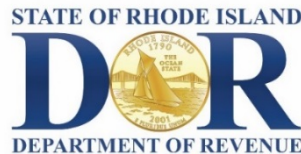


# Taxes on Short-Term Residential Rentals

**April 13, 2018**

For Special Legislative Commission to Study Methods for Growing Tourism in the State of Rhode Island through Coordinated Branding and Marketing



# Taxes on Short-Term Residential Rentals



## Agenda

1. Overview
2. Tax on Traditional Hotel Room
3. Tax on Entire Residential Dwelling (e.g., cottage, apartment, condo, etc.)
4. Tax on Short-Term Room Rental (e.g., room in someone's home)
5. Distributions: 5% State Hotel Tax – Where it Goes
6. Filing Obligations: Forms, Who is Responsible
7. Statutory Definitions/Information
8. Contact Information

# Overview



## Summary:

- *What tax is-Traditional Hotels, Entire Residential Dwelling, Rooms*
- *How Tax Works-Forms, Filing Requirements, Obligations*

## Our top goals:

- *Collect money promptly and accurately*
- *Distribute money to municipalities and others promptly and accurately*

# Tax on Traditional Hotel Room



## Tax on traditional hotel room:

- *How tax applies*


Type of tax	Tax rate
State sales tax:	7%
State hotel tax:	5%
Local hotel tax:	1%
Total:	13%

# Tax on Traditional Hotel Room



## Filing obligations:

### *Form HOM – monthly hotel tax return*

NAME		<b>HOM</b>	
ADDRESS			
CITY, STATE & ZIP CODE			
I HEREBY CERTIFY THAT THIS RETURN, TO THE BEST OF MY KNOWLEDGE AND BELIEF, IS A TRUE, CORRECT AND COMPLETE RETURN. SIGNATURE OF OWNER, PARTNER OR AUTHORIZED AGENT		1. TOTAL OCCUPANCY CONSIDERATION	<input type="text"/>
FORM HOM REV04/2016		2. LESS: EXEMPT ENTITIES	<input type="text"/>
TITLE	DATE	3. TAXABLE AMOUNT	<input type="text"/>
FEDERAL IDENTIFICATION NUMBER	RETURN FOR MONTH ENDING	HOTEL TAX RATE: 5% STATE TAX 1% LOCAL TAX	<input type="text"/>
<input type="checkbox"/>	<input type="checkbox"/>	4. TAX AMOUNT DUE AND PAID \$ (LINE 3 MULTIPLIED BY 6%)	<input type="text"/>

- For traditional hotel, tied to location, and one return per location, per entity
- No other data captured on system
- 5% distributed according to statutory requirement; 1% to Municipalities

# Tax on Traditional Hotel Room



- *Where the money goes*

Type of tax	Distribution
7% state sales tax:	General Fund
5% state hotel tax:	Municipalities Commerce Corporation Providence/Warwick CVB* Regional tourism councils East Providence escrow
1% local hotel tax:	Municipalities

\* Providence Warwick Convention & Visitors Bureau

# Tax on Traditional Hotel Room



- *Example: XYZ Hotel in Providence rents out a room for one night for \$170.00. Here is how the tax would apply:*

Type of tax	Tax	Distribution
7% state sales tax:	\$ 11.90	...to General Fund
5% state hotel tax:	\$ 8.50	...to Commerce, others
1% local hotel tax:	\$ 1.70	...to municipalities
Total:	\$ 22.10	

Note: Revenue from 5% state hotel tax is distributed, by statutory formula, to a number of recipients, including Commerce Corporation, municipalities, Providence Warwick Convention & Visitors Bureau, and regional tourism districts. (An amount is held in escrow for East Providence until it joins a shared district.)

# Tax on Entire Residential Dwelling



Tax on entire residential dwelling unit, such as entire cottage, condo, house, apartment:

- *How tax applies*

Type of tax	Tax rate
7% statewide sales tax:	7%
1% local hotel tax:	1%
Total:	8%

5% statewide hotel tax does not apply to such rentals.

Taxes on this slide are for short-term residential rentals – those 30 days or less. For rental of more than 30 days with signed lease, no sales tax and no hotel taxes apply.



