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Testimony Opposing LD 1181:

The Economic Benefits of Short-Term Rentals in Maine

To the Joint Standing Committee on Housing and Economic Development:

I, Kay Walten MS (Sport, Tourism, Hospitality Management) of Woolwich am writing to express my strong opposition to LD 1181, which would allow municipalities to require assessors to classify short-term rental (STR) units as either “commercial” or “residential” for tax purposes. This bill risks undermining the significant economic and community benefits that independent short-term rentals bring to Maine’s towns and cities.

Short-Term Rentals Drive Local Economic Development

Short-term rentals play a vital role in supporting Maine’s tourism industry, which is a cornerstone of our state’s economy. By providing flexible, diverse, and affordable lodging options, STRs attract a broader range of visitors—including families, remote workers, and long-term tourists—who might not otherwise be able to experience our communities. These guests spend money at local restaurants, shops, and attractions, directly supporting small businesses and generating sales tax revenue.

Benefits to Local Communities and Residents

- **Supplemental Income for Residents:** Many Mainers rely on income from short-term rentals to afford their homes, pay property taxes, and invest in property maintenance. This supplemental income is especially important in rural and coastal areas with limited economic opportunities.
- **Support for Local Businesses:** Studies show that STR guests spend more on average at local businesses compared to hotel guests, as they tend to stay longer and seek out neighborhood experiences.
- **Revitalization of Underutilized Properties:** STRs often encourage the renovation and upkeep of older or vacant properties, improving neighborhood aesthetics and property values.
- **Flexibility During Peak Seasons:** STRs help communities accommodate seasonal surges in tourism without requiring permanent hotel infrastructure, which can be costly and underutilized in the off-season.

Evidence from Other Communities

Research from across the United States highlights the positive impact of independent short-term rentals:

- **Economic Impact:** In 2022, Airbnb reported that its guests contributed over \$70 billion to local economies in the U.S., supporting hundreds of thousands of jobs in hospitality, cleaning, and maintenance.
- **Rural and Small Town Benefits:** Rural counties and small towns have seen increased tourism and economic activity thanks to STRs, which often serve areas not covered by traditional hotels.
- **Tax Revenue:** Many states and municipalities have successfully partnered with STR platforms to collect lodging taxes, generating new revenue streams for local governments without raising taxes on residents.

Concerns with LD 1181

Labeling STRs as “commercial” properties could result in significant tax increases for property owners, discouraging participation in the STR market and reducing the availability of visitor accommodations. The bill also places complex land use decisions in the hands of assessors without clear statewide guidelines, creating regulatory confusion and potential inequities.

Short-term rentals are a critical part of Maine’s economic development strategy, supporting tourism, small businesses, and local homeowners. Rather than imposing

punitive classifications and taxes, Maine should seek balanced, evidence-based policies that preserve the benefits of STRs while addressing legitimate community concerns.

Data on How Short-Term Rentals Contribute to Maine's Economy

Short-term rentals (STRs) are a significant driver of Maine's tourism and local economies, providing both direct and indirect economic benefits across the state.

Direct Economic Impact

- In 2019, direct overnight visitor spending in Maine—much of it facilitated by short-term rentals—surpassed \$5.2 million, highlighting the substantial financial influx from out-of-state and international tourists, especially Canadians .
- STRs generate substantial annual revenues for property owners. For example, in Ellsworth, the average annual revenue per STR property was \$79,144 in the past year, with similar high returns in other tourist destinations like Ogunquit (\$101,226) and Boothbay Harbor (\$66,430) .
- STRs are subject to a 9% state sales tax, which is collected and remitted to the Maine Revenue Service, directly supporting state finances .

Broader Economic Benefits

- STRs support local businesses by increasing demand for restaurants, shops, and attractions, especially in rural and coastal communities where traditional lodging is limited .
- They create jobs in hospitality, cleaning, property management, and maintenance, and help address seasonal lodging shortages that hotels and inns cannot meet .
- STRs provide supplemental income for Maine residents, enabling many to afford their homes and invest in property improvements .

