Rhode Island Department of Revenue
Division of Taxation

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Sales & hotel taxes on short-term rentals: FAQs

Legislation approved by the Rhode Island General Assembly and signed into law by Rhode Island Governor Gina M. Raimondo on June 30, 2015, expanded the sales and hotel taxes to include short-term rentals of residential property, including the rental of vacation homes and beach cottages. As an aid to homeowners, practitioners, and others, the Rhode Island Division of Taxation has drafted the following answers to frequently asked questions (FAQs). This document is for general information purposes only and is not a substitute for Rhode Island General Laws or for Division of Taxation regulations or declaratory rulings.

Q: I own a vacation home in Narragansett that I rent out a week at a time every summer. Am I subject to this tax?

A: Yes. The tax provisions of the law apply if you are renting out a location in Rhode Island where living quarters or sleeping or housekeeping accommodations are provided to transient guests in exchange for payment. Such accommodations include, but are not limited to, the following:

- An apartment.
- A beach house or cottage.
- A condominium.
- A house.
- A mobile home.

The provisions apply regardless of whether you, the owner of the dwelling, are a Rhode Island resident or nonresident, and regardless of whether the tenant is a Rhode Island resident or nonresident. Following are examples of those to whom the tax provisions of the law apply:

- Someone who owns a beach cottage in Sand Hill Cove that is rented out for a week or two at a time every summer.
- Someone whose principal residence is in the Barrington area and who rents it out to golfers or golfing fans for one or two weeks each June.
- Someone who owns a two-family house in Providence and who, during college graduation season each year, rents out the upstairs apartment to visiting relatives of graduates for a few days or for a week or two.

Q: What does "short-term rental" mean?

A: A rental period of 30 days or less.

Q: What about a long-term rental?

A: Any occupancy which is done through a documented arrangement, such as a written lease, for a rental period of more than 30 consecutive days, or for one calendar month, is excluded from the requirement to register with the Division of Taxation and collect taxes.

Following are examples of those who would not be required to register and collect the taxes:

- Someone who owns a beach cottage in Sand Hill Cove that is rented out to a single customer under a written lease for the entire summer.
- Someone whose principal residence is in the Barrington area and who rents it out to golfers or golfing fans, under a written lease, for the entire calendar month of June.
- Someone who owns a two-family house in Providence and who, during college graduation season each year, rents out the upstairs apartment to visiting relatives of graduates, under a written lease, for 31 consecutive days.

Q: If the new law does apply to me, what must I do?

A: You must:

- Register with the Rhode Island Division of Taxation;
- Pay the annual $10 sales tax permit fee; and
- Collect and remit the sales tax and the hotel tax.

Q: How do I register?

A: Fill out the registration form, available on the Division of Taxation's website. It is called the "Business Application and Registration" form and is sometimes referred to as the "BAR." To view the latest version of the form, please use the following link:
http://www.tax.ri.gov/forms/2014/Misc/TX_BAR_082014.pdf

It is a seven-page form, but you only need to fill out certain parts of it. The Division of Taxation has posted a sample BAR on its website that shows, in yellow highlight, which parts of the form you must complete. Please use the following link:
http://www.tax.ri.gov/Tax%20Website/TAX/notice/Sample%20BAR%202015%20vers%202.pdf

When filling out the first page of the BAR form, please keep the following points in mind:

- The phrase "3 or more rooms requires the filing of a monthly hotel tax return" appears on some versions of the form and should be disregarded because, under the new law, a return must be filed no matter the number of rooms.
- If you are renting out only seasonally, be sure to fill in the "Seasonal Operation" line, including the months during which rentals will be made.
- Under the "Will you be selling" section, check the "yes" box next to "Rental of rooms."
- On the "Business Code #" line, enter 5538.

Send the Division of Taxation the completed BAR form with a check for $10 for your sales permit. Completing and submitting the BAR will set you up to collect and remit Rhode Island sales and hotel tax. Please note that for purposes of short-term vacation rentals, the BAR can only be filed on paper at this time.

