

**TAX: LOCAL OPTION MEALS & ALCOHOLIC BEVERAGES
TAX AND LOCAL OPTION ROOMS TAX**

TB-25

**SUBJECT: REQUIREMENT TO COLLECT LOCAL OPTION
MEALS & ALCOHOLIC BEVERAGES TAX AND
LOCAL OPTION ROOMS TAX**

Issued: June 3, 2003

Revised: September 12, 2008¹

REFERENCES: 24 V.S.A. § 138(b) (2) & (3)

This bulletin addresses the procedures for collecting and reporting the one percent Local Option Rooms Tax and the one percent Local Option Meals and Alcoholic Beverages Tax. The general principles apply to any jurisdiction that enacts one or both of these local option taxes pursuant to 24 V.S.A. §138(b).

This bulletin does NOT apply to the local taxes imposed by the City of Burlington or the City of Rutland, pursuant to their city charters. These two cities impose their own meals, entertainment and lodging tax as authorized by their city charters. They administer and collect the taxes. Vendors, who have businesses in Burlington or Rutland, should contact the city for information about these taxes. Similarly, this bulletin would not apply to any jurisdictions that, subsequent to the date of this bulletin, enact local taxes under authority granted by charter as opposed to under and in accordance with the provisions of 24 V.S.A. § 138.

GENERAL RULES

Local Option Meals & Rooms Tax applies to charges for rooms rented in a local option jurisdiction, and Local Option Meals and Alcoholic Beverages Tax applies to charges for meals, beverages and alcoholic beverages served in a local option jurisdiction. Vendors who deliver or cater meals or other items subject to the Vermont meals and rooms tax into a local option jurisdiction must collect and remit the Local Option Meals and Alcoholic Beverages Tax, even if their business location is outside of the local option jurisdiction. The Local Option Meals and Alcoholic Beverages Tax applies to all meals, beverages, alcoholic beverages that are subject to Vermont meals and rooms tax. The Local Option Rooms Tax applies to all lodging rentals that are subject to Vermont rooms tax.

¹ As originally issued, TB-25 addressed only Williston's Local Option Rooms and Local Option Meals & Alcoholic Beverages Taxes as Williston was the only municipality that had adopted those taxes pursuant to 24 V.S.A. § 138. Subsequent to the issuance date, other towns have adopted one or both of these taxes. The bulletin has been revised to apply generally to all such jurisdictions.

EXAMPLES

1. A restaurant in Williston (a jurisdiction that has enacted a Local Option Meals and Alcoholic Beverages Tax) serves a meal and alcoholic beverages to a patron. The cost of the meal and the alcoholic beverages are both subject to the Williston Local Option Tax.
2. An inn in South Burlington (a jurisdiction that has enacted a Local Option Rooms Tax) rents a room to a customer. The charge is subject to the South Burlington Local Option Tax.
3. A restaurant in Stowe (a jurisdiction that has enacted a Local Option Meals and Alcoholic Beverages Tax) contracts to cater an event in Waterbury, which is not a Local Option Tax jurisdiction. The restaurant furnishes the meal in Waterbury. The meal is not subject to the Stowe Local Option Meals and Rooms Tax as the meal is furnished in Waterbury.
4. A pizza shop in Brattleboro (a jurisdiction that has enacted a Local Option Meals and Alcoholic Beverages Tax) delivers meals to customers in Brattleboro and the adjacent jurisdictions. Local option tax applies only to the deliveries in Brattleboro. Likewise, a pizza shop located outside of Brattleboro must collect local option tax on deliveries into the jurisdiction of Brattleboro.
5. A mobile vendor sells sandwiches, coffee, and other food subject to Vermont meals and rooms tax at various locations during the day. Local Option Meals and Alcoholic Beverages Tax applies to any transactions that occur in a local option jurisdiction.
6. A real estate agency in Stratton (a jurisdiction that has enacted a Local Option Rooms Tax) rents out a vacation cottage located in Sunderland for one week. The transaction is subject to the Vermont rooms tax, however it is not subject to the Stratton Local Option Rooms Tax as the cottage is located in Sunderland.

REGISTRATION OF VENDORS

Any vendor with a Vermont meals and rooms tax certificate of authority is required to collect the Local Option Meals and Rooms Tax. No additional registration with the Department of Taxes is necessary.

COLLECTION OF TAX BY VENDORS

The Local Option Meals and Alcoholic Beverage Tax may be combined with Vermont Meals Tax and collected as a single 10% tax (11% for alcoholic beverages). The Local Option Rooms Tax may be combined with Vermont Rooms Tax and collected as a single 10% tax. At the vendor's option, the state tax and the local option tax may be shown separately. If sales are made on a tax-included basis, notice must be made to the customer that the price includes both the Vermont sales tax and the local option tax. A vendor may not make sales on a tax-included basis for one tax while separately itemizing the other tax.

FILING RETURNS AND PAYING THE TAX

Vendors report and pay their Local Option Meals and Alcoholic Beverages Tax and Local Option Rooms Tax on their Vermont Meals and Rooms Tax Returns (MR-441). Returns are preprinted with the names of the jurisdictions that have a Local Option Meals and Alcoholic Beverages Tax or Local Option Rooms Tax or both as of the printing date. If additional

jurisdictions enact Local Option Meals, Alcohol or Rooms Tax during the year, vendors should write in the jurisdiction name and the amount of Local Option Tax collected for these jurisdictions. Vendors should visit our website <http://tax.vermont.gov> for updates on new local option meals and rooms jurisdictions.

Molly Bachman
General Counsel

Approved by:

Tom Pelham
Commissioner