



Application of Sales and Use Taxes and the Room Occupancy Tax to the Hotel and Motel Industry

Purpose: This Policy Statement provides information about the applicability of sales and use taxes and room occupancy tax to various charges made by hotels, motels, or lodging houses to their guests. It discusses the taxability of charges by hotels and motels for the use of recreational facilities that they offer to their guests, such as spas and golf courses. It also provides information about charges for items of tangible personal property that are delivered to guests in hotel and motel rooms.

Background: The sales and use tax rate is 6% and the room occupancy tax rate is 12%. The room occupancy tax applies to the transfer for consideration of the occupancy of a room or rooms in a hotel, motel, or lodging house for 30 consecutive days or less. Consideration includes charges for the services and accommodations accompanying the use and possession of the room or rooms, whether or not charges for the services or accommodations are separately stated.

For this Policy Statement, the term *hotel* means any establishment that is either a hotel or a lodging house, as defined in Conn. Gen. Stat. §12-407(a)(16) and (17), respectively.

Effective Date: Effective when issued and applicable to all open tax periods.

Statutory Authority: Conn. Gen. Stat. §§12-407(a)(2)(E) and (H), (16), (17), (18), (19), (20), and (21), as amended by 2002 Conn. Pub. Acts 103, §1, Conn. Gen. Stat. §12-408(1), and Conn. Agencies Regs. §12-426-29. (Prior to January 1, 2003, Conn. Gen. Stat. §12-407(2)(e) and (h), (16), (17), (18), (19), (20), and (21).)

Taxable Services: With the exception of telecommunications services and community antenna television services, which are discussed below, hotels may purchase taxable enumerated services, such as parking services and shopping services, on a resale basis in these circumstances:

- When the services are passed on without change to the hotel guest.
- When there is no intervening use of the services by the hotel.

Regardless of whether services are passed on with or without change or the hotel makes an intervening use of the services, where the charge for the services is separately stated on the guest's room bill, sales and use taxes apply. However, where the charge for the services is not separately stated on the guest's room bill, room occupancy tax applies.

Telecommunications Services, Community Antenna Television Services, and Internet Access Services: Hotels may not purchase telecommunications services or community antenna television services, including noncable movie services, on resale because hotels cannot be retailers of these services under Connecticut law. Hotels must pay sales and use taxes on their purchases of these services. The hotels are the consumers of these services. Internet access services have not been subject to sales and use taxes since July 1, 2001.

Charges made by hotels to guests for telecommunications services, community antenna television services, noncable movie services, or Internet access services are services and accommodations accompanying the use and possession of a room in a hotel, and are subject to room occupancy tax whether or not separately stated.

Nontaxable Services That Accompany the Use or Possession of Hotel Rooms: Charges made by a hotel to a guest for nontaxable services, such as valet, shoe shine, dry cleaning, or laundry services, are treated as part of the services or accommodations accompanying the use and possession of a hotel room, and are subject to room occupancy tax whether or not separately stated.

Services That Are Separate From Hotel Room Accommodations: Charges made by a hotel to a guest for the use of recreational facilities, such as golf courses or spas, are not subject to the room occupancy tax if the charges for these services are separately stated on hotel bills. Hotel charges for the use of recreational facilities are not considered to be part of room accommodations or services accompanying the use or possession of hotel rooms. Golf course fees and spa charges are also not subject to sales and use taxes. (However, a spa may provide taxable services, for example hair removal services such as waxing or tweezing. See **Special Notice 2001(2)**, *Miscellaneous Personal Services*, for more information.)

Room Service Charges for Taxable and Nontaxable Goods: Room service charges for taxable or nontaxable goods are not services or accommodations accompanying the use and possession of a hotel room, and as so are not subject to room occupancy tax. Room service charges for goods are subject to sales and use taxes if the goods are taxable, and are not subject to sales and use taxes if the goods are exempt from tax.

Room Service Charges for Meals: Room service charges for furnishing, preparing, or serving food, meals, or drinks are not services or accommodations accompanying the use and possession of a hotel room, but are subject to sales and use taxes.

“American Plan” or the Provision of Lodging and Meals at a Fixed Price: The term **American Plan** means packages or special price arrangements under which a guest receives lodging and meals at a fixed price. A portion of the charges paid by the guest to the hotel is the purchase price of meals and is subject to sales and use taxes. The balance of the charges paid by the guest to the hotel is rent for the

occupancy of a room and is subject to the room occupancy tax. The Department of Revenue Services (DRS) allocates the charges as follows:

Package Includes:	Percentage Allocated to Meals	Percentage Allocated to Room
Room with breakfast, lunch, and dinner	50%	50%
Room with breakfast and lunch	30%	70%
Room with breakfast and dinner	40%	60%
Room with dinner	25%	75%
Room with breakfast	15%	85%
Room with lunch	15%	85%
Room with continental breakfast	0%	100%

A **continental breakfast** is juice, pastry, and coffee.

Complimentary Rooms and Meals: Because the sales and use taxes and the room occupancy tax apply only where there are sales (including room occupancy transfers) for consideration, the provision of complimentary meals and lodging are not subject to sales and use taxes or room occupancy tax. (Barter transactions are sales for consideration.) For example:

- Providing free rooms or free meals to a wedding party that has used the hotel’s banquet facility is not subject to room occupancy tax.
- Providing a room to a hotel employee, whether or not an on-site employee, as part of the employee’s compensation is not subject to room occupancy tax as long as the hotel makes no charge for the occupancy. However, if an employee is required to pay, whether payment is tendered by the employee or an amount for payment is withheld from the employee’s wages, the hotel must charge room occupancy tax to the employee for the first 30 consecutive days of occupancy. Similar rules govern the provision of meals to a hotel employee as part of the employee’s compensation. See Conn. Agencies Regs. §12-426-29(e).

