

Senate Ways and Means Committee

Sonja Caldwell 271-2117

SB 634, enabling municipalities to adopt a municipal occupancy fee.

Hearing Date: January 14, 2026

Members of the Committee Present: Senators Lang, Sullivan and Fenton

Members of the Committee Absent : Senators Murphy and Rosenwald

Bill Analysis: This bill enables a municipality to collect an occupancy fee from room rentals for the purpose of establishing a municipal capital fund, revolving fund, or tourism support fund.

Sponsors:

Sen. Prentiss

Sen. Long

Sen. Watters

Sen. Perkins Kwoka

Sen. Altschiller

Sen. Rosenwald

Sen. Fenton

Who supports the bill: 33 individuals signed in support

Full sign in sheets available upon request

Who opposes the bill: 32 individuals signed in opposition

Full sign in sheets available upon request

Who is neutral on the bill: No one

Summary of testimony presented:

Senator Prentiss

- Sen. Prentiss said she has been pursuing a municipal occupancy fee for years. She explained that costs are increasing for communities and they are trying to find non property tax revenue to help offset that.
- This bill allows local municipalities to adopt a local occupancy fee on room rentals subject to approval by voters or a local legislative body.
- The purpose of the fee is to establish a municipal capital improvement fund, a tourism support fund, or a revolving other special revenue fund to offset the cost of tourism.
- She emphasized that this is a local option.

- Under this bill municipalities can impose up to \$2 per occupancy per 24 hours. This would not apply to rentals that are \$40 or less per night. It may only be charged for up to 184 consecutive days.
- Enforcement would mirror existing municipal ordinance enforcement if this were to be put in place.
- The revenue collected must be segregated from the municipality's general fund and used for specific purposes like tourism, infrastructure and visitor impacts.
- She talked about how Lebanon's infrastructure is challenged by the traffic to Dartmouth Hitchcock Medical Center and they are looking for a way to bring more funding in to support infrastructure and municipal service like police and fire.
- 30 other states have something like this.

Sen. Sullivan asked what prohibits towns from taking a portion of meals and rooms revenue and using it for this purpose.

Sen. Prentiss said they do use meals and rooms tax revenue for this purpose; however, they are maxed out on that due to increasing costs. Meals and rooms revenue is not enough. Property taxes are increasing and they are looking for ways that are not tax related to create extra dollars to support these dedicated things.

Sen. McConkey stated that he wants to like the bill and the town of Conway wants something like this. What prevents him from being fully on board with this bill is the language that states "or other special revenue fund as authorized by the municipality." He noted that the state has sent more meals and rooms tax revenue back to towns. He would rather see this attributed to a dedicated fund. He is not supportive of this concept yet but thinks next year as part of the budget might be more appropriate.

Sen. Prentiss asked if he would be open to a conversation about being more restrictive with the language. She would be willing to take out the special revenue fund to focus it more.

Sen. McConkey agreed to work with her on this issue.

Sen. Lang asked if she knew that Lebanon has seen a 126% increase in revenue sharing from the meals and rooms tax since 2020 and whether any of those tourism dollars were being used for tourism problems.

Sen. Prentiss said yes but it's still not enough. They are covering municipal employees retirement costs. She stated that when she was on the city council they received a \$383,000 bill when the state changed how it managed the retirement system. They are seeing other places where revenue is dropping down and they are filling those holes and are thankful for the meals and rooms revenue sharing but even with that, they still need additional funds. Lebanon is under pressure right now because they didn't do a CSO project when they should have. When she was on the council they had to sign a consent decree of \$70 million, primarily on the users of sewer and water but it had to be spread out over different infrastructure projects.

Sen. Lang asked if those other states that have occupancy fees share their existing tourism revenue with towns.

Sen. Prentiss said she would follow up on that.

Sen. Perkins Kwoka asked if this bill would give more independence to municipalities to plan for and manage their budgets.

