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Committee for Economic Development Housing and General Affairs

Senate Bill S 204

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3. Short term rental establishments fall into the following operating categories that should be taken into consideration as rules and regulations are established by each oversight department:

1. Commercial establishments with multiple sleeping units or dwelling units; generally known as hotels, motels, and inns.
2. Multi-family dwelling units with or without an owner in residence.
3. Single family residence without the owner in residence.
4. Single family owner occupied residences.

5. Owner occupied single family residences who have a home occupation, particularly short-term rentals, may be negatively impacted economically by some of the current rules and regulations:

- a. Homestead rules are not consistently implemented for every resident who uses a portion of their property for a home occupation.
- b. Health and Public safety regulations require modifications to homes that may reduce their market value as single-family residences.
- c. Owners cannot obtain refinancing as a residential home or equity loans as needed to implement required upgrades to maintain their property or meet mandated standards. E.g. plumbing and heating
- d. Any repair to a home system, anywhere in the house, requires a Public Safety permit.

6. AirBnB is not the only internet booking agent for short term rentals and most have been around much longer and both licensed and unlicensed Short-term Rental establishments have been able to use them for years. Some of the earliest include BedandBreakfast.com, I love Inns, BBonline.com. Now they also include Expedia, TripAdvisor, Travelocity, Orbit, Priceline. Any short-term rental can advertise and/or book overnight accommodations through these platforms – no license required.

7. S 204 includes rules that belong at the department level. Vermont Statewide legislation sets minimum policy and standards for uses and businesses while State Oversight departments define the operating rules and regulations to monitor a use as well as for operating a business. There are general rules for every business engaged in a type of business. There may be more specific or different rules for their operations and/or roles and responsibilities of those who engage in short-term rentals.

8. It is easy to think something is different and therefore bypass existing regulations. Short term rental businesses are owned by our friends, neighbors, acquaintances and ourselves either as a commercial enterprise or to supplement income in order to pay the mortgage, taxes or utilities (retain our homes) while improving our quality life.

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S 204 Our General recommendation – Include the following

Include language that creates one State-wide definition for short term rental and use it across all state departments

Include language for the Tax Department regulations be amended:

Although the tax department has clearly defined and differentiated short term rentals from long term rental and has one set of rules that apply to the reporting and collection of taxes we believe the department has failed to recognize a few areas with tax implications. In addition, we believe they have a clear definition of “short term rental” that can now be used by the State and Municipalities to set general policy, rules and regulations.

We recommend the State and or Tax Law also include the following general elements:

1. **Any portion of the premises offered for sleeping accommodations to the public is not eligible for homestead.**
2. **Meals and Rooms tax is due and payable on the advertised price of the sleeping accommodation** regardless of who collects the revenue from the lodger. E.g. A distribution channel that collects the advertised price of the room must remit meals and room tax on the advertised rental fee before deducting any commission or service fees owed to the distribution channel.
3. **Sales tax is due on any product or service that is charged to the lodger.** This includes, cleaning fees, service fees for booking agents. E.g. if the lodger has an itemized bill that includes the distribution channel service fee, a cleaning fee, or any other product or service, the State sales tax must be remitted on that portion of the bill that is not for rent or meals.

Include Rule making language that differentiates business operating models regardless of how many rooms they have or how they promote or advertise their business.

The Commissioner(s) of Health and of Public Safety shall amend their rules to differentiate between the following categories of short-term-rental property business types:

1. Commercial establishments with multiple sleeping units or dwelling units; generally known as hotels, motels, and inns.
2. Multi-family dwelling units with or without an owner in residence.
3. Single family residence without the owner in residence.
4. Single family owner occupied residences

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Include language to modify the health department rules to create three categories of food service establishments:

1. Full-service restaurants serving the general public
2. Catering kitchens; and
3. Meal preparation or food service solely to guests of short term rentals.

S 204 Section by Section Recommendations

S 204 proposal is redundant with the current licensing process.

Therefore - Strike in its entirety Sec 1 §4466 – 4470 Requirement to register every sort term rental.

There is already regulation that every short-term rental

- a. Must be licensed to operate.
- b. Must be compliant within a point scale to operate
- c. That the Commissioner can inspect the premises
- d. That orders can be issued and enforced by the commissioner.

Keep Section §4468 (only if it is not already in statute) that allows the Commissioner to inspect

There is no need to create a redundant and costly process for the health or public safety department to include the new to market short-term rental establishments.

Make sure the health department is able to allow any category of short term rental to self-certify using the existing on-line inspection report process. The health department currently has the inspection forms in an online system that can be made available to establishments.

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In Summary

- **S-204 should minimize confusion by incorporating one definition that includes all types of short-term rental including the currently licensed establishments**
- **S 204, as currently proposed, creates a redundant and unnecessary process for the Health Department – use the current licensing process for every short-term rental and modify the inspection process based on the business operating model of the establishment**
- **S 204, as currently proposed, excludes critical elements for leveling the playing field for the short-term rental businesses. It should incorporate regulations that amend the Tax, Health, and Public Safety Dept rules to realize additional tax opportunities and to recognize and incorporate categories of short term rentals in order to differentiate which rules and/or waivers best apply to each (reference the proposed language in House Bill 18-0201**