

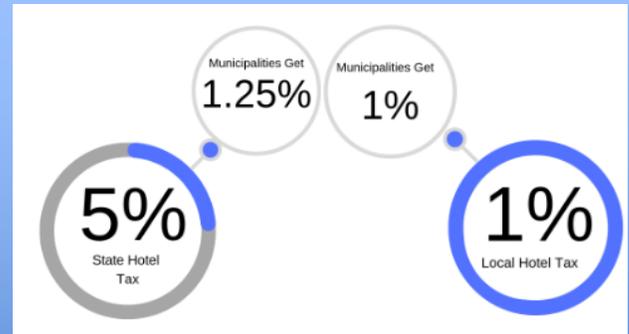


Short-Term Rentals in Rhode Island

Registration and Taxation

- Rentals in Rhode Island under 30 days are subject to the 7% Sales Tax, 5% State Hotel Tax and the 1% Local Hotel Tax
- There are two different kinds of STRs: Whole Home Rentals and Room Rentals
- Whole Home Rentals are only subject to the 1% Local Hotel Tax whereas Room Rentals are subject to both the 5% State Hotel Tax and the 1% Local Hotel Tax. Both pay Sales Tax.
- Rhode Island Municipalities receive a total 1% in tax from Whole Home Rentals and 2.25% in tax from Room Rentals. About 70% of Rhode Island STRs are Whole Home Rentals.
- State Law requires online hosting platforms to register with and collect and remit taxes to the Division of Taxation for all listings on their platforms. Independent STR operators who do not use an online hosting platform must register with and collect and remit taxes to the Division of Taxation on their own.

Tax Municipalities Receive From STRs:



Tax	Whole Home	Room Rental
Local Hotel Tax	1%	1%
State Hotel Tax	N/A	1.25%*
Totals	1%	2.25%

Economic and Community Impacts

STRs create both Community Impacts as well as Economic Impacts. Communities face several potential changes from STRs, including the possibility of residential properties becoming commercially operated STRs, noise and nuisance complaints, and competition for community resources (e.g. parking spaces). Economic Impacts include potential changes to housing markets and housing stock, which has to be considered along with the fact that STRs can provide additional income for operators who may need the additional income to stay in their homes. Further, STRs can affect the hotel industry with lower-end hotels being the most likely to lose business to STRs.

Regulatory Implications



Prohibit STRs

State Law states that municipalities can not prohibit residents from listing their properties as STRs



Laissez-Faire

Do nothing, allow STRs to continue operating without regulation



Allow STRs with Restrictions

This is the option most municipalities use since it provides numerous regulatory options

Problem Identification and Policy Alternatives

We identified 4 major problems municipalities have to address when regulating STRs: Nuisance, Housing Stock (“Hotelization and LMIH”), Enforcement, and Tax Implications. Nuisance can affect any size community with any number of STRs, while Housing Stock issues usually affect areas with large numbers of STRs. Housing Stock issues include Hotelization, which is when a landlord takes a property that would be a long-term rental off the market to utilize it as an STR, and the impact on Low and Medium Income Housing. While we provide several policy alternatives based on what other municipalities have done, a common solution to both Nuisance and Housing Stock is quantitative restrictions. Quantitative restrictions include restricting types of STRs that can be offered as well as limiting the total number of nights a property can be operated as an STR.

Enforcement is a key component of any successful STR regulation and should be considered along with potential tax revenue. Municipalities who only have a handful of STRs may not want to dedicate substantial municipal resources to enforcement and may consider a simple permitting process with fines for non-compliance. Municipalities with a large number of STRs may want to consider hiring a third party compliance company or create a municipal position dedicated to enforcement. Finally, municipalities may want to lobby the legislature to modify the current tax structure or to allow municipalities to control the tax rates on STRs themselves. Please read the full report for our complete list of policy alternatives. The full report can be found at <http://bit.ly/urireport>