Sen. Prentiss said that's why she filed this bill.

Brodie Deshaies – NHMA

- This bill represents a longstanding policy position of the NHMA. It is a local option as adopted by the local governing body or the voters.
- There is a cap on the fee at \$40 over a certain duration.
- Municipalities can only assess fees as permitted in state law. There has to be enabling legislation to allow this.
- They would be open to this being in a specific dedicated fund with direction as to what the fund is allowed to be expended on.
- Section 4 addresses some of your concerns as it places limitations on what the funds can be spent on.
- They strongly support the bill.

Sen. Perkins Kwoka asked about feedback from municipalities regarding the amount of meals and rooms revenue they receive or the way it is distributed

Mr. Deshaies stated that when the meals and rooms tax was originally established it was a 40% share to the municipalities. He noted the legislature has been generous in increasing the share from 20% to 30%. The NHMA takes no position on distribution because they don't take a position on legislation that could negatively impact some members and positively impact others. As the distribution share is changed there are winners and losers. As meals and rooms revenues increase it is showing that NH is desirable place to vacation. As more tourists come to the state and as there is a larger impact on infrastructure and public safety costs this is an increased cost to the municipalities. They are unsure if the revenue is fully able to cover these costs. Other state aid has decreased over the last few decades which creates downward pressure.

Sen. Perkins Kwoka asked if giving municipalities independence to collect additional revenue would allow them to spend money more smartly

Mr. Deshaies said they believe some kind of municipal self-determination is important. All of their members are also property taxpayers and have a vested interest in spending money wisely. This bill could help them deal with fiscal pressures.

Sen. Lang said the amount of money going to municipalities statewide has increased 104% from 2020-2025. He suggested it is incumbent on locals to decide where that money goes. They can set a designated amount of the meals and rooms revenue aside to deal with tourism issues.

Mr. Deshaies said that was a good point and many are doing that; however, needs are just outpacing the ability to raise revenues.

Sen. McConkey said one of the issues with some of his towns is that chains holding several properties pool all of the meals and rooms tax revenue they collect and send one payment out. If this option were allowed, he asked how the collection of the fee by a chain operator would make its way to the town.

Mr. Deshaies said he would be happy to work with the committee on this proposal or a future proposal. He added that most of what Sen. McConkey described might be done through rules with the DRA.

Sen. Lang asked if these hospitality businesses already pay property taxes within their communities.

Mr. Deshaies said that was correct.

Joanie McIntire – NH Realtors Assoc

- They are opposed to the bill and are concerned about administrative costs.
- She said for 25,000 nights that would be a collection of \$50,000. She is concerned that would not cover the cost of administration. She is concerned that municipalities will then ask for more money.
- Property owners already pay meals and rooms tax for overnight stays. If they do those stays on platforms like VRBO, Airbnb, etc. the platform takes care of the meals and rooms tax collection. This bill does not have that. Because there is no platform to make sure it gets paid there could be inconsistency. There is no way to check on compliance.
- Everyone who owns property already pays property tax.
- Short term rentals are not always vacationers.

Sen. Sullivan said she sees this proposal as potentially backfiring, especially since it is voluntary. Her family avoids hotels with resort fees and other fees. Adding another fee might hurt the communities it is intended to help.

Ms. McIntire agreed.

Sen. Perkins Kwoka asked if as an alternative way for municipalities to collect revenue this is ultimately a pathway to lower property taxes and make homeownership more attractive.

Ms. McIntire suggested perhaps, if administrative costs don't eat up all of the money, but ultimately she was unsure.

Deaglan McEachern – Mayor of Portsmouth

- He is in favor of the bill.
- Across NH, residential property values have risen higher than commercial property values and in communities like Portsmouth that shift has moved the

tax burden away from hotels and onto residents even as out of state visitors continue to rely heavily on police, EMS, fire and public works services.

