

Vermont Meals and Rooms Tax for Businesses

Businesses need to know the circumstances in which the Vermont Meals and Rooms Tax applies to them. This overview provides information on the tax and general guidelines. For more detailed information, you should refer to Vermont tax law and the Vermont Department of Taxes website at tax.vermont.gov for regulations, technical bulletins, and fact sheets on the topics presented here.

What Is Vermont Meals and Rooms Tax?

Any private person, entity, institution, or organization selling meals, serving alcohol, or renting rooms to the public must collect the Vermont Meals and Rooms Tax from their customers on their *gross receipts* and remit the tax to the Vermont Department of Taxes.

Meals and rooms tax rates in Vermont

Following are rates for meals and rooms tax:

- 9% on sales of prepared and restaurant meals
- 9% on sales of lodging and meeting rooms
- 10% on sales of alcoholic beverages served in restaurants

Which types of businesses must collect and remit tax?

Following is a list (noninclusive) of types of businesses which must charge, collect, and remit tax:

Meals Tax

- Restaurants, including cafes, cafeterias, dining rooms, diners, lunch counters, salad bars, private or social clubs, bar or tavern, theater concessions, street vendors, street cart, food truck, and catering businesses
- Grocery and convenience stores if they offer prepared foods (Note: food sold at a snack bar with no seating is not subject to tax)
- Vending machines
- Transient vendors

Rooms Tax

- Hotels, motels, inns, bed and breakfasts
- Cottages, cabins, condominiums, campsites, and ski lodges
- Rooms in homes, primary homes, vacation or second homes
- Other types of sleeping accommodations owned by private individuals for which a rental fee is charged, such as treehouses and yurts

Definition of a restaurant and taxable meal

All food is taxable when sold by a restaurant. The type

of sales and amount of sales determine if a business is a restaurant. A restaurant is defined as:

- an establishment that charges for food or beverage intended for immediate consumption; **or**
- an establishment that has made total sales of food or beverage in the previous taxable year of at least 80% taxable food and beverage; **or**
- a new establishment that projects its total sales for the first year to be at least 80% taxable food and beverage.

Alcoholic beverages sold on the premises of a restaurant are subject to the 10% alcoholic beverage tax.

Note: Some items are taxable even when sold by a business not defined as a restaurant, such as sandwiches (except frozen), heated food or beverages, items from a salad bar, and party platters and prepared food.

Definition of a hotel

Hotel accommodations are subject to tax. A hotel is broadly defined as an establishment that holds itself out to the public by offering sleeping accommodations for a charge. 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.

Note: 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, the rental of a conference room in a hotel is subject to rooms tax.

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.

Disclaimer: The information provided here is intended to be an overview only. Vermont tax statutes, regulations, Vermont Department of Taxes rulings, or court decisions supersede information presented here.

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No 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.

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.

Local option tax

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. Businesses are responsible for collecting and remitting local option taxes to the Department along with state business taxes. A current listing of municipalities that impose local option taxes can be found on the Department’s website.

Guidelines for tax-exempt nonprofits

All federally designated tax-exempt nonprofit organizations, no matter their IRS exempt designations, must pay tax when renting lodging or buying meals. When renting out rooms or selling meals, nonprofits must charge, collect, and remit Vermont Rooms and Meals Tax *unless specifically exempted*. More information is available on nonprofits and when they are exempt from Vermont tax on the Department’s website.

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 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 a business tax account, please see the “Register, Renew, or Close Your Business” webpage on the Department’s website.

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, visit tax.vermont.gov.

32 V.S.A. Chapter 233

legislature.vermont.gov/statutes/chapter/32/233

Meals and Rooms Tax Regulations

tax.vermont.gov/regulations

Technical Bulletins on Sales and Use Tax

tax.vermont.gov/bulletins

Fact Sheets

See related fact sheets “Vermont Meals Tax for Businesses” and “Vermont Rooms Tax for Businesses” at tax.vermont.gov/fact-sheets.

Are tips taxable?

“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.

Any service charge (not voluntary but added to the bill as part of the total charge) that is more than 20% of the bill must be reported as taxable, even if fully distributed to service employees. Any portion of the service charge retained by the business owner or operator rather than by service employees, becomes a part of the charge to the customer and thus is 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.

Vermont Meals and Rooms Tax: Taxability of Tips and Charges for Service	
Tips left voluntarily by customers	No meals and rooms tax applies but may be subject to withholding for income tax.
Charges for service added to bill by owner-operator and distributed to service employees	The portion distributed to employees that is more than 20% of the bill is subject to meals and rooms tax.
Charges for service retained by owner-operator	Entire charge for service is subject to meals and rooms tax.

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

