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POLICY STATEMENT

**Room Occupancy Tax and Sales and Use Taxes
for Hotels, Motels, and Bed & Breakfasts**

Purpose: This Policy Statement provides information about the applicability of room occupancy tax and sales and use taxes to various charges made by hotels, motels, and bed and breakfast establishments to their guests. It includes the taxation of charges for the use of facilities offered to guests, such as health and athletic clubs and golf courses, and charges for items of tangible personal property that are delivered to guests

Effective Date: Effective when issued.

Imposition of Room Occupancy Tax: The room occupancy tax applies to the transfer for compensation or other consideration of the occupancy of a room or rooms in a hotel, motel, or bed and breakfast establishment for 30 consecutive calendar days or less.

There are two rates of tax for room occupancy:

- 15% for hotels and motels; and
- 11% for bed and breakfast establishments.

Definitions:

Hotel means any building regularly used and kept open to the public for feeding and lodging guests, including any apartment hotel where apartments are rented for fixed periods of time, furnished or unfurnished. "Hotel" does not include a bed and breakfast establishment. Conn. Gen. Stat. § 12-407(a)(16).

Motel means an establishment, other than a hotel or bed and breakfast establishment, that provides lodging accessible from an outdoor parking area.

Bed and breakfast establishment means any private operator-occupied house, other than a hotel, with twelve or fewer rooms where persons pay for lodging

and a full morning meal is included in the payment. Conn. Gen. Stat. § 12-407(a)(42).

Exclusions:

The terms "hotel," "apartment hotel," "motel" and "bed and breakfast establishment" do **not** include:

- Privately owned and operated convalescent homes, residential care homes, homes for the infirm, indigent or chronically ill;
- religious or charitable homes for the aged, infirm, indigent or chronically ill;
- privately owned and operated summer camps for children;
- summer camps for children operated by religious or charitable organizations;
- lodging accommodations at educational institutions; **or**
- lodging accommodations at any facility operated by and in the name of any nonprofit charitable organization, provided the income from such lodging accommodations at such facility is not subject to federal income tax.

Operator means any person operating a hotel, motel, or bed and breakfast establishment in the state, including, but not limited to, the owner or proprietor, lessee, sublessee, mortgagee in possession, or licensee of the premises, or any other person otherwise operating such hotel, motel, or bed and breakfast establishment. Conn. Gen. Stat. § 12-407(a)(18).

Occupancy means use or possession, or the right to use or possession, of any room or rooms in a hotel, motel, or bed and breakfast establishment, including the right to the use of the furnishings, services, and

accommodations accompanying the use of such room or rooms, for the first period of time not exceeding 30 consecutive calendar days. Conn. Gen. Stat. § 12-407(a)(19).

Room means any room or rooms of any kind in any part or portion of a hotel, motel, or bed and breakfast establishment used for lodging purposes. Conn. Gen. Stat. § 12-407(a)(20).

Rent means the payment or other consideration received for occupancy and any meals included with such occupancy, valued in money, whether received in money or otherwise. “Rent” includes all receipts, cash, credits, property or services of any kind or nature, and any amount for which credit is allowed by the operator to the occupant, without any deduction. Conn. Gen. Stat. § 12-407(a)(21).

Collecting and Reporting Tax: If you are required to collect and remit Connecticut room occupancy tax, you must file timely returns and pay the tax to the Department of Revenue Services (DRS) using **Form OP-210, Room Occupancy Tax Return**. The return must be filed and tax paid on or before the last day of the month following the end of each taxable period.

If you are required to collect and remit Connecticut sales and use taxes, you must file timely returns and pay the tax to DRS using **Form OS-114, Sales and Use Tax Return**. The return must be filed and tax paid on or before the last day of the month following the end of each taxable period.

Complimentary Rooms and Meals: Providing complimentary meals and lodging is not subject to sales and use taxes or room occupancy tax. Examples include:

- Providing free rooms or free meals to a wedding party that uses the hotel’s banquet facility is not subject to room occupancy tax or sales tax.
- Providing a free room to a travel agent is not subject to room occupancy tax.
- Providing complimentary breakfasts with a hotel room, if the charge for the room is the same whether or not the guests eat the free meal, is not subject to room occupancy tax or sales tax.
- Providing a room to a hotel employee is not subject to room occupancy tax if the hotel does not charge for the occupancy. If an employee is required to pay (whether payment is made by the employee, an amount for payment is withheld from the employee’s wages, or the amount is added to the employee’s W-2 compensation), the

hotel must charge room occupancy tax to the employee for the first 30 consecutive days of occupancy.

