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**TO:** Detroit City Council

**FROM:** David Whitaker, Director   
Legislative Policy Division

**DATE:** July 3, 2025

**RE:** Supplemental Report on Study on Feasibility of Implementing Tax on Short Term Rentals

The Legislative Policy Division (LPD) was requested to provide a report on the feasibility of implementing a tax on Short Term Rentals which was submitted on June 24, 2025. LPD provides this supplemental report to clarify an error made in the prior report.

In the June 24, 2025, report LPD indicated:

[t]he State of Michigan, Public Act 263 of 1974, *Excise Tax on Business Providing Accommodations*, allows for certain local municipalities with populations between 600,000 and 775,000 to levy an excise tax on persons engaged in business of providing rooms for dwelling, lodging, or sleeping purposes to transient guests, which would include operators of short-term rentals.

This statement was in error, the Act referenced allows for local government units that are in a County with a population of more than 600,000 and less than 775,000 to implement an excise tax on businesses providing accommodations. This statute would not be applicable to the City of Detroit located in Wayne County which has a population of approximately 1,771,063. Therefore, the City of Detroit does not currently have the

authority to impose the 2% excise tax on persons engaged in the business of providing rooms for dwelling, lodging, or sleeping purposes, including short term rentals, as previously indicated in our report.

LPD believes the other information provided in our report is accurate. We apologize if this error caused any inconvenience. Please call upon us if we can be of further assistance.