2023 Swimply MD SB 691 Testimony.pdf

Uploaded by: Ashlie Bagwell
Position: FAV

March 9, 2023

Re: SB691, Home Amenity Rentals - Sales and Use Tax Imposed and Local Tax Authorized – SUPPORT

Chairman Guzzone, Vice Chair Rosapepe, and Committee Members:

On behalf of Swimply, I am here today in strong support of SB691, which adds home amenity rentals to the sales and use tax and authorizes a county or municipality to impose a home amenity rental tax.

Swimply is a home amenity rental platform, which allows homeowners to share underutilized portions of their home with their neighbors. While Swimply has started with the sharing of pools, we are moving towards a platform where all underutilized spaces which are not sleeping quarters can be shared, be it your yard for a dog to run, or sharing your garage for someone to work on their car. We are an extension of the home sharing economy.

The home sharing economy has been growing and evolving since 2008 and with it state and local regulations and taxes must also continue to keep pace. Home amenity rentals do not currently meet any state or local definition for tax purposes. While they are part of the home sharing economy they lack lodging which makes the transient occupancy or hotel tax inapplicable.

Thus, today any local jurisdiction which wants to regulate and, therefore, tax home amenity rentals, much as they do short-term rentals, may not tax such rentals. This bill would change that and put home amenity rentals on the same regulatory ground as short-term rentals.

The bill makes no policy changes. The sales tax portion of the code simply adds a definition of a home amenity rental and includes this new product alongside short-term rentals. While the local authorization simply mirrors the State's Hotel Rental Tax. The only alteration is the reduction in the rates, which have been halved, in order to make the hourly rentals on par with the overnight rentals which by default grant you 20+ hours for the product, while you pay by the hour for home amenity rentals.

We respectfully ask for your support of SB691.

Thank you,

Cameron Kilberg
Head of Legal Affairs and Government Relations
Swimply

726 N Martel Ave, Los Angeles, CA 90046

MD SB 691 Testimony.Swimply.pdf
Uploaded by: Cameron Kilberg
Position: FAV

Swimply

March 9, 2023

Re: SB691, Home Amenity Rentals - Sales and Use Tax Imposed and Local Tax Authorized – SUPPORT

Chairman Guzzone, Vice Chair Rosapepe, and Committee Members:

On behalf of Swimply, I am here today in strong support of SB691, which adds home amenity rentals to the sales and use tax and authorizes a county or municipality to impose a home amenity rental tax.

Swimply is a home amenity rental platform, which allows homeowners to share underutilized portions of their home with their neighbors. While Swimply has started with the sharing of pools, we are moving towards a platform where all underutilized spaces which are not sleeping quarters can be shared, be it your yard for a dog to run, or sharing your garage for someone to work on their car. We are an extension of the home sharing economy.

The home sharing economy has been growing and evolving since 2008 and with it state and local regulations and taxes must also continue to keep pace. Home amenity rentals do not currently meet any state or local definition for tax purposes. While they are part of the home sharing economy they lack lodging which makes the transient occupancy or hotel tax inapplicable.

Thus, today any local jurisdiction which wants to regulate and, therefore, tax home amenity rentals, much as they do short-term rentals, may not tax such rentals. This bill would change that and put home amenity rentals on the same regulatory ground as short-term rentals.

The bill makes no policy changes. The sales tax portion of the code simply adds a definition of a home amenity rental and includes this new product alongside short-term rentals. While the local authorization simply mirrors the State's Hotel Rental Tax. The only alteration is the reduction in the rates, which have been halved, in order to make the hourly rentals on par with the overnight rentals which by default grant you 20+ hours for the product, while you pay by the hour for home amenity rentals.

We respectfully ask for your support of SB691.

Thank you,

Cameron Kilberg
Head of Legal Affairs and Government Relations
Swimply

726 N Martel Ave, Los Angeles, CA 90046

SB 691_MD Center on Economic Policy_FAV.pdf
Uploaded by: Kali Schumitz
Position: FAV

MDCEP
MARYLAND CENTER ON ECONOMIC POLICY

MARCH 9, 2023

Taxing Home Amenity Rentals Would Rein in Tax Avoidance and Support Maryland Counties

Position Statement in Support of Senate Bill 691

Given before the Senate Budget and Taxation Committee

An effective revenue system is an essential tool to enable Maryland to invest in the foundations of our economy, such as education, health care, and transportation. Collecting sufficient revenue is especially important as we work to rebuild hollowed-out state agencies and guarantee all students a world-class education. All Marylanders benefit when we have sufficient resources to invest in the basics, and these investments can be particularly important to break down the barriers—built through past and present policies—that hold back many Marylanders because of their race, gender, a disability, or another aspect of their identity. **The Maryland Center on Economic Policy supports Senate Bill 691** because it would ensure that short-term home rentals for use as an event space are properly taxed.

