

New Hampshire Department of Revenue Administration

Fiscal Note Quick Guide

24-2992.0

SB 434, *establishing the extended stay housing program and exempting participating businesses from the tax on meals and rooms.*

Ways and Means

Creates the extended stay housing program which provides exemptions to the rooms and meals tax.

The proposed legislation seeks to establish an Extended Stay Housing Program within the Meals and Room (M&R) tax statute and exempts businesses participating in that program from M&R tax.

Proposed legislation adds a new taxable occupancy under RSA 78-A:6-d, by adding a new paragraph RSA 78-A:6-, X for lodging businesses for the duration of an occupant's stay in rooms reserved specifically for extended stay housing program under RSA 78-A:6.e.

Section 1, Lines 1 through 4 of the proposed legislation excluding from taxable occupancy the lodging businesses that has an occupant in a room staying under the program. Under current law, M&R tax is imposed on occupancy, paid by the occupant, and collected by the operator. Therefore, it would be more accurate for the proposed language here to apply the exemption from M&R tax to occupancy in rooms reserved specifically for the extended stay housing program from M&R.

Participation in the program by lodging business owners is not compulsory. To be eligible for the M&R exemption, lodging business owners electing to participate shall meet all of the following requirements:

- (a) submit an application form to the DRA;
- (b) no more than 25% of regularly available rooms can be assigned to the program;
- (c) monthly rental fee can be no more than 125 percent of estimated affordable monthly rent per RSA 674:58; and
- (d) there is an agreement between the lodging business and an employer or individual expressing intent to use the exempt room as an extended stay residence.

The proposed new RSA 78-A:6-e, III(a) requires a lodging business owner who is interested in participating in the Program to submit an application form to the DRA. Should the intent be to require the DRA to develop the application form, the DRA suggests that the proposed new RSA 78-A:6-e, IV be amended to include the authorization for the DRA to develop forms as well to implement this program.

The DRA also suggest that additional legislative language be added to prescribe the timeline of when such application form is to be submitted to the DRA and the amount of time the DRA is afforded to review the application to grant or deny such application.

The proposed new RSA 78-A:6-e, III(c) uses the term “monthly rental fee”. The DRA suggests that the term “monthly rent” be used instead because the term “rent” is a defined term under RSA 78-A:3, XVII.

The proposed legislation uses the term “lodging business”. The term “hotel” is currently defined under RSA 78-A:3, VII. Should this definition meet the intent of the proposed legislation, the DRA suggests that all instances of “lodging business” be replaced with the term “hotel”.

The proposed effective date of July 1, 2024, does not give the DRA sufficient time, from when this proposed legislation may pass, to communicate this to M&R taxpayers or to update all the necessary forms and electronic management related to this proposed legislation. The DRA suggests the effective date for Sections 1 and 2 to be no earlier than January 1, 2025, and for the remainder, no earlier than January 1, 2027.

The Extended Housing Stay Program and the exemption from M&R tax is effective July 1, 2024, and shall be repealed effective July 1, 2026. The DRA assumes that the start of the exemption is applicable to the qualifying occupancy activity from taxable periods beginning on or after July 1, 2024, and that the termination of the exemption is applicable to the qualifying occupancy activity from taxable period ending on June 30, 2026. M&R revenue is due by the 15th day of the month following the taxable period. The impact of this proposed exemption would only begin in August 2024, in FY2025, and the first month in FY2027

The DRA would be responsible for updating all necessary tax return forms, electronic payment systems as well as develop an application for this program. The proposed legislation could be administered by the DRA without any additional costs that could not be absorbed in our operating budget.