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The new law took effect July 1, 2015, and the sales permit is good for a year (July 1 through June 30) before it must be renewed.

Q: How much must I collect and remit in sales tax and hotel tax? And how is the tax calculated?

A: For short-term rentals of an entire house, an entire condominium, an entire apartment, or other such residential dwelling, collect and remit the 7 percent sales tax and the 1 percent local hotel tax, for a total of 8 percent. (The 5 percent statewide hotel tax does not apply.) The sales tax and hotel tax must be stated separately on the invoice.

> EXAMPLE: If you rent out a cottage in its entirety in Bonnet Shores for $900 for one week in August 2015, the 7 percent sales tax would be $63 and the 1 percent local hotel tax would be $9, for a total tax of $72.

Example of invoice	
Rental fee	$ 900.00
Sales tax of 7%	$ 63.00
Local hotel tax of 1%	$ 9.00
Total	$ 972.00

If a damage deposit is required, separately stated, and refundable, the taxes do not apply to the refunded portion of the damage deposit.

Once you remit the tax to the Division of Taxation, the agency will deposit and disburse the revenue according to terms of State law.

Tax on short-term rentals: Entire house	
Starting July 1, 2015, if you rent out an entire house, an entire cottage, an entire condo, an entire apartment, or other such accommodation, you must collect and remit certain taxes to the Rhode Island Division of Taxation – depending on the rental period.	
Rental period:	**Tax obligation:**
30 days or less.....	Collect and remit 7% sales tax and 1% hotel tax
More than 30 days.....	Collect no sales tax, no hotel tax (assuming signed lease)
Note: This table is solely for the rental of a house, cottage, or other such accommodation in its entirety. To see how the tax rules apply to the short-term rental of a room, please see page 4.	

Q: What if my tenants had a documented arrangement as of March 2015 to rent my beach house for two weeks in August 2015?

A: The effective date of the new law was July 1, 2015. If the documented arrangement was signed prior to July 1, 2015, no sales or hotel tax is due on that transaction – no matter when the tenants paid or will pay you for the rental. This special provision is in effect only for occupancy in calendar year 2015.

Q: What constitutes a documented arrangement for purposes of this special provision?

A: A written lease or other formal written contract would suffice. So, too, would other types of records, such as e-mails and sales invoices. Even checks with rental dates written on them will be acceptable for this purpose.

EXAMPLE: Maria rents out her cottage near Scarborough Beach for $1,500 a week each August. In October 2014, Tabatha signed a lease to rent the house for two weeks in August 2015 and paid Maria a 50% deposit, agreeing to pay the remaining 50% at move-in. For that transaction, no tax applies because the documented arrangement was entered into prior to the effective date of the law, and occupancy was in 2015.

Q: What if I rent out my summer cottage by the week during the summer, then rent it out to University of Rhode Island students from September through May of the school year?

A: Register with the Division of Taxation and collect and remit the 7 percent sales and 1 percent local hotel tax for the weekly rental periods in the summer. But there is no tax due for the rental during the school year (assuming that the school year rental is done through a written arrangement).

Q: I have a cottage in South Kingstown that I do not rent out in the summer; I stay there all summer with my family. But I do rent it out each year to URI students under a lease that covers each September through May. Must I register and collect and remit the taxes?

A: No.

Q: Are the rules that govern the short-term rental of an entire home, an entire cottage, an entire condo, or an entire apartment different than the rules for renting out a room?

A: Yes. If you rent out a room for 30 days or less, you would have to collect and remit the 7 percent Rhode Island sales tax and the 1 percent local hotel tax, but also the 5 percent statewide hotel tax, for a total of 13 percent.

EXAMPLE: If you rent out a room in your house for $350 a week for two weeks, you would have to collect and remit a total of $91 in taxes, or ($350 times 0.13) times two. The breakdown per week is as follows:

Sales tax of 7% on $350	= $24.50
Local hotel tax of 1% on $350	= $ 3.50
Statewide hotel tax of 5% on $350	= $17.50
Total tax	= $45.50

However, if you rent out the room for more than 30 consecutive days, or for a calendar month, there will be no sales tax and no hotel tax due (assuming the rental is done through a written arrangement).

