



Senate

General Assembly

File No. 445

January Session, 2023

Substitute Senate Bill No. 1137

Senate, April 5, 2023

The Committee on Planning and Development reported through SEN. RAHMAN of the 4th Dist., Chairperson of the Committee on the part of the Senate, that the substitute bill ought to pass.

AN ACT CONCERNING SHORT-TERM RENTAL FACILITATORS AND PROPERTIES.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. (NEW) (*Effective July 1, 2023*) (a) For the purposes of this
2 section:

3 (1) "Short-term rental facilitator" has the same meaning as provided
4 in section 12-408h of the general statutes; and

5 (2) "Short-term rental property" means a dwelling unit, as defined in
6 section 47a-1 of the general statutes, or any portion thereof, that is (A)
7 the subject of a short-term rental, as defined in section 12-408h of the
8 general statutes, and (B) not a hotel, lodging house or bed and breakfast
9 establishment, as such terms are defined in section 12-407 of the general
10 statutes.

11 (b) Any municipality may, by vote of its legislative body, levy a tax
12 on each short-term rental facilitator collecting rent for occupancy of one

13 or more short-term rental properties within such municipality,
 14 provided such tax shall not exceed an amount that is equal to two per
 15 cent of any such rent collected from all short-term rentals of such short-
 16 term rental properties during the tax year for which such tax is levied.

17 Sec. 2. (NEW) (*Effective July 1, 2023*) Any municipality may, by vote
 18 of its legislative body, engage one or more consultants to assist such
 19 municipality in developing ordinances and regulations concerning (1)
 20 the operation and use of short-term rental properties, as defined in
 21 section 1 of this act, and (2) requirements for the licensure of short-term
 22 rental operators, as defined in section 12-408h of the general statutes.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>July 1, 2023</i>	New section
Sec. 2	<i>July 1, 2023</i>	New section

Statement of Legislative Commissioners:

In Section 1(b), "rentals concerning" was changed to "rentals of" for clarity.

PD *Joint Favorable Subst. -LCO*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

OFA Fiscal Note

State Impact: None

Municipal Impact:

Municipalities	Effect	FY 24 \$	FY 25 \$
Various Municipalities	Revenue Gain	None	See Below
Various Municipalities	Cost	Potential	Potential

Explanation

The bill (1) allows municipalities to levy a tax of up to 2% of the rent collected by a short-term rental facilitator and (2) hire consultants to assist in developing ordinances and regulations for short-term rental properties. This would result in a revenue gain to municipalities beginning in FY 25 that choose to levy the tax. The amount of revenue gain to each such municipality would vary based on the tax rate and the income realized by short term rental facilitators. The bill would also result in a potential cost beginning in FY 24 to any municipality that votes to hire a consultant.

Any revenue gain would be partially offset by the cost of administering the tax. As municipalities do not currently levy an income tax, it is unclear how they would do so under the bill's provisions.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to changes in short-term rental prices, occupancy, the tax, and the number of qualifying rental properties.

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)