THINKING OF
RENTING OUT YOUR PROPERTY
FOR OVERNIGHT STAYS?

Protect yourself by knowing Wisconsin's laws for short term rentals.

a collaboration of:
League of Wisconsin Municipalities
Wisconsin Counties Association
Wisconsin Department of Agriculture, Trade and Consumer Protection
Wisconsin Hotel & Lodging Association
Wisconsin Insurance Alliance

KNOWLEDGE IS THE KEY

Owners thinking of renting out a room, home, second home, investment property, cabin or basically any structure for overnight stays to the general public for a fee may not be aware of what they must do, by law, or what they may want to do to protect themselves, their property, and the guests paying to stay there. Each state is different in how such rentals are regulated, which makes it confusing for owners just wanting to start selling overnight stays at their property.

This guide offers the basics of what an owner needs to know before starting to rent out their property to the public, and the summaries are provided by a collaboration of experts in each facet of the rental operation, to ensure you know and can comply with various laws, and that you can take appropriate steps to avoid surprises for you or your guests that can have measurable safety or financial consequences. Each component provides references to further, more in depth information for you to explore. It is not intended as a comprehensive guide listing every consideration that may arise, but provides the highlights and entry level basics.

Every owner should review this guide when considering renting out their property for overnight stays, as knowledge is the key to protecting your investments.

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COMPLYING WITH MUNICIPAL LAWS

So, you have decided to become a short term rental landlord. All you need to do now is clean up the place, advertise and wait for the rental requests to roll in right?

Wrong.

Before you start to do any of those things, you must first make sure your short-term rental idea is legal in your community and what you need to do to keep it legal. This requires getting some answers to some critical questions:

- Do you have the right zoning for short-term rental?
- Does your community have a room tax ordinance?
- Are there different building code requirements for a property engaged in commercial activity in your community?

These are just a few questions that must be asked and answered before you start renting. In some smaller communities, one person at the village or city hall, might be able answer all of the relevant questions. In others, you may have to talk to several different officials. However, in most communities whether large or small, the best place to start is with your city or village clerk. If you live in an unincorporated area, you should check with your county land use department.

LICENSING FOR PUBLIC LODGING

The Wisconsin Department of Agriculture, Trade and Consumer Protection (DATCP) requires all lodging facilities in Wisconsin to hold a current license.

What counts as a lodging facility?

DATCP has several definitions for types of lodging facilities. They include:

- Hotel - A hotel is defined as "a place where sleeping accommodations are offered for pay to transients, in 5 or more rooms, and all related rooms, buildings and areas."
- Motel - Means the same as a Hotel except that guest parking is provided on premise as part of the room charge.
- Tourist Rooming House (TRH) - A TRH is defined as "all lodging places and tourist cabins and cottages, other than hotels and motels, in which sleeping accommodations are offered for pay to tourists or transients."
- Bed and Breakfast (B&B) – A B&B is defined as "any place of lodging that provides 8 or fewer rooms for rent to no more than a total of 20 tourists or other transients for more than 10 nights in a 12 month period, is the owner's personal residence, is occupied by the owner at time of rental, and in which the only meal served to guests is breakfast."

These definitions mention tourists or transients. DATCP has defined a tourist or transient as "a person who travels to a location away from his or her permanent address for a short period of time for vacation, pleasure, recreation, culture, business or employment." Notice that in the definition for tourists or transients a person has to be away from his or her permanent address in order to meet the definition. It does not matter if the tourist or transient is there for the season, the month, a week, a day or less. If it is rented to a tourist or transient, it will require a license.

Lodging facilities come in many forms. Common examples of lodging facilities requiring a DATCP license include: hotels, motels, B&B's, row houses, cabins, cottages, lodges, homes, condos or rental rooms located above a business.

Where do I begin?

Begin the process by contacting a DATCP licensing specialist. They will walk you through the process and help you determine the best license for your lodging operation. They can provide you with an information packet that will guide you through the licensing process. You can contact them by sending an e-mail to datcpdfslicensing@wisconsin.gov or by calling 608/224-4923. After you submit a license application, a Sanitarian will be assigned to your business. The Sanitarian is the inspector responsible for approving your lodging license. They assure that the lodging operation meets health and safety requirements.

