined by the platform. It also allows users to designate their own submarkets using a GIS interface. Our goal was to estimate expected TOT revenues generated by STR markets in specific Santa Barbara municipalities, as well as the remaining unincorporated areas of Santa Barbara County.

The AirDNA platform includes submarkets for sub-regional analysis, but these do not neatly align with the county's specific municipalities. Using the user-defined tool, we isolated Santa Barbara County's seven municipal boundaries by tracking along roads and natural boundaries in each city's planning department maps. For each of these seven areas, we downloaded data for one specific fiscal year running from July 2025 to June 2026, chosen because it was the most recent fiscal year aligning with the same time period used by most California cities. The first dataset we downloaded was the number of 'Listing Nights Booked,' which AirDNA defines as 'the total number of nights guests stayed in this market.'[28] We also downloaded the 'Average Daily Rate' dataset, defined as 'the average nightly revenue earned by hosts each month.'[29] By multiplying the number of booked nights by the average daily rate in any given month, we get the total revenues for the submarket in that month. We then summed these monthly values for the annual total. We then took countywide data, which included both cities and unincorporated areas. By subtracting the known number of bookings and the known revenue from the total for the county, we were left with the values for the remainder of the county lying outside of any specific city's jurisdiction. For each, we multiplied the revenues by the local agency's TOT rate to provide an estimate of what TOT should have been for the STR market during that fiscal year, assuming the AirDNA data were accurate. Note that, although average bookings per month vary widely month by month with the tourism trade, by analyzing on a monthly basis we were able to provide the best possible estimate for the year.

[28] AirDNA Team. (2026). Booking demand: how does demand change over time? Company website. March 30. Accessed September 25, 2026.
[29] AirDNA Team. (2026). Average daily rate. Company website. March 25. Accessed September 25, 2026.

Appendix II: Methodology for TOT revenue analysis, Section III

For this section, we reviewed TOT revenue data from the California State Controller, which publicizes local government financial data for most types of local agencies, including both cities and counties.[30] Unfortunately, a year-by-year analysis poses challenges. Many voluntary collection agreements (VCAs) were signed either right before or during the COVID-19 crisis, which notably had a particularly negative effect on the hospitality and tourism sector.[31] We picked two years as our benchmarks for analysis–fiscal year 2023-2024, the latest year available and falling well past the worst of the pandemic, and 2013-2014, ten years prior and before Airbnb had inked its first VCA, but falling neatly between the Great Recession crisis and the pandemic. Note that TOT revenues include both TOT collected from hotels and from homeshares–these values are for all revenues, not just homesharing revenues. Nonetheless, if a VCA or municipal ordinance goes into effect, and if they work, we would expect to see an increase in TOT revenues for the affected agencies.

For every city and county in California, we took 2014 TOT revenues and adjusted them from nominal dollars into real 2024 dollars to control for inflation, using Consumer Price Index values from the Federal Reserve Bank of Minneapolis.[32] We also wanted to control for variances in TOT rates. Using data provided by another California State Controller dataset,[33] we controlled for these rates by dividing the TOT revenue for each year by the respective local TOT tax rate. Any agencies that did not appear in both benchmark years for either the Controller dataset were excluded from our analysis. We then calculated a percent change between the 2014 and 2024 values to assess if TOTs increased or decreased during this time period.

In all, our analysis looked at a total of 450 cities and counties in California, none of which had either regulation or VCAs signed in 2014. By 2024, 39 had VCAs with Airbnb alone, 6 with both Airbnb and VRBO, and 7 had passed regulation compelling TOT collection and remittance, leaving a balance of 398 agencies for a baseline analysis.[34]

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[30] California State Controller's Office. (nd). California State Controller's Office Local Government Financial Data. Government datasets. Accessed September 18, 2026.
[31] Huang, A., E. De la Mora Velasco, J. Marsh, H. Workman. COVID-19 and the future of work in the hospitality industry. *International Journal of Hospitality Management* 97.
[32] Federal Reserve Bank of Minneapolis. (nd). Consumer Price Index, 1913-. Government dataset. Accessed September 18, 2026.
[33] California State Controller's Office. (nd). Frequently Requested Information. City Transient Occupancy Tax, Fiscal Years 2017 to 2024 and County Transient Occupancy Tax, Fiscal Years 2017 to 2024 used. Accessed September 18, 2026. For 2014 values, we used the Wayback Machine Internet Archive to access an earlier version of this webpage and download data for fiscal year 2013-14.
[34] No cities with available data had solely signed agreements with VRBO.

While we controlled for inflation and variations in TOT rates, many factors go into TOT revenues. This could include the changing desirability of the locality for tourists, the diligence of the agency in auditing and collecting TOT, and the presence of large special events attracting many outside participants (such as the World Cup or a Taylor Swift concert). Finally, in small or rural agencies with a limited number of formal hotels, the opening or closure of a new hotel property could cause TOT revenues to fluctuate substantially.

In addition, this study does not prove statistical significance of any correlation due to the small sample size from the treatment groups (i.e., municipalities which regulated TOT remittance via VCA or ordinance). By 2024, relatively few cities had passed regulations to compel hosting platforms to collect and remit TOT. Even fewer had signed agreements with both platforms or solely with VRBO. In the future, with a wider range of years, a more detailed panel difference-in-difference statistical analysis might provide deeper insight into the exact effects of these policies once larger sample sizes are available.

Given these challenges in the data, the following should be considered a rough-and-ready assessment of the value of VCAs or regulation using descriptive statistics, rather than a detailed statistical analysis of outcomes.

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