- This is not a local spending problem. He stated that even though Portsmouth has grown its budget more slowly than the State, many Portsmouth homeowners experienced assessment increases of 50-60%.
- He noted that Hampton residents are suing the town over property values.
- Municipalities are absorbing cost growths they don't control such as health insurance costs for teachers and municipal employees.
- He stated that the legislature continues to downshift responsibility without providing municipalities with tools to avoid overreliance on property taxes.
- He described the bill as a modest, voluntary fee, adding that it does not mandate a fee. It allows communities to better align the cost of services with those who use them.

Sen. Perkins Kwoka asked if he sees this as way to address some of the residents' concerns over the growth in tourism and local property taxes.

Mayor McEachern said yes. He said he doesn't see this as a Portsmouth problem. He said there are many communities that saw an influx of people after COVID and that has driven up residential values faster than commercial values. Commercial property owners pay less as a percentage now than they did before COVID. This would address that problem. He said that while they appreciate the share of meals and rooms revenue going up, that seems like legislative math. He continued saying that if you cut the share from 40% to 20% and then increase it year after year and still not get back to 40% it is difficult to pat oneself on the back. He also mentioned the 7% loss of retirement funds which meant they had to come up with that money. He noted he doesn't intend to focus on tourism, rather he needs the fee to help pay for cops, fire, and EMS. Their costs are going up each year because of healthcare costs and cost of living adjustments that have to be made so they can compete with other cities. That is the problem they are trying to address here.

Sen. Perkins Kwoka asked if he had the figure for what the 104% increase in revenue sharing represented for Portsmouth.

Mayor McEachern said \$700,000. He noted that county tax is based on property valuation but the meals and rooms revenue share is based on population. He understands Portsmouth's role of sending \$40-50 million in meals and rooms tax revenue to the state for distribution around the state. He continued that it is just not enough for the costs associated with the amount of tourism we have in the state.

Sen. Perkins Kwoka stated that one of the points brought up this morning was that with a tightening of the belt at the local level these funds would go further and asked if he thought that was true.

Mayor McEachern responded saying folks are legitimately questioning why their taxes are going up and last year Portsmouth held those increases to less than the cost of inflation when you don't count district placements, which added another \$2 million.

Retention of police officers is also a problem as they try to compete with higher paid cops in Dover. To lose a cop and train someone new costs a lot of money. They bought out teacher contracts to help them retire faster.

Sen. Lang said for Portsmouth, the increase annually for meals and rooms revenue went up 1.19 million from 2020.

Mayor McEachern responded that he knew that, however he looks at the overall amount of money the state gives to the city, not individual line items, and that amount has gone down the last two years.

Heidi Milbrand

- Ms. Milbrand owns Pleasant View Bed and Breakfast in Bristol. She is the President of the Lakes Region Bed and Breakfast association.
- She is opposed to the bill and believes it is discriminatory.
- Ms. Milbrand stated that her business collects the 8.5% meals and rooms tax and is the only legitimate lodging in Bristol.
- Adding another fee will deter guests from staying and reduce her business.
- They are already undermined by online booking companies and real estate rental companies who work outside state regulations.
- Ms. Milbrand raised several questions, including, if towns will be required to collect the \$2 per night from those online bookings; why the bill only applies to lodging and not restaurants, gas stations, or retail shops; why her lodging business should be responsible for funding towns that are incompetent in their budgeting; and how this would be enforced and how the administrative costs to the town would be paid.
- She stated that the people of Bristol will view this bill as a property tax reduction and she expressed confidence that they would support it without regard for its long-term consequences.
- She reiterated that she is the only legitimate lodging business in Bristol and she has 7 rooms. She said even if she rented every room every night, it wouldn't help. She said this bill is being proposed by larger cities as a money grab and the amount small towns would collect is inconsequential. It will place a burden on her, the town, and her fellow legitimate lodging owners to collect and remit yet another tax.

Sen. McConkey suggested maybe a room threshold might help.