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Should Airbnb rentals be subject to hotel taxes and regulations?

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MATTHEW MILLMAN/THE NEW YORK TIMES/FILE 2015

The reception area of San Francisco-based Airbnb.

By Matt Rocheleau

GLOBE STAFF APRIL 04, 2016

Some Massachusetts lawmakers are backing a bill to extend the hotel tax to short-term rentals,

including vacation homes and rooms rented through increasingly popular online companies like Airbnb.

Other lawmakers say the bill doesn't go far enough, arguing that, in addition to new taxes, the fledgling industry should be subjected to new regulations.

“Regulations are an important part of this process,” said Representative Aaron Michlewitz of Boston. “It’s a virtually unregulated industry at the moment, and I will continue to advocate for regulations.”

The bill that would tax the industry calls for updating the state hotel tax for the first time in two decades by imposing the 5.7 percent charge — along with any additional local hotel taxes — on short-term and vacation home rentals, as well as on small bed-and-breakfasts.

Senator Michael Rodrigues, a Westport Democrat, the Senate chair of the Joint Committee on Revenue, said the bill would help to level the playing field as the short-term rental industry competes with traditional hotels.

“There’s been a blatant unfairness, in that if I rent a room through a hotel, I’d be required to pay the room occupancy tax, but if I rented a room through Airbnb, I wouldn’t be required to pay the tax,” said Rodrigues, whose committee has approved the bill.

Rodrigues said decisions about additional regulations, such as health and safety standards, would be best left to individual communities.

The proposed legislation has support from Airbnb, HomeAway and Short Term Rentals Boston, as well as the Travel Technology Association, a trade group that represents numerous short-term rental companies.

One reason: The companies see the tax as lending



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legitimacy to their industry.

“We are eager to work with policymakers to help our community in Massachusetts collect and remit hotel taxes to the state — just as we have done in Alabama, Florida, Illinois, North Carolina, Oregon, Rhode Island, Washington and nearly two dozen U.S cities and counties,” Airbnb wrote in a letter it planned to send to lawmakers this week.

“This bill would simplify the complicated tax structure that our hosts face and help ensure the state and the localities receive their fair share of tax revenue,” the letter added. “The Commonwealth has the opportunity to generate millions of dollars in new tax revenue from these transient accommodations.”

Will Avanesian and Brent Berc, co-founders of Short Term Rental Boston, said in a statement that the legislation “strikes the right balance.”

The bill also has the support of the Massachusetts Municipal Association, which represents the state’s cities and towns.

The association’s executive director, Geoff Beckwith, said the lack of tax revenue from short-term rentals has been “a significant issue for a lot of communities,” including popular destination spots like Cape Cod, the Berkshires, Boston, and other large cities.

“It’s a loophole that needs to be closed,” he said. “It’s really an issue of fairness within the industry and to make sure municipalities are adequately compensated for the services they provide.”

Michlewitz, a Boston Democrat, said he supported the hotel tax expansion as a first step, but he has filed a proposal that goes further.

Key provisions would require people who are renting out units to prove they have lived there for at

least 60 days and register their unit with the state.

Those rules aim to address concerns that some people are essentially running mini-hotels, rather than renting out an unused bedroom in their home, and that such units are removed from the housing stock available to residents.

Boston City Councilor Sal LaMattina said he supported Michlewitz's bill.

“My main concern is you have some big investors buying up buildings and using them for Airbnbs. They're taking away from the housing stock in the neighborhood,” he said. “For me it's never been about taxes, it's about public safety and keeping affordable housing.”

Paul Sacco, president and chief executive of the Massachusetts Lodging Association, also supported more regulations, saying that, without them, short-term rentals would continue to have an advantage over hotels.

“We think it's fabulous that they're addressing the taxation side, but taxation without regulation isn't getting it to where it needs to be,” he said. “We're an industry that has the most stringent regulations — fire, health, you name it — regulations and short-term rentals don't have any regulation to speak of.”

“My fear is it's going to put some lodging establishments — particularly smaller bed and breakfast establishments — out of business,” added Sacco.

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