Online Travel Companies, Tour Providers and Travel Agents: Rental of rooms by operators to online travel companies, tour providers, and travel agents are subject to room occupancy tax. Online travel companies, tour providers, and travel agents may not purchase rooms and other lodging accommodations on resale because they are not “operators” furnishing room accommodations. Operators are required to collect and remit room occupancy tax on such rentals, not the online travel company, tour provider, or travel agent.

Points Programs: Some hotel or motel chain operators and credit card companies offer points programs to customers. Such programs allow points to be earned on purchases, accumulated and then redeemed to obtain free or reduced price rooms for occupancy.

If a credit card company pays an operator for the room provided under a points program to the operator’s customer, compensation that the operator charges the credit card company for the room is subject to room occupancy tax.

Compensation paid by a franchisor to a franchisee, such as a direct payment from the franchisor or an offset against fees paid by the franchisee, for the room provided to the operator’s customer under a points program is subject to room occupancy tax.

Any amounts paid by a customer redeeming points to the operator for rooms and services that accompany the use or possession of such rooms are also subject to room occupancy tax.

“Corporate” Occupancy: A business may arrange for occupancy of a room or group of rooms to be available on a long-term basis for use by its personnel on demand. Such rooms may be occupied by different personnel of the business during the term of the contract with an operator.

If a business enters into a contract with an operator of a hotel, motel, or bed and breakfast establishment to rent a room or rooms to be kept available for occupancy for any extended period of time, only the first 30 days of such period are subject to room occupancy tax.

Room Occupancy Tax and Operator Fees:

No-show fees, late arrival fees, early departure fees, late departure fees, and damage fees are subject to room occupancy tax as charges for the right to occupancy of a room.

When room reservations are cancelled and the operator charges cancellation fees, the fees are subject to the room occupancy tax.

So-called “attrition fees,” which are charged when a number of rooms are reserved for an event and less than the number of rooms reserved are actually rented, are subject to the room occupancy tax.

Room Occupancy Tax for Miscellaneous Charges by Operators:

When a guest is charged by an operator for services that are not subject to sales and use taxes, but are treated as part of the services or accommodations accompanying the use and possession of a room, the charges are subject to room occupancy tax whether or not separately stated. Examples include valet services, shoe shine, dry cleaning and laundry services.

“Resort charges” for services or accommodations accompanying the use and possession of a room are subject to room occupancy tax whether or not separately stated. Examples include charges for parking, Wi-Fi, in-room amenities such as coffee makers or refrigerators, and use of facilities such as tennis courts, indoor or outdoor pools, and beaches (including chairs, umbrellas and towels).

Charges for childcare services provided by or through an operator are **not** subject to either room occupancy tax or sales and use taxes.

Charges for transportation services provided to guests by an operator are **not** subject to room occupancy tax, but may be subject to sales and use taxes.

Charges by operators for allowing a pet in a room, room cleaning after a pet, rollaway cot charges, refrigerator fees, and safe fees are subject to the room occupancy tax.

Sales and Use Taxes for Room Service Charges:

Room service charges, whether for taxable or nontaxable goods, are not subject to room occupancy tax.

Room service charges for goods are subject to sales and use taxes unless otherwise exempt from taxation. Room service charges for furnishing, preparing, or serving food, meals, or drinks are subject to sales and use taxes.

Charges for food and beverages sold in drink bars located in rooms are also subject to sales and use taxes.

Sales and Use Taxes for Recreational Facility Services, Health and Athletic Club Services, and Other Personal Services Separate from Room Accommodations:

Guest charges by an operator for use of recreational facilities are **not** subject to the room occupancy tax if the charges are separately stated on the operator’s bill.

Guest charges by an operator for sports lessons, such as golf or tennis, are **not** subject to room occupancy tax or sales and use taxes.

Guest charges by an operator for use of a health and athletic club are not subject to room occupancy tax if the charges are separately stated on the operator’s bill, but such charges, including any mandatory gratuity charges, are subject to sales and use taxes (see **Special Notice 2007(1)**, *Sales and Use Taxes on Health and Athletic Club Services*).

Charges for spa, manicure, and pedicure services are subject to sales and use taxes (see **Special Notice 2011(9)**, *2011 Legislative Changes Affecting Sales and Use Tax*).

Charges for tanning salon services and certain depilatory services are subject to sales and use taxes as miscellaneous personal services (see **Special Notice 2001(2)**, *Miscellaneous Personal Services*).

