



Short-Term Rental Regulation Act: What Local Governments Need to Know

Mallory E. Reader

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A group of Democrats in the Michigan House of Representatives recently introduced a package of bills addressing tourism, lodging, and short-term rentals. One of the most notable bills introduced is House Bill 5438: the Short-Term Rental Regulation Act. If enacted, the Act would impact not only short-term rentals but also local governments. Here's what local government leaders need to know.

Short-Term Rental Database

Under the proposed Act, the Department of Licensing and Regulatory Affairs (LARA) would create a short-term rental database. Each year, short-term rental owners would be required to file a certificate with LARA that includes the following information:

- The name and address of the owner.
- The address of the short-term rental.
- A certificate showing that the owner has \$1 million liability insurance coverage for the short-term rental.
- Emergency contact information for the short-term rental. The emergency contact person must reside within 30 miles of the short-term rental.

Upon request, LARA would provide this information to local governments. LARA would also provide a report on all complaints filed against the owner of the short-term rental for violations of the Act.

Requirements for Short-Term Rental Owners

The Act would also require short-term rental owners statewide to do all of the following:

- Maintain liability insurance of \$1 million for each short-term rental, unless the hosting platform (such as Airbnb or VRBO) maintains equal or greater coverage.

AUTHORS/ CONTRIBUTORS

Mallory E. Reader

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- Post in every room of the short-term rental the owner's emergency contact information, local emergency services information, and a floor plan with an escape route.
- Provide a carbon monoxide detector, smoke detector, and fire extinguisher in each bedroom.

Short-Term Rental Excise Tax and Fines

The Act would impose a new short-term rental excise tax on all short-term rentals that are rented for more than 14 days per year. The rate of the tax would be 6% of the occupancy charge. Proceeds from the tax would be distributed as follows:

- The lesser of 1% or \$1 million to LARA and the State Treasury for administration of the Act.
- The remaining proceeds to the local government where the tax is paid.

Not only would local governments receive tax revenues from the Act, but they would also receive payments for fines charged for violations. Owners who violate the Act would be liable for a civil fine of up to \$1,000 per violation, and hosting platforms would be liable for up to \$5,000 per violation.

Local Ordinances

One notable provision of the Act is the prohibition on hosting platforms facilitating bookings for short-term rentals that have not received a valid permit, license, or registration—if required by the local government. Additionally, local governments are expressly allowed to enact and enforce reasonable regulations and uphold zoning decisions for short-term rentals that do any of the following:

- Safeguard the public health, safety and welfare;
- Determine the number of short-term rental units permitted;
- Establish a process to reduce or expand the number of short-term rental units permitted; and
- Establish a process to revoke a permit for a short-term rental.

If the Act becomes law, it would prohibit local governments from enacting or enforcing any ordinance, rule, or regulation that has the effect of totally banning short-term rentals.

Next Steps

House Bill 5438, which contains the Act, was just introduced in February, so it has a long way to go before possibly becoming state law. You can follow its progress [here](#).

Also, House Bill 5438 is tie barred to House Bills 5437, 5439, 5440, 5441, 5442, 5443, 5444, 5445, and 5446. That means that even if both the House and the Senate pass House Bill 5438, it will not actually become law until and unless each of those other bills are also approved by both chambers.

If your local government has questions about the Act, or is looking for ways to either support or oppose its passage, contact the Foster Swift Municipal team.