



Tuesday, July 12, 2005

B&Bs, Vacation Rentals Covered By Tax Code

Regarding the July 5 letter with suggestions about short-term vacation rentals and bed-and-breakfast operations in single-family residential-zoned properties: Those are not well-thought-out ideas.

Most of the suggestions are for adding laws and rules for things that are already covered by the Internal Revenue Tax Code and other laws. What is missing is a local law allowing homeowners to rent out their homes as they see fit.

First, income-producing property is taxed like a business when you do your federal taxes. The IRS also has strict rules about capital gains and what constitutes owner-occupied time versus renter-occupied time. So of course you can't claim a capital gains tax exemption if you don't meet the requirements.

Second, all businesses already must keep books. Again, the IRS is watching. And some of the "regulations" that were suggested to be followed don't apply to a small business.

Last, as to having increased property tax revenue go toward reducing the taxes of single-family occupied properties, that is just silly. Increased taxes should be used to make the community better. Look at how Virginia Beach is run. It has great roads, wonderful services for the year-round residents and well-maintained beaches. The increased revenue it uses comes from the tax levied on each rental, about 11 percent.

If short-term vacation rentals and B&Bs were legalized, there would be a nice source of income for Honolulu. All you have to do is go on the Internet and search for "Hawai'i vacation homes" and you will find many unlicensed rentals. There is a great income source being overlooked.

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