# Tax on Entire Residential Dwelling



Tax on entire residential dwelling unit, such as entire cottage, condo, house, apartment:

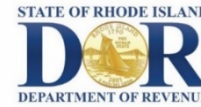
- *Where the money goes*

Type of tax	Distribution
7% state sales tax:	General Fund
1% local hotel tax:	Municipalities

5% statewide hotel tax does not apply to such rentals.

Taxes on this slide are for short-term residential rentals – those 30 days or less. For rental of more than 30 days with signed lease, no sales tax and no hotel taxes apply.

# Tax on Entire Residential Dwelling



Tax on entire residential dwelling unit, such as entire cottage, condo, house, apartment: only 1% Local Hotel Tax\*

**May be used by:**

- Homeowners
- Realtors with more than one property
- Homeowners with more than one property
- Hosting Platforms

## Form RI-8478 (Front)

### Form RI-8478

Residential Dwelling/Room Rental Tax Return

16124099990101

Name		FEIN/SSN/Permit number	
Address		For the month ending:	
Address 2			
City, town or post office	State	ZIP code	E-mail address

Lines 1 & 2 →

### Calculation of Amount Due:

1 Total occupancy charges from a residential dwelling rented in its entirety for a period of thirty (30) days or less.....	1		
2 Local hotel tax. Multiply line 1 times 1% (0.01) .....	2		

## Form RI -8478 (Back)

### Form RI-8478

Residential Dwelling/Room Rental Tax Return

16124099990102

CITY OR TOWN		RESIDENTIAL DWELLING RENTAL - 1% TAX	ROOM RENTAL - 6% TAX
Barrington	01		
Bristol	02		
Burrillville	03		
Central Falls	04		
Charlestown	05		
Coventry	06		
Cranston	07		
Cumberland	08		
East Greenwich	09		
East Providence	10		
Exeter	11		

Used for Distribution of Local 1%

\* 7% Sales Tax Paid on Separate STM Form

# Tax on Entire Residential Dwelling Unit



- *Example: Owner of cottage in Narragansett rents out cottage for one week for \$1,200*

Type of tax	Tax	Distribution
7% state sales tax:	\$ 84.00	General Fund
1% state hotel tax:	\$ 12.00	Municipalities
Total:	\$ 96.00	

5% statewide hotel tax does not apply to such a rental.

Taxes on this slide are for short-term residential rentals – those 30 days or less. For rental of more than 30 days with signed lease, no sales tax and no hotel taxes apply.

Form RI-8478-Lines 1 & 2 are used to calculate Local 1% Hotel Tax Owed, Back of Form Used for Distribution; Taxpayers file directly with Newport; No distribution to Newport.

# Tax on Short-Term Room Rental



Tax on short-term room rental (e.g., in someone's home):

- *How tax applies*

Type of tax	Tax rate
State sales tax:	7%
State hotel tax:	5%
Local hotel tax:	1%
Total:	13%

Similar to application of taxes to traditional hotel room.

# Tax on Short-Term Room Rental

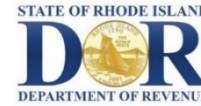


- *Where the money goes*

Type of tax	Distribution
7% state sales tax:	General Fund
5% state hotel tax:	Municipalities Commerce Corporation Providence/Warwick CVB* Regional tourism councils East Providence escrow
1% local hotel tax:	Municipalities

Similar to application of taxes to traditional hotel room.

# Tax on Short-Term Room Rental



## Tax on short-term room rental, such as a room in a home.

### Form RI-8478 (Front):

State of Rhode Island and Providence Plantations  
**Form RI-8478**  
 Residential Dwelling/Room Rental Tax Return

1612409990101

Name: \_\_\_\_\_ FEIN/SSN/Permit number: \_\_\_\_\_  
 Address: \_\_\_\_\_ For the month ending: \_\_\_\_\_  
 Address 2: \_\_\_\_\_  
 City, town or post office: \_\_\_\_\_ State: \_\_\_\_\_ ZIP code: \_\_\_\_\_ E-mail address: \_\_\_\_\_

**Calculation of Amount Due:**

1	Total occupancy charges from a residential dwelling rented in its entirety for a period of thirty (30) days or less.....	1	_____	_____	_____
2	Local hotel tax. Multiply line 1 times 1% (0.01) .....	2	_____	_____	_____
3	Total occupancy charges from room rentals rented for a period of thirty (30) days or less.....	3	_____	_____	_____
4	Hotel and local hotel tax. Multiply line 3 times 6% (0.06) .....	4	_____	_____	_____
5	<b>TOTAL AMOUNT DUE.</b> Add lines 2 and 4.....	5	_____	_____	_____

