
HOUSE VOTES TO TAX AND REGULATE ROOMS RENTED THROUGH SERVICES LIKE AIRBNB

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STATE HOUSE NEWS SERVICE

STATE HOUSE, BOSTON, MARCH 22, 2018.....Trying to bring state law in line with the new ways in which people rent short-term lodging, the Massachusetts House on Thursday passed legislation to regulate and tax the short-term rental industry.

Short-term rentals through websites like Airbnb, HomeAway and VRBO have grown in popularity over recent years, creating new revenue streams for property owners and giving travelers more options, but critics say the trend is changing neighborhoods and should be regulated in the same way hotels and motels are.

The House passed its rental regulation bill 117-30 on Thursday afternoon, though there was no debate on the bill or any of the 29 amendments representatives filed to it. Two representatives spoke from the floor Thursday, both in favor of the bill.

Rep. Aaron Michlewitz, who helped write and champion the bill passed Thursday, said the explosion of short-term rental services has "created a whole new industry that at the moment is completely unregulated, has created drastic inequities in the overall lodging market and has added to the housing crisis in some of our biggest cities."

Michlewitz said his bill (H 4314) addresses public safety and consumer protection concerns while letting cities and towns make decisions about regulation rather than adopting a one-size-fits-all approach.

"The elderly couple in the South End renting out their spare bedroom is a different type of business than a summer vacation rental on the Cape or a unit of housing that is on the short-term rental market for 365 days of the year," said Michlewitz, whose Committee on Financial Services held listening sessions around the state as it developed the bill. "The needs and concerns for the short-term rental industry in the Berkshires are much different than those needs and concerns in places like Cambridge or Somerville."

Michlewitz's bill would require the Department of Revenue to maintain a short-term rental registry, record the name of each host and the address of each unit they offer, and give the department the authority to charge a "reasonable fee" for registration. An "easily searchable and regularly updated" list of unit addresses -- without the host's name -- would be published online.

Rentals would be taxed at levels ranging from 4 percent to 8 percent, depending on how many units a host offers. Residential hosts renting two or fewer units would be taxed at 4 percent, investor hosts with three to five units would have a 5.7 percent tax, and professionally managed hosts renting six or more units would face an 8 percent tax per rental, under the bill.

Cities and towns would have the option to impose local excise taxes of up to 5 percent for residential hosts, 6 percent for investors, and 10 percent for professionally managed hosts. Communities that opt for the local tax would need to adopt ordinances or bylaws requiring any residential units offered as short-term rentals first undergo a safety inspection, the costs of which would be charged to the host.

Half of the local tax collected from professionally managed hosts would need to be dedicated to "programs addressing either local infrastructure needs or low- and moderate-income housing programs," according to the bill. A Rep. Kevin Honan amendment adopted Thursday would require that at least 25 percent of that tax money be distributed to low- and moderate-income housing programs.

The taxes in the bill would kick in a year after the bill's effective date and would not apply to units that rent for less than \$15 a day. Hotel rooms rented for \$15 or more per day are taxed at 5.7 percent in Massachusetts, with municipalities able to levy up to an additional 6 percent, or 6.5 percent in Boston.

Airbnb has called the proposal "onerous and overly burdensome," a position that prompted pushback from the Massachusetts Lodging Association, which represents the hotel industry and said Airbnb's goal is "protecting the wealthy investor class hosts who have made it a big business to buy up scarce housing and convert it to illegal, unregulated and untaxed hotels at the expense of local residents and neighbors."

The issue has been percolating on Beacon Hill for three years, as Airbnb has asked Massachusetts to tax its rentals, the hotel industry has called for an even regulatory playing field, and Gov. Charlie Baker and the Senate have put forward their own plans.

Baker, in his fiscal 2019 budget, proposed extending the state's lodging tax to short-term rentals, but only for units that are rented out 150 or more days per year. The House bill does not require a minimum number of rental days before the tax applies.

"The House took a thoughtful and holistic approach to regulating short term rentals," House Speaker Robert DeLeo said. "For the first time in Massachusetts, we go beyond taxation and implement a necessary regulatory framework to ensure public safety and accountability."

Sen. Eric Lesser, who said the issue of short-term rentals is "a big deal" in his district because it has a lot of bed and breakfasts, said Thursday that he expects the Senate will again pass a version of a rental regulation bill this session.

"I definitely think we need to do something very soon and I think we will do something very soon," he said on Boston Herald Radio on Thursday morning. "The Senate has done this now several times in a row, we've passed Airbnb rules, so my hope is now once the House does theirs today we'll be able to all get in a room together and come to consensus on something the governor can also sign."

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