App-based service and rental companies such as Uber, Airbnb, and Instacart have proliferated over the last 15 years. While the technology behind these companies provides some value by providing convenient market infrastructure, in too many cases these companies primarily exist to skirt worker protections,[i] safety regulations,[ii] and taxes,[iii] often in pursuit of a predatory, monopolistic business model.[iv] Senate Bill 691 would apply the state sales and use tax to one such app-based service – home amenity rentals, or short-term rentals of part of a home for use as an event space – and allow counties to tax these rentals.

Taxing home amenity rentals is particularly important because companies that facilitate these rentals **explicitly advertise them as a lucrative tax avoidance scheme**. Venyou, one company that offers home amenity rentals, explains on its website (emphasis added):[v]

> With events, you can not only make more money off your property, but you can also do it tax-free! Yes, you heard us right. In the United States, you can rent your full-time residence for 15 days or less and keep 100% of that income tax-free! This means if you rent your home out for $200 an hour and host 15 events in one year **you can generate $24,000 in tax-free income**. Where can you sign up? Here!

The company emphasizes that **home amenity rentals can exploit this tax loophole more efficiently** than residential home rentals because of the high prices typical among event spaces. For example, renting one's home for overnight use at $800 per night would generate only half as much tax-free income as the company's home amenity rental scenario.

1800 North Charles Street, Suite 406 Baltimore MD 21202 | mdcep@mdeconomy.org | 410-412-9105

By applying the sales and use tax to home amenity rentals, Senate Bill 691 would recapture a portion of this tax giveaway and provide revenue to support vital investments in Maryland communities. The provision allowing local taxation is equally important:

- Home amenity rentals can create public costs such as increased traffic and wear on local roads, and an increased need for emergency services compared to ordinary residential use.
- If home amenity rentals enable event hosts to raise money through channels other than ticket sales, they may depress local admissions and amusement tax revenues.
- Special tax treatment under current law creates a perverse incentive to hold events in spaces that are not zoned for commercial use and are not subject to ordinary health and safety regulations.

For these reasons, the Maryland Center on Economic Policy respectfully requests that the Budget and Taxation Committee make a favorable report on Senate Bill 691.

Equity Impact Analysis: Senate Bill 691

Bill summary

Senate Bill 691 would apply the state sales and use tax to home amenity rentals – primarily short-term rentals of part of a home for use as an event space – and allow counties to tax these rentals.

Background

Some home amenity rental companies advertise home amenity rentals as an efficient way to exploit a federal tax break. Under federal law, income gained from 15 days' rental use of a primary residence is not subject to income tax.

Equity Implications

Senate Bill 691 would generate state and potentially local revenue that could be invested into essential services including education, health care, and transportation. These services are especially vital for Marylanders who continue to suffer from the discriminatory policy that remains today. Investing in these basic services strengthens our economy and can dismantle the economic barriers that too often hold back Marylanders of color.

Senate Bill 691 would also offset tax avoidance and reduce perverse incentives to skirt local zoning, health, and safety regulations.

Impact

Senate Bill 691 would likely **improve racial and economic equity** in Maryland.

---

[i] Jennifer Sherer and Margaret Poydock, "Flexible Work without Exploitation: Reversing Tech Companies' State-by-State Agenda to Unravel Workers' Rights and Misclassify Workers as 'Contractors' in the Gig Economy and Beyond," Economic Policy Institute, 2023, https://www.epi.org/publication/state-misclassification-of-workers/

[ii] Hudson Kennedy, Vanya Jones, and Adrea Gielen, "Reported Fire Safety and First-Aid Amenities in Airbnb Venues in 16 American Cities," *Injury Prevention 25*(4), 2019, https://injuryprevention.bmj.com/content/25/4/328.info

[iii] For example, misclassifying workers as independent contractors enables companies to avoid paying the employer side of Social Security and Medicare taxes.