Once you know who your Sanitarian is, arrange a time to meet with the Sanitarian at your facility. This arranged meeting is called a Pre-Licensing Inspection. During this inspection your Sanitarian will share with you the applicable code requirements that your structure must meet.

Depending on the type of structure, some of the common items of public health concern may include:

Proper building exits/escapes	Directions of escape	Facility cleanliness
Door locks	Proper linen and towel handling	Size of sleeping rooms
Proper disposal of garbage/solid waste	Proper wastewater disposal (black and gray water)	A recent water test report for private wells (bacteriologically safe)
Fire extinguisher number and placement, fire alarm systems	Smoke/carbon monoxide detector number and placement	Ventilation and combustion air for fuel fired appliances like furnaces, boilers, fireplaces, water heaters & dryers

COLLECTING & REMITTING STATE, COUNTY AND LOCAL TAXES

The Wisconsin Department of Revenue has issued public guidance on its website clarifying that the imposition of state sales tax and local room tax on the rental of overnight lodging applies, with the exception of annual sales of less than $1,000: https://www.revenue.wi.gov/taxpro/news/2016/160125.html

It specifically states "Homeowners or other individuals who make rooms or lodging available to the public for periods less than one month, must report and pay Wisconsin sales tax on such rentals. This includes the short-term rental of a home, room, apartment, cabin, inn, motel, or any other building in which accommodations are made available to the public."

Wisconsin Statute 66.0615 provides the authority and requirements for a ***municipal room tax***. If a Wisconsin municipality has imposed a local room tax, it is imposed "on the privilege of **furnishing, at retail**, except sales for resale, **rooms or lodging to transients** by hotelkeepers, motel operators **and other persons furnishing accommodations that are available to the public.**" View the complete statute here: https://docs.legis.wisconsin.gov/statutes/statutes/66/VI/0615

Federal Income Tax from Renting Residential & Vacation Property

The Internal Revenue Service (IRS) has issued a summary page relating to Renting Residential and Vacation Property where they address the treatment of Rental Income. For their complete statement and their links to further, more extensive guides, such as IRS Publication 527 Residential Rental Property (Including Rental of Vacation Homes), go to https://www.irs.gov/taxtopics/tc415.html.

PROPERTY RISKS, LIABILITY & OBTAINING INSURANCE COVERAGE

If you are considering renting out your home, your guest room or even your couch your first step should be to **contact your insurance professional**. Online platforms for renting your property to the public for overnight stays, such as Airbnb, can be a great way to bring in extra money and are increasingly popular; however, they can also leave you financially vulnerable. If your renter starts a fire and damages your property or is hurt while renting your home, will you be protected?
Before embarking on a home or property rental financial arrangement, call your insurance professional and get their advice. In general, if you are only planning to rent your home out for a single occasion, many insurance companies will extend your coverage to the renter. **The one caveat is that the insurer must be notified ahead of time.**

It is not unusual for someone to rent out their home or part of it for a major event when there may not be enough hotel space available in the area. Many insurance companies take this situation into account when creating a homeowners or renters policy; other insurance companies may require the purchase of an endorsement to the policy to provide broader coverage for the renters in your home.

If you plan to rent out all or part of your home on a regular basis, many companies will consider this a business use. Standard homeowners and renters insurance policies are designed for personal risks, not commercial risks. In this case you will need to purchase a business policy—specifically either a hotel or a bed & breakfast policy. Some companies offer a home-sharing liability insurance policy that can be purchased on a month-to-month basis, but there may be exclusions and limitations, so read the policy carefully.

This compilation was possible thanks to submissions by experts at the state DATCP agency, the Wisconsin Hotel & Lodging Association, the League of Wisconsin Municipalities, the Wisconsin Insurance Alliance, and the Wisconsin Counties Association. Additional components may be added as more information is contributed.

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