Lines 3&4 →

### Form RI -8478 (Back)

Used for Distribution of Local 1% and 5%

**Form RI-8478**  
 Residential Dwelling/Room Rental Tax Return

1612409990102

Name: \_\_\_\_\_ FEIN/SSN/Permit number: \_\_\_\_\_

CITY OR TOWN		RESIDENTIAL DWELLING RENTAL - 1% TAX	ROOM RENTAL - 6% TAX
Barrington	01		
Bristol	02		
Burrillville	03		
Central Falls	04		
Charlestown	05		
Covenry	06		
Cranston	07		
Cumberland	08		
East Greenwich	09		
East Providence	10		
Exeter	11		

- May be used by:
- Homeowners
  - Realtors with more than one property
  - Homeowners with more than one property
  - Hosting Platforms/Room Resellers

\* 7% Sales Tax Paid on Separate STM Form

# Tax on Short-Term Room Rental



## Tax on short-term room rental (e.g., in someone’s home):

- *Example: Tad rents out a room in his Providence house at \$87.50 a night for four nights, for a total of \$350.00.*

Type of tax	Tax	Distribution
7% state sales tax:	\$ 24.50	General Fund
5% state hotel tax:	\$ 17.50	Municipalities Commerce Corporation Providence/Warwick CVB Regional tourism councils East Providence escrow
1% local hotel tax:	\$ 3.50	Municipalities
<b>Total:</b>	<b>\$ 45.40</b>	

Note: “Total” above is aggregate amount, for all three nights in total. Revenue from 5% state hotel tax is distributed, by statutory formula, to a number of recipients, including Commerce Corporation, municipalities, Providence Warwick Convention & Visitors Bureau, and regional tourism districts. (An amount is held in escrow for East Providence until it joins a shared district.)

## Municipalities' share of 5% hotel tax

- *Municipalities receive one-fourth of all revenue from 5% statewide hotel tax*
- *So far this fiscal year, amount of money municipalities have received, in aggregate, from their portion of 5% statewide hotel tax is on pace to at least equal, if not exceed, total for fiscal 2017. Note: Amounts on these slides do not include Newport, which collects its own hotel tax.*

<b>Fiscal year 2017</b>	<b>Fiscal Year 2018 (to date)</b>
\$ 3,274,509.75	\$ 3,107,759.86

Fiscal Year 2018 amount is through March 2018. Thus, in general, it includes activity through January 2018, reported in February 2018, and distributed to municipalities in March 2018. Note that amounts above do not include tax from room resellers.



## Tourism district share of 5% hotel tax

- *Tourism districts receive distributions of revenue from 5% statewide hotel tax based on statutory formula*
- *Below is amount distributed under this formula to Providence Warwick Convention & Visitors Bureau for all of fiscal 2017, and amount for fiscal 2018 to date.*

<b>Fiscal year 2017</b>	<b>Fiscal Year 2018 (to date)</b>
\$ 2,053,770.41	\$ 1,703,393.30

Fiscal Year 2018 amount is through March 2018. Thus, in general, it includes activity through January 2018, reported in February 2018, and distributed to municipalities in March 2018. Note that amounts above do not include tax from room resellers. Amounts on these slides do not include Newport, which collects its own hotel tax.

# Distributions



Where revenue from the 5% hotel tax goes – overall:

	<b>FY 2017</b>	<b>FY 2018 (to date)</b>
Most tourism districts*	\$ 5,171,061.38	\$ 4,338,325.25
Commerce Corporation	\$ 3,637,524.38	\$ 3,745,892.78
Municipalities	\$ 3,274,509.75	\$ 3,107,759.86
Providence/Warw CVB**	\$ 2,053,770.41	\$ 1,703,393.30
East Prov. escrow	\$ 49,097.35	\$ 18,591.27
<b>Total:</b>	<b>\$ 14,185,963.27</b>	<b>\$ 12,913,962.46</b>

\* All tourism districts except Providence/Warwick CVB and East Providence. (Amount being held in escrow for East Providence until it joins a regional tourism district.) \*\* Providence Warwick Convention & Visitors Bureau. Note: Fiscal Year 2018 amount is through March 2018. Thus, in general, it includes activity through January 2018, reported in February 2018, and distributed to in March 2018. Note that amounts above do not include tax from room resellers. Amounts on these slides do not include Newport, which collects its own hotel tax.

