

Vermont Use Tax for Businesses

Businesses need to know the circumstances in which the Vermont Sales and Use Tax applies to them. This overview provides information on the tax and general guidelines. For more detailed information, you should refer to Vermont tax law and the Vermont Department of Taxes website at tax.vermont.gov for fact sheets, regulations, and technical bulletins on the topics presented here.

What Is Use Tax?

Use tax is paid by the purchaser of an item when the purchase is made from a vendor that is not registered by the state of Vermont to collect sales tax. Sales tax and use tax work together to create the same tax result whether a vendor collects sales tax or not. Therefore, use tax has the same rate of 6%, rules, and exemptions as sales tax. Use tax is paid in the following situations when purchases are made of tangible personal property subject to the sales tax:

- You make a purchase from a vendor not registered to collect tax with the state of Vermont.
- You use property you normally manufacture for sale.
- You use property in the operation of your business or for personal use that you originally purchased for resale with an exemption certificate.
- You purchase property that you do not consume in Vermont, but you receive, store, or operate the property in Vermont. Exemption: Building materials and supplies are exempt if 1) stored in Vermont for 180 days or less and if 2) purchased by a contractor for the construction, reconstruction, alteration, remodeling or repair of real property in a 3) state which has no sales or use tax.

Examples of Sales Subject to Use Tax

Because sales tax and use tax work together, it is important to know when sales tax should be applied. Following is a noninclusive list of transactions subject to tax:

- Sales of tangible personal property—anything that can be seen, weighed, measured, felt, or touched
- Sales of alcoholic beverages
- Nonresidential retail sales of public utility services—electricity, gas, water, steam, and fuel

- Sales of telecommunications services
- Internet purchases, digital downloads, and prewritten software
- Delivery charges, even if stated separately on an invoice, of items subject to the tax
- Fabrication charges
- Rentals and leases of tangible personal property
- Barter transactions
- Sale of items for which a coupon is used, and the seller is reimbursed for the full cost by a third party
- Certain labor charges
- Bundled transactions where retail sales of two or more distinct and identifiable products sell for one price

Sales Tax Paid to Another State

If you pay sales tax that is properly charged on an item imposed by another state, you may owe Vermont use tax on the difference if Vermont's sales tax is higher. For example, if the tax paid in another state is 3% and sales tax in Vermont is 6%, then you are responsible for paying 3% use tax on the difference. However, if the other state's tax is higher, Vermont will not refund the difference.

Please note:

Local option tax does not apply to use tax.

Deliveries from Outside Vermont

Sales tax is *destination-based*, meaning the tax is applied based on the location where the buyer takes possession of the item or where it is delivered. Therefore, vendors outside Vermont should collect sales tax on deliveries made to Vermont. However, if the vendor does not have sufficient connection with Vermont (nexus), the state cannot require the vendor to collect sales tax. In this case, the purchaser is responsible for paying the use tax on the item.

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Disclaimer: The information provided here is intended to be an overview only. Vermont tax statutes, regulations, Vermont Department of Taxes rulings, or court decisions supersede information presented here.

Rev. 02/2020 • Pub. FS-1018

Calculating Use Tax

There are three ways to calculate use tax:

- For items purchased at retail, the tax is on the purchase price.
- For items you manufacture that you use in the operation of your business or for personal use, the tax is on your “best customer” price for which you normally sell the items.
- For items that have been fabricated, printed, or imprinted, the tax is on the amount paid for the property plus the fabrication labor or service charge.

Know the Regulations

Business owners are expected to be familiar with state tax laws and regulations applicable to their businesses. For more information, please see the following:

32 V.S.A. Chapter 233

legislature.vermont.gov/statutes/chapter/32/233

Sales and Use Tax Regulations

tax.vermont.gov/regulations

Technical Bulletins on Sales and Use Tax

tax.vermont.gov/bulletins

Fact Sheets

tax.vermont.gov/fact-sheets

To learn more about Vermont business taxes, visit our website at tax.vermont.gov or contact the Department’s Business Tax Section at tax.business@vermont.gov or (802) 828-2551.