Charges for therapeutic massage services are taxable as miscellaneous personal services regardless of where the service is performed, unless the service is provided by a licensed massage therapist (see **SN 2001(2)** and Conn. Gen. Stat. § 12-407(a)(37)(BB)).

Sales and Use Taxes for Gift Shop Sales: Gift shops are retail establishments that must charge sales and use taxes on taxable sales. Examples include:

- Beverages
- Clothing and footwear
- Meals
- Prepaid phone cards
- Toiletries
- Cameras
- Photo frames
- Souvenirs
- Toys
- Candy and gum
- Magazines
- Post cards
- Sundries

Sales of newspapers and non-prescription drugs and medicines are exempt from sales and use taxes.

See **Policy Statement 2002(2)**, *Sales and Use Taxes on Meals*, **Policy Statement 2006(6)**, *Sales and Use Tax Exemption for Newspapers and Magazines*, **Special Notice 2015(1)**, *Sales and Use Tax Exemption for Nonprescription Drugs and Medicines*, and **Special Notice 2011(9)**.

Sales and Use Taxes for the Rental of Tangible Personal Property by Operators:

Rentals by operators of tangible personal property, such as beach chairs, beach umbrellas, kayaks, and bicycles, are subject to sales and use taxes.

“American Plan” for Lodging and Meals at a Fixed Price: “American Plan” means a package or special price arrangement under which a guest at a hotel, motel, or bed and breakfast establishment receives lodging and meals at a fixed price. **Prior to October 1, 2017**, a portion of the charges paid by the guest was deemed the purchase of meals and subject to sales and use taxes while the balance was subject to the room occupancy tax. **On or after October 1, 2017**, the price paid under the “American Plan” is only subject to room occupancy tax.

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, if the charge for the room is separately stated from any charges for lodging.

These charges may be subject to sales and use taxes, as described below.

Sales and Use Taxes for Meals When Furnished with a Meeting Room: Sometimes an operator will not rent a meeting room unless the operator also furnishes meals. In this case, the operator’s total charges (whether or not the room and meal charges are separately stated) are treated as charges for meals and subject to sales and use taxes.

If an operator rents a meeting room without furnishing meals, and:

- Meals (banquet or buffet) are served or consumed in the meeting room, the operator’s total charges (whether or not the charges for the room and meals are separately stated), are subject to sales and use taxes.
- More than one meeting room is rented for use at the same function, with one room used for serving meals and another room for the meeting, the operator’s separately stated charge for the room not used for the serving of meals is **not** subject to sales and use taxes. If the charge for the room being used for the meeting is not separately stated, the operator’s total charges are subject to sales and use taxes.
- The guests renting the room hire a third-party caterer, the operator’s charges are **not** subject to sales and use taxes. The caterer’s total charges for the meal are subject to sales and use taxes.
- A third-party caterer rents the room, the operator’s charges to the caterer are **not** subject to sales and use taxes. The caterer’s total charges, including any separately stated charge for the room, subject to sales and use taxes.

An operator is not furnishing meals when merely providing a self-service table of nonalcoholic beverages and snack items for those attending an event. The operator’s charges for the beverages and snack items are subject to sales and use taxes, but charges for the meeting room are not subject to sales and use taxes. If alcoholic beverages are provided in a meeting room, the entire amount charged for the meeting room and alcoholic beverages, as well as charges for nonalcoholic beverages and snack items, are subject to sales and use taxes.

If a customer books a meeting or banquet room for an event (with or without charges for meals) and cancels the event, cancellation charges or termination charges by the operator are **not** subject to tax. If a customer books a meeting room or banquet room for an event with meals, and the operator charges attrition fees because the number of meals contracted was not fulfilled by the customer, the attrition fees are subject to sales and use taxes. If the contract was only for a

meeting room or banquet room without furnishing meals, the attrition fees are **not** subject to tax.

Sales and Use Taxes for Mandatory

Gratuities: Taxable gross receipts from the sales of meals include any mandatory service charge paid to an operator unless the operator can establish that the service charge:

- Is not used to reduce the operator's expenses; **and**
- Is paid, 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 and does **not** include supervisory and administrative personnel.

Conn. Agencies Regs. § 12-426-29(c)(4)(B).

Services Provided by Operators in Meeting Rooms and Other Non-Occupancy Areas:

Sales of photocopies are sales of tangible personal property that are subject to sales and use taxes.