## Formula for 5% statewide hotel tax

*Revenue from 5% statewide hotel tax is carved up and distributed via formula set by statute.*

*For example, for each \$1.00 in tax collected from hotels on Block Island, Division of Taxation distributes it as follows:*

- 42% to New Shoreham Tourism Council
- 28% to Commerce Corporation
- 25% to New Shoreham
- 5% to Providence Warwick Convention & Visitors Bureau

# Filing Obligations



- *Register with Division of Taxation*
  - *Business Application and Registration (BAR) (also known as sales and withholding tax registration form)*
  
- *Pay \$10 a year for annual sales permit*
  
- *Collect and turn over the applicable taxes*

# Filing Obligations: Forms



## Form RI-8478, Residential Dwelling/Room Rental Tax Return

Used by:

- *Hosting platforms (rooms, homes)*
- *Room resellers (rooms only)*
- *Realtors (typically homes; may handle multiple owners)*
- *Homeowners (may rent out rooms, one or more homes)*

# Filing Obligations: Forms



## Form RI-8478, Residential Dwelling/Room Rental Tax Return

Used *for*:


- *Calculating tax*
- *Allocating distribution based on location of property*

Note: Newport filers file directly with City of Newport. Division of Taxation receives no information regarding rentals in Newport.

# Filing Obligations: Forms



## *Form RI-8478 snapshot – top of form*

State of Rhode Island and Providence Plantations			
<b>Form RI-8478</b>		16124099990101	
Residential Dwelling/Room Rental Tax Return			
Name		FEIN/SSN/Permit number	
Address		For the month ending:	
Address 2			
City, town or post office	State	ZIP code	E-mail address

# Filing Obligations: Forms



## Form RI-8478 snapshot -- calculation

### Calculation of Amount Due:

1	Total occupancy charges from a residential dwelling rented in its entirety for a period of thirty (30) days or less.....	1		
2	Local hotel tax. Multiply line 1 times 1% (0.01) .....	2		
3	Total occupancy charges from room rentals rented for a period of thirty (30) days or less.....	3		
4	Hotel and local hotel tax. Multiply line 3 times 6% (0.06) .....	4		
5	TOTAL AMOUNT DUE. Add lines 2 and 4.....	5		




# Filing Obligations: Forms



## Form RI-8478 snapshot – back of form

State of Rhode Island and Providence Plantations  
**Form RI-8478**  
 Residential Dwelling/Room Rental Tax Return

  
 16124099990102

Name		FEIN/SSN/Permit number


  

CITY OR TOWN	RESIDENTIAL DWELLING RENTAL - 1% TAX	ROOM RENTAL - 6% TAX
Barrington	01	
Bristol	02	
Burrillville	03	
Central Falls	04	
Charlestown	05	
Coventry	06	
Cranston	07	

# Filing Obligations: Forms




## *For Traditional Fixed Location Hotel Form HOM – monthly hotel tax return*

<b>STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS</b>		<b>HOTEL TAX RETURN</b>	
DIVISION OF TAXATION - ONE CAPITOL HILL - STE 4 - PROVIDENCE, RI 02908-5802			
<b>HOM</b>			
NAME		1. TOTAL OCCUPANCY CONSIDERATION	<input type="text"/>
ADDRESS		2. LESS: EXEMPT ENTITIES	<input type="text"/>
CITY, STATE & ZIP CODE			

# Filing Obligations: Forms



*Monthly sales and use tax return (Filed by all Short-term Residential Rental Filers, separate from the HOM Form or the RI-8478)*

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS DIVISION OF TAXATION - ONE CAPITOL HILL - STE 4 - PROVIDENCE, RI 02908-5802		SALES & USE TAX RETURN MONTHLY
<b>STM</b>		 16124799990101
NAME		
ADDRESS		
CITY, STATE & ZIP CODE		
I HEREBY CERTIFY THAT THIS RETURN, TO THE BEST OF MY KNOWLEDGE AND BELIEF, IS A TRUE, CORRECT AND COMPLETE RETURN. SIGNATURE OF OWNER, PARTNER OR AUTHORIZED AGENT		
FORM STM REV'D 04/2016	TITLE	DATE
FEDERAL IDENTIFICATION NUMBER	RETURN FOR MONTH ENDING	
	NET SALES AND USE TAX DUE AND PAID	\$ _____