[iv] Jeff Spross, "Uber Is Basically Promising Investors it Will Become a Monopoly," *The Week*, Aprol 15, 2019, https://theweek.com/articles/834836/uber-basically-promising-investors-become-monopoly

[v] "Renting Your Home as an Event Space?" Venyou, 2018, https://www.venyouspace.com/blog/2018/1/22/renting-your-home-as-an-event-space

SB691 Sponsor Testimony.pdf
Uploaded by: Senator Nancy King
Position: FAV

Nancy J. King
Legislative District 39
Montgomery County

Majority Leader

Budget and Taxation Committee

Chair
Education, Business and
Administration Subcommittee

THE SENATE OF MARYLAND
Annapolis, Maryland 21401

James Senate Office Building
11 Bladen Street, Room 120
Annapolis, Maryland 21401
301-858-3686 · 410-841-3686
800-492-7122 *Ext.* 3686
Fax 301-858-3670 · 410-841-3670
Nancy.King@senate.state.md.us

SPONSOR STATEMENT

Senate Bill 691 – Home Amenity Rentals –
Sales and Use Tax Imposed and Local Tax Authority

March 9, 2023

Mister Chairman and Members of the Budget and Taxation Committee:

The short-term rental industry is booming and with ever changing technology the industry continues to innovate and change. One of the newer innovations is Home Amenity Rentals. A home amenity rental is the rental of any portion, of a residential property, whether indoors or outdoors, excluding bedrooms or any portion of the property intended for sleeping quarters, that is occupied by the hour and for not more than 15 hours consecutively.

Senate Bill 691 will update Maryland tax structure already in place for short-term rental like Airbnb to include these newer home amenity rentals. Short-term rentals are subject to sales tax and local lodging/transient tax, and Senate Bill 691 mirrors that tax structure with the only change being a reduction of the county and municipality tax by half. This reduction reflects the fact that home amenity rentals are typically 2-3 hours (and no more than 15 hours), where short term rentals are a minimum of 20 hours.

This legislation simply ensures that our tax structure continues to keep pace with every changing industry trends and establishes fair and equitable tax treatment of home amenity rentals, and so I respectfully request a favorable report on Senate Bill 691.

SB0691-BT_MACo_SWA.pdf
Uploaded by: Kevin Kinnally
Position: FWA

MARYLAND Association of COUNTIES

Senate Bill 691

Home Amenity Rentals – Sales and Use Tax Imposed and Local Tax Authorized

MACo Position: **SUPPORT WITH AMENDMENTS**

To: Budget and Taxation Committee

Date: March 9, 2023

From: Kevin Kinnally

The Maryland Association of Counties (MACo) **SUPPORTS** SB 691 **WITH AMENDMENTS**. This bill requires "home amenity rental intermediaries" or "home amenity rental platforms" – facilitators that coordinate the sale or use of a home amenity between guests and hosts – to collect and remit specified state and local taxes. Counties suggest a simplifying amendment to merely subject these short-term amenity rentals to existing local taxes on hotels and similar short-term rental transactions.

From pools and sport courts to large backyards, home gyms, and music studios, home amenity rentals represent a growing industry closely resembling traditional hospitality industry transactions – much more so than serving as platforms where residents may rent out a room in their home for a few days a year. As such, these rentals should be subject to taxation.

The bill defines "home amenity" as any portion, whether indoors or outdoors, of a residential property, excluding bedrooms or any portion of the property intended for sleeping quarters, that is occupied by the hour and for not more than 15 hours consecutively. As introduced, this bill applies the state sales and use tax to home amenity rentals, but arbitrarily caps the rates counties may apply to the same transactions. MACo urges amendments to automatically subject these transactions to applicable local hotel taxes. SB 691, if amended to include applicable local hotel taxes, would establish fair and equitable tax treatment of home amenity rentals for both state and local taxation purposes.

Counties depend on local hotel rental taxes to fund essential public services. Applying this existing tax to home amenity rentals promotes fairness and helps support education, public safety, roadway maintenance, and other essential community services. For these reasons, MACo urges a **FAVORABLE WITH AMENDMENTS** report to establish fair and equitable tax treatment of home amenity rentals for both state and local taxation purposes.