OLR Bill Analysis
sHB 7177

AN ACT CONCERNING SHORT-TERM RENTAL PROPERTIES.

SUMMARY

This bill establishes a framework for regulating short-term rentals of residences through rental platforms. It requires those offering a short-term rental property through such a platform (i.e., short-term rental operators) to obtain a license from the Department of Consumer Protection (DCP) for each such residence. It establishes requirements applicants must meet as a precondition of the license, including (1) maintaining a property and casualty insurance policy that contains certain minimum provisions and (2) notifying neighbors of the application. It also requires the DCP commissioner to notify the Department of Revenue Services (DRS) commissioner about each license issued or renewed.

The bill lowers, from 15% to 5%, the room occupancy tax rate applicable to short-term rentals of residences through rental platforms and diverts 50% of the revenue the state receives from the 5% tax to the Housing Trust Fund.

The bill also authorizes municipalities to (1) limit the number of days that guests may occupy a short-term rental property during a calendar year and (2) impose a tax of up to 6% on short-term rental property income.

EFFECTIVE DATE: July 1, 2019; the sales and use tax provisions are applicable to sales occurring on or after that date.

§§ 1-2 & 4 — DCP LICENSES FOR SHORT-TERM RENTAL OPERATORS

Licenses Required Beginning January 1, 2020

The bill requires “short-term rental operators” and prospective
operators to apply to the DCP commissioner for a license for each dwelling unit that they intend to operate as a “short-term rental property” on or after January 1, 2020. Under the bill, a “short-term rental property” is a dwelling unit that is the subject of a short-term rental transaction and not a hotel, lodging house, or bed and breakfast establishment. A “dwelling unit” is all or part of a house or building that is occupied, designed to be occupied, or rented, leased or hired out to be occupied, as a home or residence of one or more persons (i.e., residence).

Under the bill, a “short-term rental operator” is a short-term rental property’s owner, lessee, or sublessee who offers the property for occupancy by a guest pursuant to a “short-term rental transaction” (i.e., through a short-term rental platform for a period of up to 30 consecutive days). The bill defines “short-term rental platform” as any platform, including a website, that:

1. allows a short-term rental operator to offer all or part of a dwelling unit for occupancy as a short-term-rental property;

2. allows a potential guest to arrange payment for the property’s occupancy, whether it be directly to the operator or through the platform; and

3. allows the platform to derive revenue from providing or maintaining its services to such properties.

Application Requirements

Applicants must apply for licenses or renewals on DCP-prescribed forms. The DCP commissioner must, as a precondition of issuing or renewing a license, require applicants to submit proof that they:

1. maintain a property and casualty insurance policy containing the minimum provisions prescribed by the Insurance Department (see § 5) and

2. provided the required notices to abutting and adjacent residences (see § 3).
For license renewals, applicants must also submit proof that they, during the immediately preceding two years:

1. maintained the aforementioned insurance coverage,

2. paid state sales and use taxes and any local income taxes due, and

3. complied with any applicable municipal ordinance limiting the number of days guests may occupy a short-term rental during a calendar year (see § 7).

Applicants must submit the required information in a form and manner the commissioner prescribes. Each license expires two years after its issuance.

**Enforcement**

The DCP commissioner may refuse to issue or renew, or may suspend or revoke, a license if the applicant engages in any activity prohibited under the bill. If she does so, she must notify the applicant or short-term rental operator of (1) her decision, (2) the grounds for it, and (3) the applicant’s or operator’s right to request a hearing within 10 days after the date on which the notice is issued.

If the applicant or operator requests a hearing within the 10-day period, the commissioner must conduct a hearing under the Uniform Administrative Procedure Act’s contested case provisions. The applicant or operator may appeal the decision to Superior Court.

The attorney general, at the DCP commissioner’s request, may apply to the Superior Court for a temporary or permanent order to restrain or enjoin any short-term rental operator violating the bill’s licensure provisions.

**Notice to DRS**

The DCP commissioner must, within 15 days after issuing or renewing a license, notify the DRS commissioner of the (1) applicant’s name and (2) short-term rental property’s address. The DCP
commissioner may prescribe the form and manner in which she provides this notice to DRS.

§ 3 — NOTICE TO ABUTTING AND ADJACENT RESIDENCES

Under the bill, license applicants must send a notice to the owners and lessors (including sublessors) of (1) the residence or short-term rental property that is the subject of the application and (2) abutting and adjacent residences. They must provide the notice no later than the day they file their license application with DCP, in the form and manner DCP prescribes. The notice must disclose to such owners and lessors (1) the applicant’s name; (2) the residence’s or short-term rental property’s address; and (3) that the applicant has filed, or intends to file, the application.

§§ 4 & 5 — REGULATIONS

The bill authorizes the DCP commissioner to adopt regulations to implement the bill’s licensure requirements. It also requires the insurance commissioner to adopt regulations prescribing the minimum provisions to be included in each property and casualty policy issued on or after the regulations take effect that covers short-term rental property. The policies must include liability coverage of at least $1 million against claims for property damage and bodily injury or death.

§§ 6 & 7 — LOCAL OPTION TAX AND LIMITATIONS ON SHORT-TERM OPERATORS

The bill authorizes municipalities, by a vote of their legislative bodies (or board of selectmen where the town meeting is the legislative body), to (1) impose a tax on short-term rental operators within their municipalities and (2) limit the number of days during a calendar year during which guests may occupy a short-term rental property.

The tax imposed may be up to 6% of the short-term rental operator’s income for all short-term rental transactions during the tax year. The bill does not specify any administrative or enforcement requirements for the tax.

§§ 8-10 — SALES AND USE TAX ON SHORT-TERM RENTAL PROPERTY
**Tax Rate**

Under current law and DRS policy, the state’s 15% room occupancy tax applies to payments received for short-term rentals (30 days or less) of all or a portion of a home (i.e., house, apartment, condominium, cottage, or other dwelling); the home’s owner is presumed to be the operator. The operator is responsible for collecting and remitting the tax, unless a third party that is registered with DRS does so on the operator’s behalf.

The bill imposes a 5% room occupancy tax on the charges imposed by short-term rental operators for rentals of 30 days or less, thus decreasing the tax rate on such rentals from 15%. Under the bill, the tax applies to the total amount of rent received by a short-term rental operator, as defined for purposes of the licensing requirement described above (i.e., a short-term rental property’s owner or lessee who offers the property for occupancy by a guest through a short-term rental platform for a period of up to 30 consecutive days).

Under current law, the room occupancy tax is a sales and use tax on the charges hotels, lodging houses, and bed and breakfast establishments impose for short-term stays. The bill makes numerous conforming changes to the sales and use tax statutes to incorporate the tax on short-term rental operators and the definition of “short-term rental property.” Under the bill, for purposes of the sales and use tax law, “short-term rental property” means any dwelling unit, other than a hotel, lodging house, or bed and breakfast establishment, in which a guest is lodged for hire, with or without meals, pursuant to a short-term rental transaction (as defined under the licensing provisions described above).

**Revenue Diversion**

Current law diverts a portion of room occupancy tax revenue to the Tourism Fund and regional planning incentive account. The bill excludes from these revenue diversions the amounts received from the 5% tax on short-term rental operators. But it requires the DRS commissioner to deposit 50% of the amounts received from the tax into the Housing Trust Fund, a Department of Housing-administered fund.
that provides financial assistance to eligible sponsors of low- and moderate-income housing.

**COMMITTEE ACTION**

Insurance and Real Estate Committee

Joint Favorable Substitute

Yea 13  Nay 7  (03/14/2019)