



LOCAL
IMPLEMENTATION

Implemented on Cape Cod

OVERVIEW

As communities throughout the country have seen an increase in short-term rentals, many are imposing taxes or fees on them which capture significant revenue. In Massachusetts, short-term rentals generally include homes, cottages, apartments, or condo rentals that are rented for terms of one month or less. These short-term rentals are subject to local and state rooms occupancy taxes, and certain short-term rentals may be subject to an additional community impact fee if adopted by a municipality. Towns may also require rental registration fees for short-term rentals. To incentivize or encourage year-round rentals, some communities charge a much higher registration fee for short-term rentals. The funds collected can be directed toward affordable or attainable housing initiatives.

CHALLENGES ADDRESSED

-  Not Allowed to Build Multi-family Housing
-  Too Expensive to Build New Housing
-  Too Expensive to Secure or Maintain Housing
-  Hard to Find Year-round Housing

POTENTIAL BENEFITS & CONSIDERATIONS

- Fees and taxes on short-term rentals can offer a source of revenue for the community and can be used to offset impacts associated with the short-term rental use
- This can be a new source of funding for communities that does not increase the tax burden for residents who do not own short-term rentals
- Monitoring compliance and collecting short-term rental taxes or fees requires time and resources
- Some year-round residents may rely on short-term rental income and may be wary of taxes that could discourage visitors

RESOURCE

830 CMR 64G.1.1: Massachusetts Room Occupancy Excise - This section of Massachusetts Department of Revenue Regulations provides details on the types of taxes currently levied or available to be levied by communities on short-term rentals in Massachusetts, what the funds can go toward, and key definitions for which types of lodging are subject to specific taxes.

CASE STUDY: SHORT-TERM RENTAL TAXES AND FEES, PROVINCETOWN, MA

In Provincetown, the total taxes on rents for short-term rentals is 17.75%, which includes a 5.7% state occupancy excise tax, a 6.0% local option rooms occupancy tax, a 2.75% Cape Cod and Islands Water Protection Fund Tax, and as of 2023, an additional 3% community impact fee for all professionally-managed units. Provincetown also requires both long-term and short-term rentals to be registered

with the Town. For long-term rentals the registration fee is \$300, valid for three years, whereas the fee for short-term rentals is \$750 and is valid for one year. The Town dedicates all of its community impact fee revenues and significant portions of its local option rooms taxes to affordable and attainable housing initiatives.

Learn more [here](#).

