

Vermont Rooms Tax for Businesses

Businesses need to know the circumstances in which the Vermont Rooms Tax applies to them. This fact sheet is a continuation of the “Vermont Meals and Rooms Tax for Businesses,” providing further details for businesses renting rooms and collecting tax. For more detailed information, you should refer to Vermont tax law and the Vermont Department of Taxes website at www.tax.vermont.gov for fact sheets, regulations, and technical bulletins on the topics presented here.

Businesses Subject to the Rooms Tax

Following is a noninclusive list of types of businesses which must charge tax:

- Hotels, motels, inns, bed & breakfasts
- Rental cottages, condominiums, campsites, and ski lodges
- Rooms in homes, homes, second homes, and other types of accommodation owned by private individuals for which a rental fee is charged

What Is a Hotel?

Hotel accommodations are subject to the Vermont Rooms Tax. A hotel is broadly defined as an establishment that holds itself out to the public by offering sleeping accommodations for a charge. This includes rooms in private houses and other types of privately owned lodging if you rent out your accommodations for 15 days or more in a calendar year. Please note that the first 14 days are also taxable.

What Is Not a Hotel?

The following are not considered hotels and therefore are not required to collect the rooms tax:

- Hospitals, nursing homes, homes for the aged, or retirement communities certified under Chapter 151 of Title 8
- Facilities operated by any Vermont or Federal institution, except the Vermont Department of Forests, Parks and Recreation
- Dormitories or living quarters provided by a summer camp or a school to children attending the school
- Hotels operated by a nonprofit corporation, with certain exclusions

Please note:

The charge for a dormitory room rented out by a school to persons other than students is taxable.

What Is Subject to Rooms Tax?

Any charge by a hotel that gives a person the right to use rooms, furnishings, or services of the hotel is subject to the rooms tax. The tax applies whether or not the room contains sleeping accommodations, as long as it is located in an establishment that is defined as a “hotel.”

For example, a conference room located within a hotel that is rented out is subject to the rooms tax. The rental provided use of a room in a hotel, even though the room was not used for sleeping accommodations. Optional services, other than the use of the room, are not subject to the rooms tax as long as the service charge is separately stated on the guest’s bill.

Please note:

Forfeited deposits are subject to the rooms tax.

There are three classifications of occupancy:

- **Daily:** Day-to-day rentals are subject to rooms tax.
- **Long-term rental (no lease agreement):** Rentals are exempt after 30 days of continuous occupancy. The occupancy does not have to be in the same room, but must be in the same hotel. On the 31st day, the renter is considered a permanent resident and the charge for the room rental is no longer subject to tax. However, the first 30 days are subject to the rooms tax.
- **Pre-existing lease agreement for at least 30 days that creates a landlord-tenant relationship between parties:** A rental that meets this definition is exempt from the date of lease agreement.

Rentals by Private Individuals

People who own property in Vermont often rent rooms in their homes, the entire home, or other types of lodging to visitors. If you own and rent any of these types of accommodations to guests for 15 days or more, consecutive or nonconsecutive, in a calendar year, you must collect and remit the rooms tax. Any meals served are subject to meals tax. Please note that the first 14 days are also taxable. The tax applies to a rental that is made to one renter or multiple renters over the course of a year. For more details, see the fact sheet "Renting a Room with a View?" at www.bit.ly/vtfactsheets.

Coupons and Gift Certificates

If you honor a coupon at your place of business and receive reimbursement from the coupon issuer in the amount of the discount, tax is due on the full cost. If you honor a coupon and are not reimbursed by the coupon issuer, then the tax is due on the final cost to the customer. The same is true if you offer a special or reduced price to customers.

No rooms tax is collected at the time of purchase of the gift certificate. Gift certificates are treated like cash. When used, the hotel collects the rooms tax on the total amount of the room charge, not the amount due after the certificate is used.

Are Tips Taxable?

Generally, tips are not taxable, but there are exceptions. "Tip" means either:

1. a sum of money gratuitously and voluntarily left by a customer for service, **or**
2. a charge for service that is indicated by the seller on the bill, invoice or charge statement that:
 - a. does not exceed 20% of the total charges **and**
 - b. is separately accounted for and fully distributed to service employees, in addition and supplemental to normal salary and wages, which must meet or exceed state and federal minimum wage requirements.

The exceptions

Tips in excess of 20% must be reported as taxable, even if fully distributed to service employees. If any portion of the tip is retained by the operator, rather than by service

employees, the portion retained becomes a part of the charge to the customer and is thus subject to tax. For meals and rooms tax purposes, business owners and operators are not service employees, even when they perform functions typically performed by service employees.

Operating More Than One Location

You will have just one Vermont Business Tax Account, but each location must obtain its own license and will file its own meals and rooms tax return. To obtain the additional licenses, register for each separate location.

Know Tax Law and 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

<http://legislature.vermont.gov/statutes/title/32>

Meals and Rooms Tax Regulations

www.bit.ly/vttaxregs

Technical Bulletins on Sales and Use Tax

www.bit.ly/vttechbulls

Fact Sheets

www.bit.ly/vtfactsheets

Vermont Meals and Rooms Tax for Businesses, Vermont Meals Tax for Businesses, Local Option Tax: What is It and When Does It Apply?, Renting Your Room with a View? (rentals by private individuals), What Caterers Should Know about Vermont Business Taxes, What Nonprofits Need to Know About Vermont Business Taxes, How to Register Online for a Vermont Business Tax Account, and other fact sheets on a variety of topics

To learn more about Vermont business taxes, visit www.tax.vermont.gov or contact the Department's Business Tax Section at tax.business@vermont.gov or (802) 828-2551, option 3.

