



The Nelson A. Rockefeller Center  
at Dartmouth College

*The Center for Public Policy  
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**Policy Research Shop**

# **Short-Term Rental Units: Regulations and Impact in Vermont**

## **Policy Options to Address an Uneven Playing Field**

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Housing and General Affairs  
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*This report was written by undergraduate students at Dartmouth College under the direction of professors in the Rockefeller Center. Policy Research Shop (PRS) students produce non-partisan policy analyses and present their findings in a non-advocacy manner. The PRS is fully endowed by the Dartmouth Class of 1964 through a class gift in celebration of its 50<sup>th</sup> Anniversary given to the Center. This endowment ensures that the Policy Research Shop will continue to produce high-quality, non-partisan policy research for policymakers in New Hampshire and Vermont.*





# Introduction

- Since 2008, Airbnb has facilitated 500 million guest stays at short-term rentals in more than 100,000 cities.
- 3,600 of the 7 million listings are in Vermont
- Housing Crisis
- Lack of Regulatory Uniformity
- Tourism



# Current Market Assessment

A “**short-term rental**” is a rental of sleeping accommodations that is for less than one calendar month (or less than thirty consecutive days) and is subject to the Vermont meals and rooms tax.

- **Market Assessment via AirDNA:**

- In the top five municipalities with Airbnb listings (Rutland, Burlington, Stowe, Montpelier, and Dover), **68 percent of units are registered on Airbnb, 17.8 percent are listed exclusively on VRBO, and about 12.4 percent are listed on both.**
- 79.6 percent of listings are complete homes available for rent.
- About 19.6 percent of the listings are rooms within a residence.
- These listings see an average occupancy rate of 53.2 percent.



# Effects on the VT Housing Crisis

- **The Vermont state legislature fears that short-term rentals could contribute to or exacerbate the affordable housing crisis.**
- **The secondary home market may exacerbate the housing crisis.**
  - The short-term rental market may incentivize owners to take the properties off the long-term rental market.
  - Most vacant houses in Vermont are secondary seasonal and recreational homes and would not be put on the long-term rental market.
  - **But the secondary home market is not responsible for the housing crisis**



# Current Rules and Regulations

## Health and Safety:

- Disparity exists
- Efforts have been made to narrow the gap
  - Fire safety requirements
  - Unfunded mandates

## Tax Remittance:

- Meals and Rooms Tax
- Partnerships with Intermediaries



# Current Practices in Vermont Localities

## **Killington:**

- short-term rentals = public buildings
  - 8+ occupants need permit
    - Smaller can self-certify
- Proof of liability insurance required for zoning permit

## **Stowe:**

- One week stay minimums (for non-lodging zoning, excludes B&B)
- Additional business insurance

## **Burlington:**

- Residency requirements
- Differentiation between room vs. home rentals



# Policy Option: Mandate and Enforce Registration

- If Airbnb and VRBO units were to be registered, the state could account for more than 50 percent of the short-term rental market.
- Registration facilitates oversight
- Inspections



# Policy Option: Implement Insurance Requirements

- Protects the state in cases of injury / damages
- "Business activity exclusion" clauses
- Airbnb Insurance Option
- Enforceable
  - Simpler if done in combination with permitting





# Policy Option: Expand Local Policies to the State Level

- Complications
  - Urban vs. Rural
  - Zoning laws not uniform
- Stay minimums
- Residency requirements



# Policy Option: Restrict the Market

- **List only primary residences as short-term rentals.**
  - This could reopen housing stock because in municipalities with significant housing shortages such as Killington, Stowe or Burlington, **have 65-to-96 percent of the homes listed on Airbnb as entire houses.**
- **Regulate full home short-term rentals and room short-term rentals differently.**
  - In Kansas and Minnesota, the law defines the two entities differently: entire property, or multiple property rentals can be treated and regulated like inns, bed and breakfasts and hotels requiring health and safety thresholds to be met. (NH Realtors Short-Term Rental RegulationTable)



# **Policy Option: Expand Tax Remittance Agreements with Intermediaries**

- **Replicate the tax remittance agreement with Airbnb with other intermediaries**
  - Allowing for audits, if necessary, will present an accountability measure.



# Economic Implications of Possible Legislation

- Calculating and extrapolating the economic impact of stricter regulation is difficult.
- The Department of Taxes may also wish to look into **declaration of short-term rental income on the individual and joint filings** from owners of short-term rentals to assure that this income is captured and taxed appropriately.



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# Conclusion

- Vermont is ahead of the game
- Policy options can be used in combination
- Future work with intermediaries will be helpful and necessary



## **Appendix: Airbnb Summary Statistics**

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**In 2019, there were 8,240 active listings on the Airbnb website for the state of Vermont.**

- 22 towns had more than 100 listings.
- These listings earned hosts approximately 65,700,000.
- Airbnb remitted Room and Meals taxes on this income.

**In 2018,**

- Airbnb passed onto VT \$7,800,000 in rooms and meals and local option tax revenues
- The state earned close to \$53,032,507.30 in room related tax revenue.
- Airbnb represented a small portion (approximately 14.7%) of the total of room tax collected that year
- This is not a perfect estimate because the sum of state room tax revenue did not include local option tax. (In reality, Airbnb represented a smaller percentage)



## **Appendix: Airbnb Case Study**

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The top 5 towns with Airbnb listings are:

**Rutland, Burlington, Stowe, Montpelier and Dover.**

AirDNA market averages found that 68 percent of units are registered on Airbnb, 17.8 percent are listed exclusively on VRBO, and about 12.4 percent are listed on both.

**Airbnb hosts earned \$32,600,000 in these 5 towns in 2019.** If this represents income earned by 68% of units on average, and we assume the state loses remitted taxes on the majority of the 17.8% listed exclusively on VRBO, then the state loses tax revenue on approximately \$8,533,529.

It will be important to **consider the costs of enforcing regulation, and the potential downstream costs of lost business/effects on tourism** as compared to the benefit of income the state stands to earn from increasing regulation/enforcement.