Long Term Occupancy: Room occupancy tax applies to the first 30 consecutive days of occupancy, regardless of the ultimate length of occupancy. Occupancy for days in excess of 30 consecutive days is not subject to room occupancy tax, including instances where different personnel of the contracting party occupy the same room or different rooms.

Rental of Rooms Other Than for Lodging Purposes: Charges for a room rented out for use or possession other than for lodging purposes, such as charges for a meeting room, are not subject to room occupancy tax, as long as the charge for the meeting room is separately stated from any charges for lodging. However, these charges may be subject to sales and use taxes, as described below.

Where Meals Are Furnished With a Meeting Room: Where a hotel (or an eating establishment, including but not limited to a banquet hall, restaurant, or social club) will not rent a meeting room unless it also furnishes meals, the hotel's total charges, whether or not the charges for the room(s) and meals are separately stated and including any charges for Internet access, are treated as charges for the meals, and are subject to sales and use taxes.

Where a hotel will rent a meeting room without furnishing meals, and

- Meals (whether banquet or buffet-style) are served or consumed in the meeting room, the hotel's total charges, whether or not the charges for the room and meals are separately stated and including any charges for Internet access, are treated as charges for the meals, and are subject to sales and use taxes;
- More than one meeting room has been rented for use at the same function, with one room being used for the serving of meals and another room being used for the meeting, the hotel's separately stated and reasonable charge (based on prevailing rates in the area) for the room not used for the serving of meals is not treated as charges for the meals, and is not subject to sales and use taxes. If the charge for the room being used for the meeting is neither separately stated nor reasonable, the hotel's total charges are treated as charges for the meals, and are subject to sales and use taxes;

- The guests rent the room and hire a third-party caterer; the hotel's charges are not treated as charges for meals, and are not subject to sales and use taxes. However, the caterer's total charges for the meal to the guests are subject to sales and use taxes;
- A third-party caterer rents the room; the hotel's charges to the caterer are not subject to sales and use taxes. However, the caterer's total charges, including any separately stated charge for the room, to its clients are treated as charges for meals, and are subject to sales and use taxes.

The hotel is not furnishing meals if it merely provides a self-service table of nonalcoholic beverages and snack items for those attending a meeting. In that event, the hotel's charges for the beverages and snack items are subject to sales and use taxes, but its charges for the meeting room are not.

Mandatory Gratuities: Application of sales and use taxes to service charges is described in Conn. Agencies Regs. §12-426-29(c)(4)(B), which provides that the gross receipts from the sales of meals include any mandatory service charge unless the seller can establish that the service charge:

- Is not for the benefit of the seller (the use of a service charge by the seller to reduce expenses, including payroll expenses, is a benefit to the seller); **and**
 - Is remitted, in its entirety, to the service personnel who provided the meal service. The term **service personnel** is limited to personnel involved in the actual serving of the meal to the customer. Service personnel do not include supervisory and administrative personnel, such as the banquet manager, banquet marketing personnel, banquet captain, catering directors, and catering managers.
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Items Used in Guest Rooms or Meeting Rooms: Hotels are the consumers of, and may not purchase on a resale basis, hotel equipment, furniture and fixtures, audio or video equipment (whether purchased, leased, or rented), and other items that hotel guests use, such as soap, shower caps, towels, paper products, and similar items. Hotels are the consumers of any amenities provided for free, such as mints or soda. Hotels must pay sales tax on these items at the time of purchase unless the items are exempt, such as food products for human

consumption under Conn. Gen. Stat. §12-412(13) and Conn. Agencies Regs. §12-426-29(b)). If the items are purchased from a retailer that is not engaged in business in Connecticut or is not authorized to collect Connecticut use tax on Connecticut sales, hotels must report these purchases on and remit Connecticut use tax with **Form OS-114, Sales and Use Tax Return**.

Effect on Other Documents: This Policy Statement modifies and supersedes **Policy Statement 2001(13), Application of Sales and Use Taxes and the Room Occupancy Tax to the Hotel and Motel Industry**.

Effect of This Document: A Policy Statement is a document issued by DRS that explains in depth a current position, policy, or practice affecting the tax liability of taxpayers.

For Further Information: Please call DRS during business hours, 8:00 a.m. to 5:00 p.m., Monday through Friday:

- **1-800-382-9463** (in-state), or
- **860-297-5962** (from anywhere)

TTY, TDD, and Text Telephone users only may transmit inquiries 24 hours a day by calling 860-297-4911.

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Forms and Publications: Forms and publications are available all day, seven days a week:

- **Internet:** Preview and download forms and publications from the DRS Web site: **www.drs.state.ct.us**
 - **DRS TAX-FAX:** Call **860-297-5698** from the handset attached to your fax machine and select from the menu.
 - **Telephone:** Call **860-297-4753** (from anywhere), or **1-800-382-9463** (in-state) and select **Option 2** from a touch-tone phone.
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Paperless Filing Methods (fast, easy, free, and confidential):

- **For business returns:** Use *Fast-File* to electronically file sales and use taxes, business use tax, room occupancy tax, or withholding tax returns over the internet or telephone. Visit the DRS Web site at: **www.drs.state.ct.us** and click on *Business Taxes Fast File Program*.
- **For resident income tax returns:** Use *WebFile* to file personal income tax returns over the Internet. Visit the DRS Web site at: **www.drs.state.ct.us** and click on *Income Tax Web Filing*.