Tax on short-term rentals: Rooms	
Starting July 1, 2015, if you rent out a room in an apartment, condo, house, or other such residential accommodation, you must collect and remit certain taxes to the Rhode Island Division of Taxation, depending on the rental period.	
Rental period:	**Tax obligation:**
30 days or less…….	Collect and remit 7% sales tax, 5% statewide hotel tax, 1% local hotel tax
More than 30 days…	Collect no sales tax, no hotel tax (assuming signed lease)

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Q: What if my tenants signed a lease in March 2015 to rent a room for two weeks in August 2015?

A: The effective date of the new provisions is July 1, 2015. If the lease was signed prior to July 1, 2015, no sales tax and no hotel tax is due on that transaction for occupancy in 2015 – no matter when the tenants paid or will pay you for the rental. This special provision is in effect only for occupancy in calendar year 2015.

Q: How do I remit the tax to the Division of Taxation, and how often must I do it?

A: Sales taxes and hotel taxes are "trust fund taxes." That means, in effect, that you are serving as the conduit for the tax; the tax is being paid by the tenant and collected by you on behalf of the State of Rhode Island. The taxes are not yours to keep and are not for personal use; they must be remitted – in other words, turned over to – the State of Rhode Island.

If you provide short-term residential rentals throughout the year, you must file a monthly sales tax return and a monthly hotel tax return. If you rent out only seasonally, you must file a monthly sales tax return and a monthly hotel tax return only for the months during which you rent.

> EXAMPLE: Tammy rents out her beach cottage in Charlestown for a few weeks each July and a few weeks each August. For the remainder of the year, the cottage is not rented out. In this example, Tammy would file a monthly sales tax return and a monthly hotel tax return for the months of July and August. She would not file a sales tax return or a hotel tax return for any other month. She would still have to file the annual reconciliation return in January, covering the previous calendar year.
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> EXAMPLE: Tony rents out a room in his house in East Providence for a few weeks every June. For the remainder of the year, the room is not rented out. In this example, Tony would file a monthly sales tax return and a monthly hotel tax return only for June. He would not file a sales tax return or a hotel tax return for any other month. He would still have to file the annual reconciliation return in January, covering the previous calendar year.

Sales tax payments and hotel tax payments are made in arrears: Monthly sales and use tax returns and payments, and monthly hotel tax returns and payments, are due on or before the 20th of the following month.

> EXAMPLE: Sal registers with the Division of Taxation in July 2015. He rents out his beach cottage on Aquidneck Island for a few weeks in July. In that case, Sal must file a sales and use tax return, and a separate hotel tax return, for the month of July. Each return, along with a separate check for each return, would be due on or before August 20, 2015.

♦ *The Division of Taxation is in the process of revising its monthly sales tax return and monthly hotel tax return to take into account the new provisions. The Division of Taxation intends to make a public announcement once the revisions are completed and the forms are posted. Fill out and mail in the completed form along with a check for payment of the tax.*

♦ *For purposes of short-term residential rentals, the BAR form, sales tax returns, and hotel tax returns cannot be filed electronically at this time. They must be made on paper. Also, payments related to such filings must be by check.*

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Q: When it comes to short-term residential rentals, is there a rule of thumb for determining who is responsible for registering with the Division of Taxation, charging and collecting the tax, and remitting the tax?

A: Yes. The person or entity collecting the money for a rental is responsible for registering, filing, and remitting the applicable taxes.

Q: How would a real estate professional be affected by the new provisions?

If a real estate professional lists a rental on behalf of the property's owners, and collects the rental amount, the real estate professional must register with the Division of Taxation, collect sales tax and hotel tax from the occupants of the rental, and remit those taxes to the Division of Taxation.

The taxes apply to the gross receipts of the transaction – including any commissions or fees, such as cleaning fees and booking fees. However, if a damage deposit is required, separately stated, and refundable, the taxes do not apply to the refunded portion of the damage deposit. (The portion of the damage deposit that is not refunded is taxed.)

