World Equestrian Games Bring Tourists (and Transient Tax?)

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With the Alltech FEI World Equestrian Games coming to Lexington in September of 2010, masses of spectators will likely descend upon the Commonwealth in record number. Local hotels and inns will thrive, but at some point they will almost certainly reach maximum occupancy, and the prospect of cashing in on this problem has come to the attention of local homeowners. Many Lexington residents are willing to rent out their homes to the city’s newest visitors—for a healthy fee, of course. But things may not be so simple.

As of this writing, Lexington officials are engaged in research and deliberation regarding state and municipal laws that may present obstacles to the would-be temporary lessors. Linda Blackford, WEG rentals might face hurdles, LEXINGTON HERALD LEADER, available at http://www.kentucky.com/news/local/story/894703.html. From zoning laws to health department rules, these rentals may be subject to the same legal standards as full-sized hotels. Particularly complex and noteworthy, however, is the potential for tax liability.

Established by the Kentucky Code, there exists a “special transient room tax” that may be levied by
an urban-county government upon "all persons, companies, corporations, or other like or similar persons, groups, or organizations doing business as motor courts, motels, hotels, inns, or like or similar accommodations businesses." Ky. Rev. Stat. Ann. § 91A.390(1) (West 2008). Money collected from this tax are for the benefit of tourist and convention commissions under the theory that hotels, motels, inns, etc. all benefit from the use of this revenue. Lexington v. Motel Developers, Inc., 465 S.W.2d 253, 254 (Ky. 1971).

The amount of the tax is initially restricted to no more than three percent (3%) of the rental price, though additional taxes may be applied dependant upon factors too complicated and numerous to discuss here. Ky. Rev. Stat. Ann. § 91A.390 (West 2008).

This all adds up to substantial source of confusion for those wishing to rent out their homes, as well as for Lexington officials who must research and clarify the issue. Will local homeowners be taxed like hotels? Or, will the state provide for an exemption? The answers to these and related questions stand to have a substantial impact on the atmosphere surrounding the World Equestrian Games.