

Special Legislative Commission To Review And Provide Recommendations For Policies That Deal With Numerous Economic And Social Short-Term Rentals Issues Concurrently

Created in 2023 by H6449

April 30, 2024

In the 2023 House session, the Rhode Island House of Representatives created a Special Legislative Commission by House Resolution [H6449](#) to study the effects of short-term rentals on the State of Rhode Island and Rhode Island municipalities.

This resolution created a fifteen (15) member legislative commission to review and provide recommendations for concurrent policies dealing with numerous economic and social short-term rental issues. The Resolution and Commission members are attached.

The Commission proposes to extend its work to September 30, 2025, with a report due December 10, 2025. This is an interim report on the work of the Commission to date.

Meetings

The Commission has met monthly since September 2023. The meetings have focused on the following topics: a review of current policies at the municipal level across the State; testimony from the Rhode Island Division of Taxation regarding state laws and taxation; a review of the remittance of taxes to the Division of Taxation by online platforms on behalf of short-term rental property owners; testimony from the Rhode Island Short Term Rental Association and the National Hotels Association; and testimony from the Rhode Island Department of Business Regulation on the implementation of the State short term rental registration system as required by statute.

The Commission has yet to hear testimony on the following: the RI Tourism and Hospitality industry; a review of all current and existing RI statutes on short-term rentals; an update on DBR short-term rental registration enforcement; creation of a policy of municipal vs. state regulation of short-term rentals; issues of taxation on whole house and condominium short-term rentals and the consideration of an impact fee; the impact of short-term rentals on year-round and local housing market and neighborhoods; the health and safety concerns and issues stemming from short-term rentals; and the best practices in other states/communities regarding short-term rentals; the impact on owner vs non-owner occupied short-term rentals and a discussion on treating short-term rentals as a business.

In addition, the Commission is assigned to establish a working definition of "short-term rentals" and engage the public and community stakeholders, including police and fire chiefs, zoning and planning officials, as well as property owners and industry representatives for input.

Findings and Topics for Further Study

1. The State and multiple Rhode Island municipalities have designed and implemented short-term rental registration systems, which are not synchronized with each other leading to inconsistent registrations and confusion between the two systems.

The Commission will engage with the Department of Business Regulation to review the State short-term rental registration system to ensure that all short-term rental platforms require that their listed properties are registered with enforcement mechanisms; to ensure that these short-term rental websites comply; and to propose a system of coordination between municipal registration systems and the State registration system by October 15, 2024.

2. State hotel, sales, and local hotel (except the City of Newport whom we will work with on remittance issues since they collect their own hotel taxes) are “trust fund” taxes (taxes collected from individual customers and held in trust for the State/municipalities) and generally are collected by the short-term rental hosting platforms and submitted to the Division of Taxation on behalf of the short-term rental property owners (homeowners renting out their homes/rooms themselves would submit their own taxes to the Division of Taxation). State and local hotel taxes are also collected by realtors and property managers and submitted by them on behalf of the property owner as a convenience to property owners. In addition to current taxation practices and protocols, the Commission has expressed concern about discrepancies in the remittance process that shall require further evaluation. Furthermore, the tax reporting that the short-term rental hosting platforms submits reports on the collected taxes monthly in the aggregate by municipality, not by individual property/business owner.

The Commission will engage with the Rhode Island Division of Taxation to discuss and/or propose a policy to ensure that all State hotels, local hotels (with the exception of Newport, which collects its own hotel taxes), and sales taxes are submitted to the State by short-term rental platforms; discuss and/or propose a transparent State policy for all taxes remitted by short term rental platforms to include tax data by property, including the address of each rental and the receipts of each transaction; and to discuss and/or propose methods and resources needed to increase the State’s ability to conduct complete audits of short-term rental properties with enforcement mechanisms no later than December 15, 2024.

The Commission also suggests a review of the State hotel tax, the local hotel tax, and the sales taxes as currently applied to room, whole-house, and condominium short-term rentals.

3. After hearing testimony from multiple municipalities including Warwick, Newport, Providence, Tiverton, North Kingstown, Narragansett, Jamestown, and the League of Cities and

Towns, it became clear that Rhode Island currently has a wide variety of local policies governing short-term rentals and, in some cases, they lack consistency.

With respect to municipal home rule, the Commission needs to engage with the RI League of Cities and Towns to develop a baseline and enforceable (consistent) State policy/framework that includes all existing municipal policies and ordinances by December 15, 2024.

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Commission documents, agendas, and articles

<https://www.rilegislature.gov/commissions/STRC/SitePages/hmaterials.aspx>

Resolution H6449

<https://webserver.rilegislature.gov/BillText/BillText23/HouseText23/H6449.pdf>

Commission members

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