Modernizing Michigan's Marketplace Facilitator Tax: House Bill 5139 (Substitute)

Michigan's current Market Facilitator statute excludes accommodation providers, so unlike other online marketplaces, short-term rental (STR) platforms are not treated as the seller responsible for collecting and remitting taxes. As a result, tax collection responsibilities for STR bookings vary across platforms and hosts. By making platforms directly responsible, HB 5139 standardizes tax collection procedures for bookings through platforms without affecting independent STR hosts or hotels.

What This Bill Does

- **Requires Platforms to Collect 100% of Taxes:** Eliminates a carveout for hosts registered to collect their own sales taxes, which has prevented online platforms and other marketplace facilitators from collecting Michigan state lodging taxes in the past.

- **Does not impact hotel taxing:** The bill only covers platform-facilitated residential and short-term rental listings. Hotel collection responsibility is left in place as is.

What is Included in the Substitute

- **Separates HB 5139 from the broader package:** The substitute breaks the Tie-bar that would require passage of HB 5138 and HB 5140 before HB 5139 could take effect.

Why These Provisions Are Beneficial

- **Reduces compliance burden on hosts:** Instead of tax collection and reporting falling to individual hosts, online booking platforms will handle these responsibilities uniformly. Hosts that operate independently of platforms will face no change in their tax collection process.

- **Standardizes tax collection for short-term rentals:** By eliminating confusion about the lodging carveout, this bill would give online platforms the needed clarity to collect taxes on each transaction without needing to confirm the status of a host's sales tax registration each time. This will not only create clarity but likely lead to greater tax revenue for the state and localities.

Bottom Line: This bill, as substituted, updates Michigan's accommodations tax code to streamline collections at the platform level and create certainty for both online platforms and hosts.

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