

Vermont Sales and 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 may refer to Vermont tax law and visit the Vermont Department of Taxes website at www.tax.vermont.gov for fact sheets, regulations, and technical bulletins on the topics presented here.

New!

Beginning July 1, 2015, soft drinks are subject to sales tax. Please see the fact sheet "Vermont Sales and Use Tax on Soft Drinks" for further guidance.

What Is Sales Tax?

The sales tax of 6% is imposed on the retail sales of tangible personal property unless exempted by law. Retail sales include goods you sell at your place of business as well as at other locations in Vermont. A seller must collect sales tax at the time and place of the sale. 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.

Businesses are responsible for collecting sales tax from their customers and then filing and remitting the tax to the state. Sales tax is reported using the accrual basis, requiring that sales tax is charged at the time of the sale and reported even if full payment for the sale has not been received by the seller. Following is a noninclusive list of transactions subject to sales tax:

- Sales of tangible personal property—anything that can be seen, weighed, measured, felt, or touched
- Sales of alcoholic beverages
- Entertainment, recreation, and amusement admission charges
- 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
- Consignment sales
- 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

Disclaimer: This fact sheet is intended to provide an overview only. Vermont tax statutes, regulations, Vermont Department of Taxes rulings, or court decisions supersede information provided in this fact sheet.

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If you are unsure whether the type of sales transaction you conduct is subject to tax, you may contact the Department for guidance.

Please note:

Be sure to report and remit tax for every required filing due date *even when no tax is owed*. This rule applies to all business filers except "occasional" filers, who must file and pay only when they have tax to remit.

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

Local Option Taxes

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. 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. Do not make the mistake

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of calculating use tax as 1% of 6%, the sale tax rate, which will result in collecting too little local option tax.

Businesses are responsible for collecting and remitting local option taxes along with state business taxes. 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.tax.vermont.gov.

Please note:

Local option tax does not apply to use tax.

Sales Tax Exemptions/Exemption Certificates

There are many exemptions to the Vermont Sales and Use Tax, including clothing and footwear, food, medicines, newspapers, certain agricultural products, some purchases by specific industries, certain utility purchases, and purchases that are shipped out-of-state.

Guidelines for Nonprofits

Purchases by 501(c)(3) nonprofit organizations may be exempt. An exemption certificate must be presented to the vendor prior to the sale, and the vendor must retain it for at least three years from the date of the last sale covered by the certificate. For more information on nonprofit organizations, visit the Department's website. If you are unsure of sales tax exemptions, you may contact the Department for guidance.

Vermont Business Tax Account and License

Businesses, including nonprofits, 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. Businesses with more than one location must obtain separate business tax accounts and licenses and file separate returns for each location. Businesses with no permanent location in Vermont, such as cart vendors, may obtain one license. For information on how to register for business tax account, see www.bit.ly/vtbusregistration.

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:

See 32 V.S.A. Chapter 233

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

Sales and Use Tax Regulations

www.bit.ly/vttaxregs

Technical Bulletins on Sales and Use Tax

www.bit.ly/vttechbulls

Fact Sheets

www.bit.ly/vtfactsheets

Vermont Use Tax for Businesses, Local Option Tax: What is It and When Does It Apply?, General Guidelines on Sales Tax: What Is Taxable and Exempt, What Nonprofits Need to Know About Vermont Business Taxes, How to Register Online for a Business Tax Account, and more fact sheets on a variety of topics

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

