

# 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 [www.tax.vermont.gov](http://www.tax.vermont.gov) for fact sheets, regulations, and technical bulletins on the topics presented here.

## New! Change in the law for vending machines

Beginning July 1, 2015, food and beverages sold in vending machines are subject to the Vermont Meals and Rooms Tax. If a business operates multiple vending machines, it is not required to hold a Vermont Business Tax License for each machine.

### What is 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 Rates in Vermont

Following are rates for meals and rooms tax in Vermont:

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

### Which Types of Businesses Must Collect Tax?

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

- Restaurants, bars, or catering businesses
- Grocery and convenience stores if they offer prepared foods
- Food carts
- Vending machines
- Transient vendors
- Hotels, motels, inns, bed & breakfasts
- Rental cottages, condominiums, campsites, and ski lodges
- Rooms in homes, homes, second homes, and other types of accommodation owned by private individuals for which a rental fee is charged

## Meals and Alcohol Tax

### Definition of a Restaurant and Taxable Meal

All food is taxable when sold by 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 premise of a restaurant are subject to the alcoholic beverage tax. The type of sales and amount of sales determine if a business is a restaurant.

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

## Rooms Tax

### 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.

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 tax.

### 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.

### 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 use tax as 1% of 6%, the sale 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 [www.tax.vermont.gov](http://www.tax.vermont.gov).

### Guidelines for Nonprofits

Nonprofit organizations must pay meals and rooms tax if they rent lodging from a hotel or are served meals by a restaurant. On the other hand, if they serve meals or offer lodging for rent, they must then charge, collect, and remit tax. Nonprofits are exempt from tax when **all three** of the following conditions are met:

1. Meals served or rooms rented occur on the

premises of the nonprofit

2. The nonprofit is organized and operated exclusively for religious or charitable purposes
3. The activity is in furtherance of any purpose for which the nonprofit was organized

### 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 business tax accounts and 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 business tax account, please see the “Business” webpage at [www.tax.vermont.gov](http://www.tax.vermont.gov).

### 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

[www.legislature.vermont.gov/statutes/title/32](http://www.legislature.vermont.gov/statutes/title/32)

#### Meals and Rooms Tax Regulations

[www.bit.ly/vttaxregs](http://www.bit.ly/vttaxregs)

#### Technical Bulletins on Sales and Use Tax

[www.bit.ly/vttechbulls](http://www.bit.ly/vttechbulls)

#### Fact Sheets

[www.bit.ly/vtfactsheets](http://www.bit.ly/vtfactsheets)

Vermont Rooms Tax for Businesses, Vermont Meals Tax for Businesses, Local Option Tax: What is It and When Does It Apply?, Renting Your Room with a View? (rentals by private individuals), What Caterers Should Know about Vermont Business Taxes, What Nonprofits Need to Know About Vermont Business Taxes, Business Owners Must Inform Customers about the Vermont Taxes on Meals and Alcohol, How to Register Online for a Vermont Business Tax Account, and more fact sheets on a variety of topics

To learn more about Vermont business taxes, visit [www.tax.vermont.gov](http://www.tax.vermont.gov) or contact the Department’s Business Tax Section at [tax.business@vermont.gov](mailto:tax.business@vermont.gov) or (802) 828-2551, option 3.

