

What Caterers Should Know about Vermont Business Taxes

Any private person, entity, institution, or organization selling meals, serving alcohol, or renting rooms to the public must collect the applicable Vermont business taxes from their customers on their *gross receipts* and remit the tax to the Vermont Department of Taxes. As a caterer, you should know the Vermont business taxes that apply to your business so that you collect and pay the right amount of tax.

A catering service is considered to be a restaurant for the purposes of the Vermont Meals and Rooms Tax. This fact sheet provides information on the business taxes that apply and the general guidelines for caterers. More information on Vermont taxes for businesses also is available on the Department's website at tax.vermont.gov. Please see "Vermont Meals and Rooms Tax for Businesses" and "Vermont Meals Tax for Businesses" as well as fact sheets on Vermont Sales and Use Tax.

Catering service billed as a package

Like a restaurant, caterers provide more than just food as part of their service to customers. Tableware, linen, decorations, and the labor involved to prepare and serve the meal all contribute to the dining experience. If the catering service you offer is presented and billed as a "package," you must collect and remit the 9% Vermont Meals and Rooms Tax on all items and services that are components of the package. You may choose to itemize components of your catering service on the bill for the customer, but costs for the meal, labor, and other components are subject to the meals and rooms tax even when itemized. These components include the following (non-inclusive list):

- Food and beverage
- Labor for preparing, delivery, serving, and cleaning up after the meal
- Tableware, such as dishware, cutlery, glassware, linens, and other items necessary for serving the meal
- Flowers and any other decorative items provided as part of the service
- Room, banquet hall, building, or any space where the meal will be served

If you present the bill for the package plan to the customer *with the meals and rooms tax included*, then the you must state "tax included" on the bill. Charges and tax should be properly allocated in the accounting records of your business, and the tax must be reported and remitted accordingly.

Sales tax on rentals

If you rent items such as tableware or linens, you should pay the applicable 6% Vermont Sales Tax to the vendor. You then may choose to pass on the sales tax as a markup in the final bill to the customer.

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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Please note:

Alcoholic beverages sold by holders of a First or Third Class Liquor License are subject to the 10% Vermont Alcoholic Beverage Tax.

When use tax applies

You may rent or purchase items subject to sales tax in Vermont from a vendor not licensed to collect tax in Vermont. In this situation, 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 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. 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 of calculating local option tax as 1% of 6%, the sales 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 tax.vermont.gov.

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Sales of meals for resale exemption

Beginning July 1, 2019, an exemption under Act 51 applies to purchases of meals for the purpose of resale. A buyer intending to resell meals may purchase meals without paying meals tax to the seller. Once the buyer resells the meals, it must collect and remit meals tax to the Department of Taxes.

The buyer must present to the seller an accurate and properly executed exemption certificate for the exempted sale, Form M-3, Vermont Meals Tax Exemption Certificate or the Purchase of Meals for Resale, available at tax.vermont.gov. The responsibility is on the seller to verify that the buyer will resell the meals. If the seller accepts an exemption certificate with no reasonable expectation that the meals will be resold, the seller will be responsible for the meals tax not collected from the buyer.

The exemption certificate must be received at the time of sale and must be signed, dated, and complete. 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.

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 225

legislature.vermont.gov/statutes/chapter/32/225

Regulations for Meals & Rooms Tax and Sales & Use Tax

tax.vermont.gov/regulations

Technical Bulletins on Meals & Rooms Tax

tax.vermont.gov/bulletins

Fact Sheets

Read more details on the fact sheets "Vermont Meals and Rooms Tax for Business" and "Vermont Meals 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.

