Vermont Rooms Tax for Businesses

Businesses need to know the circumstances in which the 9% Vermont Rooms Tax applies to them. This fact sheet is a continuation of the “Vermont Meals and Rooms Tax for Businesses,” providing further details for businesses renting rooms and collecting tax. 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.

Businesses subject to the rooms tax
Following is a noninclusive list of types of businesses which must charge 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

What is a hotel?
Hotel accommodations are subject to the Vermont Rooms Tax. A hotel is broadly defined as an establishment that holds itself out to the public by offering sleeping accommodations for a charge. This includes rooms in private houses and other types of privately owned lodging if you rent out your accommodations for 15 days or more in a calendar year. Please note that the first 14 days are also taxable.

What is not a hotel?
The following are not considered hotels and therefore are not required to collect the rooms tax:

- Hospitals, nursing homes, homes for the aged, or retirement communities certified under Vermont law at 8 V.S.A. Chapter 151
- Facilities operated by any Vermont or federal institution, except the Vermont Department of Forests, Parks and Recreation
- Dormitories or living quarters provided by a summer camp or a school to children attending the school (Exception: The charge for a dormitory room rented out by a school to persons other than students is taxable.)
- Hotels operated by a nonprofit corporation, with certain exclusions

What is subject to rooms tax?
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. 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, a conference room located within a hotel that is rented out is subject to the rooms tax. The rental provided use of a room in a hotel, even though the room was not used for sleeping accommodations.

Optional services, other than the use of the room, are not subject to the rooms tax as long as the service charge is separately stated on the guest’s bill. Optional services may include use of facilities, lessons, or rental of equipment. If the rental is presented as a package with pricing inclusive of services, then the entire package is subject to rooms tax.

Please note:
Forfeited deposits are subject to the rooms tax.

There are three classifications of occupancy:

- **Daily**: Day-to-day rentals are subject to rooms tax.
- **Long-term rental (no lease agreement)**: Rentals are exempt after 30 days of continuous occupancy. The occupancy does not have to be in the same room, but must be in the same hotel. On the 31st day, the renter is considered a permanent resident and the charge for the room rental is no longer subject to tax. However, the first 30 days are subject to the rooms tax.
- **Pre-existing lease agreement for at least 30 days that creates a landlord-tenant relationship between parties**: A rental that meets this definition is exempt from the date of the lease agreement.
Rentals by private individuals
People who own property in Vermont often rent rooms in their homes, the entire home, or other types of lodging to visitors. If you own and rent any of these types of accommodations to guests for 15 days or more, consecutive or nonconsecutive, in a calendar year, you must collect and remit the rooms tax. Any meals served are subject to meals tax. Please note that the first 14 days are also taxable. The tax applies to a rental that is made to one renter or multiple renters over the course of a year. For more details, see the fact sheet “Renting a Room with a View?”

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. 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 and Rooms Tax for Businesses” at tax.vermont.gov/fact-sheets.

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.