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NORTH SHORE ASSOCIATION OF REALTORS®

STATEMENT IN OPPOSITION TO:

**S.#### AN ACT PROVIDING RELIEF AND FLEXIBILITY TO LOCAL GOVERNMENTS
as it pertains to §§ 91-95. [Amending the Room Occupancy Excise (G.L. c. 64G)]**

Contained in the Report of the Special Commission on Municipal Relief

On behalf of its more than 1100 licensed member professionals, the North Shore Association of REALTORS® hereby expresses its strong opposition to Sections 91 through 95 of the Special Commission Report, numbered S.####, that seek to impose significant new tax burdens on home-ownership, that would thereby damage the economic vitality of the Commonwealth and its many struggling communities.

Representing an area with an already precarious economy that is largely dependent on Summer tourist activity, we are concerned that the implementation of these proposals will, in addition to impeding the efforts of many home-owners already struggling to satisfy their existing property tax and mortgage obligations, will incur several other unintended, negative consequences. Among these are the following:

The new tax will create requirements on property owners that were never intended for seasonal or second homeowners.

An owner who contemplates renting his or her home for less than 90 days would be required to register with the Department of Revenue (DOR) for a period of three years. This was always intended to be a requirement for established businesses, not seasonal homeowners; hence the term "Hotel/Motel Tax." Registration with the DOR would carry the obligation to file a monthly report of income from the property for three years, even if the property has not been rented, there is no such income, and no tax is due.

This proposal would create a new tax on all property owners who choose to rent their homes for a short term (under 90 days.) In addition to established businesses like hotels, motels and bed and breakfasts a city or town could levy a room occupancy tax on any apartment, single or multiple family housing, cottage, condominium and timeshare unit. Further, these property owners are not set up to meet the accounting requirements for room occupancy taxes.

The new tax would create substantial tax reporting and accounting problems for hundreds of home owners, many of whom may not live in town and therefore would be unable to vote on a matter that directly affects them.

Many vacation home owners are seasonal residents and rent their properties to cover the costs of other local, state and federal taxes. These individuals pay full property taxes just like year-round residents, yet utilize virtually none of our municipal services, such as schools, libraries, etc. Enacting this kind of tax will discourage purchases of short term rental properties, especially those who need the income to cover the expenses of the property.



Once enacted by cities and towns this tax will impose up to an additional 13.7% excise tax (5.7% for the state and up to 8% for a city or town) on short term rentals of properties described above.

While all cities and towns need additional revenue there is a process in place for raising taxes if necessary to support municipal services: a Proposition 2 ½ override. It is unfair to subject property owners who engage in rentals for ninety days or less to the rigors of established businesses to support a city or town.

It is possible that many seasonal property owners will choose not to rent their properties anymore as the accounting requirements are simply too high a burden.

For a community whose restaurants, galleries, and attractions derives significant revenues from thousands of visitors who utilize short term rentals, this tax will negatively impact these revenues as it will prevent visitors from visiting as seasonal rentals will not be available to them.

Budget gap from diminished compliance will hamper provision of local services.

The town is likely to incur a budget gap between projected and actual revenues, in light of inability for many property owners to comply, and the choice that some homeowners may make, to simply not rent their home at all.

The tax cannot be enforced fairly and equitably due to auditing difficulty.

Compliance problems would be exacerbated, thereby resulting in inequitable and unfair enforcement, by the difficulty in auditing taxpayers who are either not business entities, or, if made business entities by operation of this tax, not traditional business entities with all relevant trappings. If they are to be made "business entities," this could create zoning issues in some towns.

When faced with the imposition of this tax, many homeowners who rent may simply not report their rental income, creating an underground economy.

Some homeowners will "go underground" to avoid the tax and only the law-abiding taxpayers will be shouldering the burden of this tax.

In closing, the North Shore Association of REALTORS® is of the belief that, whatever benefits may be gained through the taxation of non-business home rentals, they will be grossly outweighed by the problems that it will create. If there ever is a time when such new taxes may be appropriate, the worst recession in 80 years is certainly not that time.

We respectfully request that the Committee on Municipalities & Regional Government and the Legislature as a whole exercise cautious restraint and revisit this ambitious plan after having allowed the economy in general, and homeownership in particular, to regain its strength and stability.

Meantime, a comprehensive cost-benefit analysis can be developed with input from all who stand to be materially impacted by such new mode of taxation.