Community and Regional Development

- In rural areas, STRs have been identified as an opportunity for economic growth, helping to revitalize communities facing stagnant economies and providing a pathway for new residents to become part of the community .
- STR guests often become repeat visitors or even permanent residents, contributing to long-term economic vitality .

Summary of Key Metrics

Location	Avg. Annual STR Revenue	Avg. Occupancy Rate	Year-over-Year Growth in STRs
Ellsworth	\$79,144	52%	73%
Kingfield	\$54,263	36%	117%
Boothbay Harbor	\$66,430	33%	87%
Ogunquit	\$101,226	42%	104%

Policy Considerations

- While STRs are not the primary cause of Maine’s housing shortage, balanced regulation is recommended to maximize economic benefits while addressing local housing needs .
- Overly restrictive STR policies can reduce housing supply and increase prices, potentially harming both the housing market and local economies.

Short-term rentals are a cornerstone of Maine’s tourism economy, providing millions in direct spending, supporting local businesses, creating jobs, and offering vital income to residents. Their continued presence and responsible management are essential for the state’s economic health and community development.

References:

- "Short-Term Rental Economy" by Nicholas E. Anania, Maine Law Review
- Airbnb Economic Impact & Housing Report, 2024
- Airbnb Economic Impact & Housing Report, Kentucky, 2025
- Airbnb, "Economic Impact 2023 US"
- Island Institute, "Short-term gain, long-term pain?"
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- Land Use Planning Commission Study of Short-Term Rentals Public Comments
- Maine Law Review: "The Short-Term Rental Economy in Rural Maine Communities"
- Maine Policy Institute: "Under Construction: Fixing Maine's Self-Imposed Housing Crisis"
- Mainebiz: "GrowSmart Maine panel tackles pros and cons of short-term rentals"
- Oxford Economics, "Short-Term Rentals Generate €149B Economic Impact, 2.1M Jobs Across EU in 2023"

- Rabbu: "20 Best Short-Term Rental Markets in Maine for 2025"
- Steadily: "Airbnb Short-Term Rental Laws and Regulations in Maine"
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- Urban Institute, "With an Abundance of Short-Term Rentals, Who Wins and Who Loses"

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Support for Local Businesses: Studies show that STR guests spend more on average at local businesses compared to hotel guests, as they tend to stay longer and seek out neighborhood experiences.

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Flexibility During Peak Seasons: STRs help communities accommodate seasonal surges in tourism without requiring permanent hotel infrastructure, which can be costly and underutilized in the off-season.

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Rural and Small Town Benefits: Rural counties and small towns have seen increased tourism and economic activity thanks to STRs, which often serve areas not covered by traditional hotels.

Tax Revenue: Many states and municipalities have successfully partnered with STR platforms to collect lodging taxes, generating new revenue streams for local governments without raising taxes on residents.

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Summary of Key Metrics

Ellsworth:

In Ellsworth, short-term rental properties generated an average annual revenue of \$79,144, with an occupancy rate of 52%. The market for STRs in Ellsworth has seen significant growth, with a 73% increase in the number of listings year-over-year.

Kingfield:

Kingfield's short-term rental market produced an average annual revenue of \$54,263 per property, with an occupancy rate of 36%. Notably, Kingfield experienced a remarkable 117% year-over-year growth in STR listings, indicating rapidly rising demand.

Boothbay Harbor:

In Boothbay Harbor, the average annual revenue for a short-term rental was \$66,430, and the occupancy rate stood at 33%. The number of STRs in Boothbay Harbor grew by 87% compared to the previous year.

Ogunquit:

Ogunquit led the group with an average annual STR revenue of \$101,226 per property and an occupancy rate of 42%. The town also saw a 104% year-over-year increase in the number of short-term rental listings, reflecting its strong appeal to visitors.

These figures illustrate the substantial economic contributions of short-term rentals in each of these Maine communities, both in terms of direct income for property owners and the overall growth of the local tourism sector.

Policy Considerations

While STRs are NOT the primary cause of Maine's housing shortage, balanced

regulation is recommended to maximize economic benefits while addressing local housing needs.

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