

Renting Your Room with a View?

The Vermont Meals and Rooms Tax: What You Should Know

Many Vermonters and those living outside Vermont who own property in the state are renting their spare rooms or other types of lodging to visitors. They find it is a way to make a little extra money to supplement their incomes, but in many cases, the rent charged to the lodger is subject to the Vermont Rooms and Meals Tax and should be collected and remitted to the Vermont Department of Taxes. If you are renting a room in your home or some other form of lodging to guests, you should learn your tax liabilities as outlined here in this fact sheet.

Should You Collect the Meals and Rooms Tax?

You may view your venture as small scale compared to a larger bed and breakfast or inn. However, Vermont tax law requires that you collect and remit tax, just like any other business operating in Vermont.

Vermont law states that sleeping accommodations offered to the public for a consideration on premises operated by a private person, entity, institution, or organization is subject to the Vermont Meals and Rooms Tax *if those rentals total fifteen (15) or more days in any one calendar year*. Please note: If you rent your room or other type of lodging to the same person for 30 or more consecutive days, the person is then considered to be a permanent resident, and different rules apply.

The following is a noninclusive list of types of lodging rented or owned by the host which fall under the provisions of the law:

- A house or room(s) in a house
- Cabin, cottage, condominium, ski lodge
- Barn, bunkhouse, tree house, camper, tent

You are personally responsible for collecting and remitting the tax to the Vermont Department of Taxes. If your rental falls within the provisions of the law, then you must charge your guests the 9% Vermont Meals and Rooms Tax. In addition, if you are providing meals to your guests and billing them separately, those meals are also subject to tax.

Selling Merchandise? Vermont Sales Tax Applies

If you sell merchandise to your guests, such as your homemade candles or soap, you must charge the

6% Vermont Sales Tax on these items. Also, if you purchase items for your business and no sales tax is charged, such as purchases made online or in a state that does not impose sales tax, you must remit the applicable 6% Vermont Use Tax.

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.

Local Option Tax Also May Apply

In addition to the state-imposed business taxes, you may be required to collect and remit a 1% local option tax imposed by some Vermont municipalities. A municipality may choose to levy a local option tax on 1) meals and alcohol; 2) rooms; and/or 3) any items subject to sales tax. Businesses are responsible for

collecting and remitting local option taxes along with state business taxes. Local option tax is destination-based. Please note that you should always calculate the local option tax as 1% of the taxable (net) sales for each town.

If you are subject to local option tax and have not been collecting and remitting it, you may have a tax liability. A current listing of municipalities who impose local option taxes can be found at www.bit.ly/vtlocmuni.

What If You Have a Tax Liability?

You are personally responsible for collecting and remitting tax. If you are subject to tax and have not been collecting and remitting it, you may be responsible for up to seven years of tax, interest, and penalty. Coming forward voluntarily through the Department's Voluntary Disclosure Program may reduce your exposure to three years of tax and interest. Call the Department's Audit Division at 802-828-2514 for more information.

Vermont Business Tax Account and License

Businesses must register for a Vermont Business Tax Account and license prior to collecting the tax. Registration is free. All businesses must display their licenses for customers at each location as authorization to collect tax on behalf of the State of Vermont. To register your business name and apply for a business tax account, visit our website at www.bit.ly/vtbusregistration.

Maintain Good Records

We highly recommend that you maintain good records for your business, including dates of rental, names of tenants, the dollar amount charged for the rental, and tax charged and collected.

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. Chapters 225 and 233

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

Regulations for Meals and Rooms Tax & Sales and Use Tax

www.bit.ly/vttaxregs

Technical Bulletins on Meals and Rooms Tax

www.bit.ly/vttechbulls

Fact Sheets:

www.bit.ly/vtfactsheets

Vermont Meals and Rooms Tax for Businesses, Vermont Meals Tax for Businesses, Vermont Rooms Tax for Businesses, Vermont Sales and Use Tax for Businesses, Local Option Tax: What is It and When Does It Apply?, How to Register Online for a Business Tax Account, and more fact sheets on a variety of topics

Other Resources

Vermont Secretary of State's Office
www.sec.state.vt.us

Vermont Small Business Development Center

www.vtsbdc.org

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.