Q: On behalf of a beach cottage owner, a real estate professional lists the cottage as a short-term residential rental. The cottage is listed for $2,000 for one week in August 2016, under a written agreement executed in August 2016. The price includes $1,600 for the rental fee and $400 for the real estate professional's commission. The real estate professional asks the tenant to make a check for $1,600 payable to the cottage owner and to make a separate check for $400 payable to the real estate professional. Neither the cottage owner nor the real estate professional is involved in any other rental in 2016. Who must register with the Division of Taxation and collect and remit the tax?

A: Because the real estate professional is initiating the lease agreement and communicating with the tenant, the real estate professional must register with the Division of Taxation, charge and collect the sales tax and hotel tax, and remit the taxes to the Division of Taxation. In this example, the 7 percent sales and use tax would total $140, and the 1 percent local hotel tax would total $20, for a total of $160. Each of the taxes would have to be separately stated on the invoice.

Q: What if a real estate agent initiates the lease agreement and communicates with the tenant for purposes of a short-term residential rental, but the agent works at XYZ Real Estate Agency?

A: In that case, the agency must register with the Division of Taxation, charge the sales and hotel tax on the short-term residential rental transaction, collect the taxes and remit them to the Division of Taxation – regardless of whether the agent is employed by the agency or treated as an independent contractor for the agency.

Q: Suppose the owner of a vacation home advertises it as a short-term rental through a real estate agency. The owner is charged an up-front fee for the advertising. Once the prospective tenant finds the advertisement, he or she deals directly with the vacation home owner.

A: In that case, the vacation home owner must register with the Division of Taxation, charge the sales and hotel tax on the short-term residential rental transaction, collect the taxes and remit them to the Division of Taxation.

Q: If I am subject to the requirements of Rhode Island's tax on short-term residential rentals, what filings must I make?

A: As noted earlier, your very first step is to register for a sales tax permit with the Rhode Island Division of Taxation. Use the "Business Application and Registration" form, or BAR. (It is sometimes called the "Sales and Withholding Tax Registration Form.") It is available on the sales tax section of the Division of Taxation website: www.tax.ri.gov. Or call the Division of Taxation's Forms desk, (401) 574-8970, to have a copy mailed to you. Send the completed form with a check for $10 to the Division of Taxation (using the address listed on the form).

Once you complete and submit the BAR form along with a check for $10 made out to the Rhode Island Division of Taxation, and the agency processes your application and payment, you will receive a sales permit in the mail along with some forms for remitting the sales tax and the hotel tax.

Fill out the forms and submit them along with payment according to the prescribed schedule. (For example, if you rent out your beach cottage only seasonally for July and August, you must charge, collect, and remit sales tax and hotel tax only for July and August. Payment for the July period is due on or before August 20; payment for the August period is due on or before September 20.)

Keep in mind that you must submit, according to the schedule, one form for the sales tax and a check for the sales tax you are remitting, as well as a separate form and a separate check for the hotel tax you are remitting.

At this time, the BAR, the annual renewal form, payments, the sales tax coupons, and the hotel tax coupons can only be submitted on paper for purposes of short-term residential rentals. (The Division of Taxation is working on allowing an online option.)

Looking ahead:

- You will receive in the mail each January a renewal notice for your sales permit. You must send back the completed renewal, along with a check for $10 to cover processing of the annual permit, by the start of May. Sometime in June, you will receive by mail your annual sales permit along with coupons for remitting sales tax and hotel tax.
- On or before January 31 of each year, submit the annual sales and use tax reconciliation form. (It is, in essence, an annual tax return focusing solely on the sales and use tax; there is no annual reconciliation return for the hotel tax.) The form is in the process of being revised. To see what annual reconciliation forms look like, see the Division's sales and use tax forms section: http://www.tax.ri.gov/taxforms/sales_excise/sales_use.php
- If you decide someday to stop renting out your vacation house or other such property, notify the Division of Taxation by submitting a completed "Final Return Form." To view the form: http://www.tax.ri.gov/forms/2009/Misc/Final%20Return%20Form.pdf

Q: What other points are there to keep in mind about the new law?