Charges by operators for the use of computers and other equipment as well as online or facsimile services in meeting rooms or common areas are subject to sales and use taxes.

Sales and Use Taxes for Purchases by Operators:

Tangible Personal Property and Equipment: Operators are generally considered the consumers of tangible personal property and equipment, and may not purchase, lease or rent such items on a resale basis. Examples include computers, audio equipment, video equipment, operating supplies, cleaning supplies, and other decorative items.

If an operator provides flowers or other decorative items that are chosen by the customer and kept by the customer, the operator may purchase such items on resale, provided the charge for the items is separately itemized on the bill to the customer and sales tax is applied to such charge.

Operators are the consumers of any amenities provided to customers without charge. Examples include hospitality gifts, snack food, free meals, candy, and beverages (carbonated, noncarbonated, and alcoholic). Operators must pay sales tax on such items at the time of purchase unless exempt from taxation.

If the items are purchased from a retailer that is not engaged in business in Connecticut or is not permitted to collect Connecticut use tax on Connecticut sales, operators must report the taxable purchases on and remit Connecticut use tax with **Form OS-114, Sales and Use Tax Return.**

Taxable Services that Operators May Purchase on

Resale: With the exception of telecommunications and community antenna television services, operators may purchase taxable services on a resale basis in the following circumstances:

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

Regardless of whether services are passed on to the guest with or without change, or the operator makes an intervening use of the services, sales and use taxes apply when the charge for the services is separately stated on the guest's room bill. If the charge for the services is not separately stated on the guest's room bill, room occupancy tax must be charged.

Taxable Services that Operators May Not

Purchase on Resale: Operators are the consumers of taxable services they purchase for use at their facilities. Examples include janitorial services, maintenance services, landscaping services, swimming pool cleaning and maintenance services, and protective security services as well as services to real property at existing facilities, such as electrical, plumbing, painting services, and refuse removal services. Operators must pay the applicable sales and use tax on such purchases.

Operators may not purchase telecommunications services, community antenna television services, or any non-cable movie services on resale. Operators must pay sales and use taxes on these purchases of services. Purchases of Internet access services are not subject to sales and use taxes.

Charges made by operators to guests for telecommunications services, community antenna television services, satellite television services, non-cable movie services, or Internet access services are services and accommodations accompanying the use and possession of a room, and are subject to room occupancy tax whether or not separately stated.

Charges made by operators for movie rentals and video game rentals are also subject to room occupancy tax whether or not separately stated.

Pay-per-view movie services provided by a vendor other than the operator that are charged and paid directly by the guest to the vendor is subject to sales and use taxes, but not room occupancy tax.

Statutory Authority: Conn. Gen. Stat. § 12-407(a)(2), as amended by 2017 Conn. Pub. Acts 147, § 14; Conn. Gen. Stat. § 12-407(a)(37)(A), (D), (I), (V), (X), (Y), (BB), and (FF); Conn. Gen. Stat. §§ 12-408 and 12-411, as amended by 2017 Conn. Pub. Acts §§ 12 and 13 and 2017 Conn. Pub. Acts 17-2, §§ 637 and 638 (June Spec. Sess.), and Conn. Agencies Regs. § 12-426-29.

Effect on Other Documents: This Policy Statement modifies and supersedes **Policy Statement 2003(1)**, *Application of Sales and Use Taxes and the Room Occupancy Tax to the Hotel and Motel Industry*.

Effect of This Document: A Policy Statement explains in depth a current Department of Revenue Services (DRS) position, policy, or practice affecting the tax liability of taxpayers.

For Further Information: Call DRS during business hours, Monday through Friday:

- **1-800-382-9463** (Connecticut calls outside the Greater Hartford calling area only); **or**
- **860-297-5962** (from anywhere).

TTY, TDD, and Text Telephone users only may transmit inquiries anytime by calling 860-297-4911.

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Forms and Publications: Visit the DRS website at www.ct.gov/DRS to download and print Connecticut tax forms and publications.

Paperless Filing/Payment Methods (fast, easy, free, and confidential): Business and individual taxpayers can use the **Taxpayer Service Center (TSC)** at www.ct.gov/TSC to file a variety of tax returns, update account information, and make payments online.

File Electronically: You can choose first-time filer information and filing assistance or log directly into the **TSC** to file returns and pay taxes.

Pay Electronically: You can pay taxes for tax returns that cannot be filed through the **TSC**. Log in and select the *Make Payment Only* option. Choose a payment date up to the due date of the tax and mail a paper return to complete the filing process.

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