

Senate Ways and Means Committee

Sonja Caldwell 271-2117

SB 262-LOCAL, allowing municipalities to collect an occupancy fee from operators of local room rentals.

Hearing Date: February 1, 2023

Members of the Committee Present: Senators Lang, D'Allesandro, Murphy and Innis

Members of the Committee Absent : Senator Rosenwald

Bill Analysis: This bill enables a municipality to collect an occupancy fee from room rentals for the purpose of establishing a municipal capital fund, revolving fund, or tourism support fund.

Sponsors:

Sen. Altschiller
Sen. Prentiss

Sen. Fenton
Rep. Edgar

Sen. Perkins Kwoka
Rep. Muns, C

Who supports the bill: Katherine Heck (NHMA), Deaglan McEachern (City of Portsmouth), Rep. Mike Edgar, Mary Till, John Keegan, Sen. Perkins Kwoka, Sen. Fenton

Who opposes the bill: Rep. Alvin See, Julie Smith, Kathleen Wikstrom, Jeffrey Creem, Curtis Howland, Bill Alleman, Jeffrey Yunes, Stephen Nass, Carol Pratt, Stephen Daves

Who is neutral on the bill: no one

Summary of testimony presented in support:

Sen. Altschiller

- This bill allows municipalities to collect an occupancy fee from room rentals.
- NH is a year-round tourist destination.
- Infrastructure to support tourists is expensive. Municipalities must invest time and funding into the services and infrastructure needed to provide tourists with a pleasant experience.
- This bill is enabling legislation to allow municipalities to assess a \$2 fee per 24-hour period if they so choose.
- The funds collected from this fee would be directed to designated municipal funds to offset the property tax burden.
- This will help local communities defer costs.

- Services needed to support tourists cost more than the state sends back in meals and rooms tax.
- The visitors generate revenue, but they also create a burden on municipalities to support them.
- Communities who find themselves with new hotels or structures need fire and safety teams to be properly equipped. The burden for funding needed improvements is placed on local property taxpayers.
- This bill allows municipalities to charge up to \$2 per night on hotel rentals that cost more than \$40 per night. This is optional and is required to go before the local voters before it can be enacted. This is a tool communities need.

Sen. D'Allesandro asked if the local vote would be the board of selectmen or the public.

Sen. Altschiller said it would be a public vote. Depending on the type of government, it would go to individual voters to decide if they want to do this.

Sen. D'Allesandro asked if an SB2 town would bring it to the deliberative session and then propose an article to vote on.

Sen. Altschiller said yes.

Sen. Lang asked about how **Sen. Altschiller** said the population in Hampton adjusts in the summer months and asked if that was the resident population or just the tourism side of the population.

Sen. Altschiller said they have 15,500 residents. In the summer, rentals and hotels are all full and they have over 400 businesses in the summer months serving 100,000 visitors. Those businesses are collecting meals and rooms tax for the state, but she said they are not getting back a proportionate amount based on the services they must provide.

Sen. Lang said last year the legislature adjusted the meals and rooms revenue distribution and gave more revenue to cities and towns. He asked how much more Hampton received last year.

Sen. Altschiller did not have that amount but said the chamber of commerce may have those numbers. She said that it has not offset the burden they incur from tourists. They have significant gaps, particularly in law enforcement.

Sen. Lang asked if they are able to collect property taxes from those businesses to help cover the costs of providing services.

Sen. Altschiller said they are, but it is falling short. It costs \$800,000 to cover just public safety, not including waste management. They spend \$600,000 on public safety. In the summer months they need to make up that gap. The businesses are behind this bill. They would like it as an option.

Katherine Heck - NH Municipal Assoc.

- Many of their members want the opportunity to bring this to voters.
- The \$2 fee is a user fee.
- It decreases overall taxation for everyone.
- It is an option.
- With regard to meals and rooms, from 2017 to 2021 before the law changed, \$68.8 million was distributed by population. That amount went up in 2022, to \$100 million and in this most recent year it went up to \$121 million. While they appreciate the increase, it is not going to cover all of these costs in communities that target tourism.

Rep. Mike Edgar

- This bill enables municipalities to adopt a local occupancy fee.

- The bill attempts to provide some funds to offset the additional municipal expenditures that result in increased pressure on local property taxpayers.
- The adoption in a city would be in accordance with the city charter. In a town, it would be an annual or special town meeting by ballot.
- The fee cannot exceed \$2 per occupancy per 24-hour period. If the average daily price of the occupancy does not exceed \$40, the occupancy fee would not be collected.
- Revenues from the fee would be deposited in a capital reserve fund, tourism support fund, revolving fund, or another special revenue fund as authorized.
- Expenditures from the fund would require approval from the governing body.
- He gave an example of a hypothetical expenditure: This could help provide manpower to insure there are personnel manning an ambulance at the beach firehouse during the summer.
- Several municipalities have expressed interest in pursuing this option.

Sen. Murphy asked how many rooms in Hampton this would apply to.

Rep. Edgar said that is a moving target.