- Once you have a sales tax permit, remember that it must be renewed each year. The renewal application and $10 renewal fee are due on or before February 1 of each year.

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- If you are a seasonal filer, you need only file a sales tax return and a hotel tax return for the months in operation; you are not required to file returns for other months.
- All filers must file an annual return, known as an annual reconciliation. It is due on or before January 31 of each year, covering the prior calendar year. For someone who registers in 2015, the first annual reconciliation return will be due on or before February 1, 2016 (January 31, 2016, falls on a Sunday).
- The Division of Taxation will not seek criminal penalties or prosecution for anyone who fails to comply with the provisions of this law during the first fiscal year that the tax in effect. But those who fail to comply will still be subject to normal interest and penalty charges.

Q: Do any other states charge such taxes on short-term residential rentals?

Yes, approximately 40 states. They include Maine, New Hampshire, Vermont, Florida, Maryland, Virginia, North Carolina, and South Carolina, to name a few.

Depending on the state, short-term residential rentals, including vacation homes, are subject to state, county, and/or local taxes. Depending on the jurisdiction, such taxes may be called lodging taxes, hotel/room taxes, sales taxes, transient accommodation tax, or general excise taxes.

Q: I sometimes go online to rent out my house, or just a room in my house, for a week at a time. Everything is handled through the website – and the website takes care of collecting the money. Must I register with the Rhode Island Division of Taxation and collect and remit sales and hotel tax, or is that the responsibility of the website?

A: The website you're talking about is actually a business. Such a business is sometimes referred to as a "hosting platform." The new Rhode Island law says that the hosting platform is required to register with the Division of Taxation, charge and collect the tax, and remit the tax to the Division of Taxation. In particular, the new Rhode Island law makes the following points about hosting platforms:

- No city or town in Rhode Island can prohibit you from offering your room, house, or other such residential unit through a hosting platform.
- No city or town in Rhode Island can prohibit a hosting platform from providing a person or entity the means to rent, pay for or otherwise reserve a residential unit.
- All hosting platforms are required to collect and remit the tax.

Q: I sometimes go online to rent out my house, or just a room in my house, for a week at a time. I use the website to advertise the rentals. I pay the website a fee – it may be a subscription, a fee per booking, or some variation. The tenant who eventually ends up renting the house or room from me deals directly with me and pays me directly for the rental. Must I register with the Rhode Island Division of Taxation and collect and remit sales and hotel tax, or is that the responsibility of the website?

A: You must register with the Division of Taxation, collect the tax, and remit the tax to the Division of Taxation.

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Q: I sometimes go online to rent out my house, or just a room in my house, for a week at a time. The website gives me a choice: 1.) Let the website handle everything, including collecting the rental fee from the tenant, or 2.) Use the website only for advertising purposes and I collect the rental fee directly from the tenant. What are the registration and tax responsibilities?

A: If the website collects the rental fee directly from the tenant, the website is responsible for registering with the Division of Taxation, charging and collecting the tax, and remitting the tax to the Division of Taxation.

If you use the website only for advertising purposes and you collect the rental fee directly from the tenant, you are responsible for registering with the Division of Taxation, charging and collecting the tax, and remitting the tax to the Division of Taxation.

Q: Whom shall I call for additional information about the new tax?

A: For questions about sales and use taxes or hotel taxes, or about how to complete the BAR form for purposes of short-term residential rentals, please call the Division of Taxation's Excise Tax section at (401) 574-8955 from 8:30 a.m. to 3:30 p.m. business days.

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This document contains an informal, plain-language summary of certain provisions of recently enacted legislation, H 5900Aaa. These FAQs are not a substitute for Rhode Island General Laws or for Rhode Island Division of Taxation regulations. Nothing contained in these FAQs in any way alters or otherwise changes any provisions of Rhode Island statutes, regulations, or formal rulings.