

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. If you need further assistance with any of the topics covered below, you may call the Business Tax division at (802) 828-2551 or email tax.business@vermont.gov.

Sales Tax

Vermont generally imposes the Vermont Sales Tax on retail sales of tangible personal property. 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
- Alcoholic beverages sold in sealed containers for off-premises consumption
- Sales of soft drinks
- Entertainment, recreation, and amusement admission charges
- Nonresidential retail sales of public utility services—electricity, gas, water, steam, and fuel
- Internet purchases, digital downloads, and prewritten software, regardless of how it is paid for, delivered, or accessed
- Sales of telecommunications services
- 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
- Sales 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 taxable products sell for one price.

If you are unsure whether the type of sales transaction you conduct is subject to tax, you may contact the Department for guidance. [See also the fact sheet, General Guidelines on Sales Tax: What is Taxable and Exempt? \(tax.vermont.gov\)](#).

Always File

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 authorized “occasional” filers, who must file and pay only when they have tax to remit.

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

If you rent or purchase items subject to sales tax in Vermont from a vendor not licensed to collect tax in Vermont, you should remit the 6% Vermont Use Tax to the Vermont Department of Taxes. This most often occurs when making purchases via the internet or from vendors located in states which do not impose sales tax.

Local Option Taxes

In addition to the State-imposed 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, not on the amount of tax due.

Businesses are responsible for collecting and remitting local option taxes along with State taxes. If you are subject to local option tax and have not been collecting and remitting it, you may have a tax liability. [Use the Local Option Tax Finder to search Vermont addresses where a local option tax applies \(tax.vermont.gov\)](https://tax.vermont.gov).

Sales Tax Exemptions and 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.

Exemption certificates permit retail businesses to purchase taxable items without paying tax as long as the item will be resold and the final customer pays the tax. They also allow certain nonprofit organizations to purchase items tax exempt. Certificates must be received at the time of sale and must be signed, dated, and completed. Sellers must retain exemption certificates for at least three years from the date of the last sale covered by the certificate to document why tax was not collected from the buyer. Businesses, including nonprofits, must register for a Sales and Use Tax account and license before using any exemption certificate. [Learn more about Exemption Certificates \(tax.vermont.gov\)](https://tax.vermont.gov).

Purchases by Nonprofits

Purchases by 501(c)(3) nonprofit organizations may be exempt. [Form S-3, Vermont Sales Tax Exemption for Purchases for Resale, by Exempt Organizations, and by Direct Pay Permit \(tax.vermont.gov\)](https://tax.vermont.gov), 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 Nonprofits webpage \(tax.vermont.gov\)](https://tax.vermont.gov). If you are unsure of sales tax exemptions, you may contact the Department for guidance.

Vermont Business Tax Account and License Required

Businesses, including nonprofits, must [register for a Vermont Business Tax Account and license prior to collecting the tax \(tax.vermont.gov\)](https://tax.vermont.gov). 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 a separate license for each location, but should set up one account in myVTax, Vermont's online tax portal. In myVTax, the business selects which location and tax type to pay. Businesses with no permanent location in Vermont, such as cart vendors, may use one license for all locations.

How to File and Pay

Taxpayers may file returns and pay tax due for Sales and Use Tax [using myVTax \(https://myvtax.vermont.gov\)](https://myvtax.vermont.gov), our free, secure, online filing site. You must file electronically if:

- your sales involve one or more local option taxes, or
- you pay Sales and Use Tax for multiple locations, or
- your total Sales and Use Tax remitted for the prior calendar year exceeds \$100,000.

The Director of the Division of Taxpayer Services will consider a written request from the electronic filing requirement based on extraordinary circumstances.

If you have a single location, do not make sales subject to Local Option Tax, and cannot file and pay through myVTax, you may use the paper forms.

Know Tax Law

Business owners are expected to be familiar with State tax laws applicable to their businesses. For more information, please see the resources below.

Resources

- [32 V.S.A. Chapter 233 \(https://legislature.vermont.gov/statutes/chapter/32/233\)](https://legislature.vermont.gov/statutes/chapter/32/233)
- [Vermont Sales and Use Tax Regulations \(https://tax.vermont.gov\)](https://tax.vermont.gov)
- [Sales and Use Tax \(http://tax.vermont.gov/business/sales-and-use-tax\)](http://tax.vermont.gov/business/sales-and-use-tax)
- [Tangible Personal Property \(https://tax.vermont.gov/glossary#t\)](https://tax.vermont.gov/glossary#t)
- [Local Option Tax \(https://tax.vermont.gov/business/local-option-tax\)](https://tax.vermont.gov/business/local-option-tax)
- [Soft Drinks \(https://tax.vermont.gov/business/industry/soft-drinks\)](https://tax.vermont.gov/business/industry/soft-drinks)
- [Prewritten Computer Software \(https://tax.vermont.gov/business-and-corp/sales-and-use-tax/prewritten-computer-software\)](https://tax.vermont.gov/business-and-corp/sales-and-use-tax/prewritten-computer-software)
- [Exemption Certificates \(https://tax.vermont.gov/business/nonprofits/exemption-certificates\)](https://tax.vermont.gov/business/nonprofits/exemption-certificates)