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## **OLR Bill Analysis**

### **sSB 1137**

#### ***AN ACT CONCERNING SHORT-TERM RENTAL FACILITATORS AND PROPERTIES.***

#### **SUMMARY**

The bill allows municipalities, by vote of their legislative bodies, to impose a local tax on short-term rental (STR) facilitators (i.e., certain entities, like Airbnb and VRBO, that operate platforms where prospective guests may browse available accommodations, including online, in a store, or through a catalog). The local tax on facilitators cannot be more than 2% of the rent they collect from “short-term rental properties” in the taxing municipality in the tax year.

Under the bill, short-term rental properties are dwelling units or portions of them that are rented for 30 days or less, but are not in a hotel, bed and breakfast (B&B), or lodging house (see BACKGROUND). In practice, these three establishment types encompass most, if not all, dwellings that STR facilitators include on their platforms. By exempting these broad categories of establishments from the definition of short-term rental properties, it is unclear whether there are any dwellings that qualify as short-term rental properties under the bill and, thus, any rents on which the local tax may be collected.

The bill also specifically authorizes municipalities, by vote of their legislative bodies, to hire consultants to help them develop ordinances and regulations on (1) short-term rental property operation and use and (2) short-term rental operator licensure.

EFFECTIVE DATE: July 1, 2023

#### **STR FACILITATORS AND PLATFORMS**

By law, a STR facilitator is a person who:

1. during the prior 12-month period, facilitates retail sales of at least \$250,000 by short-term rental operators by providing a short-term rental platform;
2. collects rent for occupancy and remits payments to short-term rental operators, directly or indirectly through agreements or arrangements with third parties; and
3. receives compensation or other consideration for these services.

A “short-term rental operator” is any person who has an agreement with a STR facilitator for listing or advertising a short-term rental (i.e., the transfer, for consideration, of occupancy in a furnished residence or similar accommodation for 30 days or less) in this state.

A “short-term rental platform” is a physical or electronic place that allows these operators to display available accommodations to prospective guests, including a store, booth, website, catalog, or dedicated software application.

By law, STR facilitators collect the room occupancy tax (i.e., 15% sales and use tax, except that it is 11% for bed and breakfasts) and remit it to the Department of Revenue Services.

## **BACKGROUND**

### ***Dwellings***

“Dwellings” are houses or buildings, or portions of them, which are occupied; designed to be occupied; or rented, leased, or hired out to be occupied, as a home or residence (CGS § 47a-1).

### ***Hotel, Lodging House, and Bed and Breakfast Establishments***

By law, a “hotel” is any building regularly used and kept open as such to feed and lodge guests that (1) receives any individuals who conduct themselves properly and are able and ready to pay for accommodations when available and (2) derives a major portion of its operating revenue from renting rooms and selling food. It includes apartment hotels, but excludes B&Bs (CGS § 12-407(a)(16)).

“B&B” means any private operator-occupied house, other than a hotel or lodging house, with 12 or fewer rooms in which people are lodged for hire and a full morning meal is included in the rent (CGS § 12-407(a)(42)).

“Lodging house” means any building or portion of a building, other than a hotel, an apartment hotel, or a B&B, in which people are lodged for hire with or without meals, including motels, motor inns, furnished residences, and similar accommodations (CGS § 12-407(a)(17)).

The terms “hotel,” “apartment hotel,” “lodging house,” and “B&B” generally exclude (1) nursing homes, assisted living facilities, and homes for the indigent; (2) summer camps for children; and (3) lodging accommodations at educational institutions or operated by or in the name of a nonprofit organization (CGS § 12-407(a)(17)).

**COMMITTEE ACTION**

Planning and Development Committee

Joint Favorable

Yea 16 Nay 5 (03/22/2023)