Sen. Lang asked if this would apply to Airbnb as well.

Rep. Edgar said it should.

Mayor Deaglan McEachern – City of Portsmouth

- Portsmouth derives benefits from being a destination location and invests considerable resources annually to support visitors.
- Portsmouth contributes close to 1/3 of the state's total meals and rooms tax revenue, far more than what is returned because of population. The amount does not fully support costs related to the impact of tourism.
- This bill would provide a way for communities to receive funds to help defer the costs of tourism and decrease the overreliance on the local property tax.
- There are increased demands on municipal services from tourism. Each town can use the funds to address their particular needs.
- Hospitality related businesses were some of the hardest hit during the pandemic. The recovery of these businesses is vital to our state.
- SB262 would not only alleviate the impact of tourism on taxpayers but further help businesses recover from covid impacts.
- The fee would not have a negative impact on hotels as it is paid by the occupant and collection of the fee would not create an excessive administrative burden or cost to hotels.
- Overreliance on the property tax creates a burden on all taxpayers, particularly the elderly on a fixed income.

Sen. Murphy asked how many rooms Portsmouth has.

Mayor McEachern said they have 1,891 rooms not including Airbnb. They will have 2,000 rooms online in the coming months.

Sen. Lang said Portsmouth would see a \$1.3 million increase in meals and rooms distribution from the change the legislature made in the last budget. He asked if the cost gap between what they make in meals and rooms and other returns exceeds \$1.3 million.

Mayor McEachern said yes. He said they appreciate those increases. They saw a \$700,000 increase in the last fiscal year. It is hard to show how much they deliver to the State of NH. The City of Portsmouth generates between \$25-35 million for the State of NH. Based on the amount of revenue

they deliver, the meals and rooms distribution amount pales in comparison because their population is only 23,000. Their budget for police and fire is \$23 million.

Sen. Lang said the state distributed \$1.3 million in new revenue to the city. He asked how it was used to lower property taxes.

Mayor McEachern said it goes into their general fund. They believe in shared responsibility, however, most folks in Portsmouth don't get anything out of the hotels and would not want anymore. They require ladder trucks. He doesn't view this as a tax. It is a fee. This will help residents feel that everyone is pulling their fair share.

Sen. Lang asked how we know this fee will go to lower taxes.

Mayor McEachern said this will allow them to direct that money to tourism related activity in the city.

Sen. Lang asked why they couldn't do that with the extra \$1.3 million in revenue the state sent to the city.

Mayor McEachern said it is not just tourism, they have to work on other things like schools, cost of living adjustments, and the unfunded mandate with regard to retirement contributions where 80% of their costs are going to pay for the money the state is not putting in. That \$1.3 million is appreciated and they do their best to look at every dollar in terms of how they can best spend it. He is concerned about taxpayers being driven out of the community because of rising property values.

Sen. D'Allesandro asked what the city has lost over the last decade with the suspension of revenue sharing. **Sen. D'Allesandro** said revenue sharing was \$25.5 million a year. It has been suspended for a decade. Revenue sharing was promised in 1970 when the BPT replaced the inventory tax. It was restored once when he chaired finance at \$20 million a year. He asked if he could calculate what the city has lost from the suspension of revenue sharing.

Mayor McEachern said he will follow up with that cost.

Summary of testimony presented in opposition:

Heidi Milbrand

- Owner of Pleasant View bed and breakfast in Bristol. She is on the Board of Directors of the NH Lodging and Restaurant Association. She is also a member of the Lakes Region Bed and Breakfast Association.
- Opposed to the bill.
- Her business relies on tourists.
- Legitimate lodging establishments already collect 8.5% meals and rooms tax.
- Adding another fee for guests will deter tourists and reduce her business.
- Legitimate lodging businesses are already undermined by Airbnb, VRBO and other online booking companies who can and will work outside state regulations.
- She questioned if towns will be required or able to collect the \$2 fee per night from those lodging facilities.
- Bristol has two legitimate bed and breakfasts. They are very transparent in their operations. Because of companies like Airbnb not having to compete on a level playing field, they are losing business.
- The requirement for use of these funds is so loose it can be used for anything. This is taxing one business for the benefit of the city or town. She questioned how the tax will be enforced and whether it gives the state the right to audit her.
- People in her town will view this as a property tax reduction and it will get voted in.
- This bill is being proposed by larger cities as a money grab.

- The amount that small towns could collect is inconsequential. It will put an additional burden on her, the town, and other legitimate lodging establishments to collect and remit another tax or fee.

Neutral Information Presented:

Sen. Lang said the hotel is the collecting agent for the city or town. Under the meals and rooms tax, we allow the collectors of the tax to keep a portion. He asked if there is any portion in this bill for them to keep for doing this. Hotels keep 3% for collecting meals and rooms to deal with software changes or administrative costs.

Sen. Altschiller said at the moment there is not a mechanism for that however the businesses that would be participating in this are already paying tax to their city. There would be an added administrative cost. She would be open to an amendment to help with administrative costs.

sc

Date Hearing Report completed: February 6, 2023