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Our view

Airbnb sees light; some cities, states still in the dark

Staff *San Francisco Business Times*

Part of growing up is learning how to settle disagreements amicably. By that yardstick, it's clear that the sharing economy — most notably Airbnb — is growing up.

Frankly, it's about time. We've been (and remain) big fans of the sharing economy. But the San Francisco-based app-enabled lodging service's attitude toward basic regulation and taxation until now has been difficult to defend, and could best be characterized as youthful defiance: We don't like your old-economy laws and taxes, and we're not going to follow or pay them.

Perhaps not surprisingly, such an attitude has caused problems — not least for Airbnb, which has found itself at near-continuous loggerheads with local officialdom in cities that are crucial to growing its business.

So it was notable last week that an element of maturity seems to have arrived within Airbnb: The company said it is willing to start collecting existing hotel taxes in San Francisco and New York. While it's fair to point out those are only two of the 34,000 cities for which Airbnb lists properties, they are probably its biggest two. It's hard to see how it will be able to resist tax demands from other cities once it starts paying San Francisco and New York.

It had become clear that the tax problem was not going to go away. Resistance was ultimately futile because, legally, the company didn't have a leg to stand on.

Where the maturity came in was in realizing that solving the tax issue was in the company's own best, long-term interest. It builds up goodwill in resolving some of the other, more bothersome regulatory issues that stand in its way, ones on which Airbnb can make a better case. (San Francisco's thoroughly hidebound rules restricting short-term rentals are a good case in point.) Long-term, Airbnb has much to gain and little to lose by being both on the right side of the law and the good side of its regulators.

Alas, if only it were that simple. For at nearly the same time Airbnb announced its willingness to start collecting tax, New York officials said they wished to begin collecting something else: all of Airbnb's customer records from the state, ostensibly to pore through them in pursuit of property owners who may owe taxes.

Airbnb is resisting this incredibly broad, astoundingly privacy-deaf subpoena, but it serves to show that when it comes to the sharing economy, some governments haven't gotten the memo: that sharing economy companies are mushrooming — spawning companies and creating jobs as they go — because they answer a need in the market. It's in the public interest, and cities' economic interest, to encourage them.

For every San Francisco, which is in fits and starts working on ways to accommodate sharing economy companies, there remain others (in this case New York) that find it more comfortingly familiar to try to snuff them out. Some governments have made a dedicated effort to change their spots, the **California Public Utilities Commission** being a case in point. Others show no interest in even trying: **San Francisco International Airport** has given no indication of abandoning its battle against ride-sharing, which reached a ridiculous extreme this summer when airport employees were instructed to make citizen's arrests of ridesharing drivers.

To turn the old cigarette commercial on its head, sometimes it's better to switch than fight. In recognizing that, Airbnb left the corporate kids' table and joined the ranks of the grownups. A few governments could usefully follow its example.