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SENATE SCRAPS HOUSE PLAN WITH VOTE TO TAX SHORT-TERM RENTALS LIKE HOTELS

By Katie Lannan
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STATE HOUSE, BOSTON, APRIL 4, 2018.....The Massachusetts Senate on Wednesday voted 31-6 to extend the state's lodging tax to short-term rentals offered through platforms like Airbnb, a move senators said would generate $34.5 million in new state revenue and $25.5 million from municipal taxes.

The vote marks the third time the Senate has passed similar legislation and sets the issue up for negotiations by a House-Senate conference committee.

A House version of the bill, passed 117-30 on March 22, imposes three different tax rates depending on the number of units an owner rents and requires the Department of Revenue to maintain a short-term rental registry.

By contrast, the Senate's bill (S 2381) extends the existing lodging tax of 5.7 percent, the local option room occupancy tax, and convention center financing fees to short-term rentals, and leaves regulations like registration, licensing or inspection up to municipalities.

"The short term rental economy is the latest example of a rapidly growing, technology-driven industry that is changing the way business is run in the Commonwealth," Sen. Michael Rodrigues of Westport, who sponsored the original version of the Senate bill, said in a statement. "In addition to leveling the playing field in the lodging industry, this legislation ensures each city and town maintains local control, and balances innovative opportunities for the community with the need to regulate and permit safe, secure, and reliable transient accommodations."

While Airbnb has called the House bill "onerous and overly burdensome," the Massachusetts Lodging Association, which represents the hotel industry, pushed back strongly against the Senate bill.

"Today, the Senate capitulated to Airbnb by failing to produce even the most basic of health, safety and consumer protections while continuing to allow wealthy investors to convert scarce housing stock into illegal, unregulated and unwelcome de facto hotels in residential neighborhoods," Paul Sacco, the association's president and CEO, said in a statement. "Even the taxation portion of their bill gives unique rights to Airbnb that no other company in the state is entitled to - taxation without verification. We hope that the conference committee will do more to protect residents and guests and ensure this $31 billion multi-national corporation is accountable for paying its fair share."

Airbnb issued a statement applauding passage of the Senate bill and saying the company looks forward "to sharing the feedback from our community as the legislative progress continues."

The bill passed on a nearly party line vote, with Sen. Kathleen O'Connor Ives of Newburyport the only Democrat to oppose it and Republican Sens. Vinny deMacedo of Plymouth and Richard Ross of Wrentham bucking the rest of their caucus to vote in favor.

Minority Leader Bruce Tarr of Gloucester called the bill a "bonanza of taxation" and said it would treat homeowners who rent out rooms as if they were businesses.

Before passing the bill, senators shot down an amendment from Westfield Republican Sen. Donald Humason that would have exempted units from the tax if they were rented for less than 21 days in a calendar year.

"This law that we pass is going to have a tremendous impact on our constituents across the state," Humason said. "It's going to turn regular mom-and-pop, casual renters into businesses no different from large hotel chains. That's going to catch them by surprise, Madam President, and I certainly think that they're going to let us know their displeasure later on down the line."

Ten other senators joined Humason in backing the idea, and 26 voted against.

A Tarr amendment that sought to dedicate some of the new state revenues to local aid was also rejected on a 14-22 vote. Under Tarr's proposal, half of the money would have gone to the state's general fund, one quarter would be used for unrestricted general government aid, and the remaining quarter would go to Chapter 70 school funding.

Rodrigues said the change was unnecessary because the more than 175 municipalities that have adopted the local option room tax will already receive new revenue under the bill and can use that as they see fit.

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