# Filing Obligations



- ✓ Separate form(s) are used to remit sales tax
- ✓ Returns are generally filed on paper
- ✓ Division works sales and hotel tax returns daily
- ✓ Division distributes funds one month after collection
- ✓ Distribution amounts fluctuate for various reasons:
  - Taxpayer error
  - Timing
  - Audits
  - Market fluctuation (such as special events, # of available units)
- ✓ Prioritized so municipalities and tourism bureaus receive timely distributions-No backlog

- Sales and hotel taxes are “trust fund” taxes
  - *Tax is paid by tenant*
  - *Landlord serves merely as conduit for tax*
  - *Funds cannot be for personal use*
  - *Landlord must turn taxes over to State*

# Filing Obligations

## Who is responsible?

- Rule of thumb:
  - *The person or entity collecting the money for a rental is responsible for registering with the Division of Taxation, collecting applicable taxes, remitting applicable taxes, and filing returns*
- Obligation could fall on property owner/landlord, real estate professional, website

## Who is responsible?

### Real estate professional:

- If the real estate professional lists a rental on behalf of property's owners, and collects the rental amount, the real estate professional must register with the Division, collect sales and hotel taxes from occupants, and remit those taxes to Division.
- Suppose real estate professional initiates the lease agreement and communicates with the tenant, but works at a real estate agency? In that case, the agency must register, collect, and remit – regardless of whether the agent is employed by the agency or treated as independent contractor

## Who is responsible?

### Example #1:

- *Rick goes online to rent out his house, or just a room in his house, for a week at a time; the website collects the money from the tenant.*
- *In this example, the website – a “hosting platform” – must register with the Division and collect and remit the applicable tax.*



## Who is responsible?

### Example #2:

- *Tammy goes online to rent out her house, or just a room in her house, for a week at a time. She uses the website to advertise the rentals. The tenant deals directly with Tammy and pays her directly for the rental.*
- *In this example, Tammy must register with the Division and collect and remit the applicable tax.*

## Who is responsible?

### Example #3:

- *Abner goes online to rent out his house, or just a room in his house, for a week at a time. The website gives him a choice:*
  - *Let the website handle everything (including collecting the rental fee from the tenant), or*
  - *Use the website solely for advertising purposes (Abner collects the rental fee directly from the tenant).*

*Answer: If website collects the fee directly from tenant, website must register with Division and collect and remit tax. If Abner collects the fee directly from tenant, he must register with Division and collect and remit tax.*

### Statutory Definition of “Hotel”:

“**Hotel**” means any facility offering a minimum of one (1) room for which the public may, for a consideration, obtain transient lodging accommodations. The term “hotel” shall include hotels, motels, tourist homes, tourist camps, lodging houses, and inns. The term “hotel” shall also include houses, condominiums or other residential dwelling units, regardless of the number of rooms, which are used and/or advertised for rent for occupancy. The term “hotel” shall not include schools, hospitals, sanitariums, nursing homes, and chronic care centers.

– Rhode Island General Laws § 42-63.1-2

### Statutory Definition of “Hosting Platform”:

**“Hosting platform”** means any electronic or operating system in which a person or entity provides a means through which an owner may offer a residential unit for “tourist or transient” use. This service is usually, though not necessarily, provided through an online or web-based system which generally allows an owner to advertise the residential unit through a hosted website and provides a means for a person or entity to arrange tourist or transient use in exchange for payment, whether the person or entity pays rent directly to the owner or to the hosting platform. All hosting platforms are required to collect and remit the tax owed under this section.

– Rhode Island General Laws § 42-63.1-2

## Statutory Definitions/ Information



### Statutory Definition of “Room reseller or reseller”:

**“Room reseller” or “reseller”** means any person, except a tour operator as defined in § 42-63.1-2, having any right, permission, license, or other authority from or through a hotel as defined in § 42-63.1-2, to reserve, or arrange the transfer of occupancy of, accommodations the reservation or transfer of which is subject to this chapter, such that the occupant pays all or a portion of the rental and other fees to the room reseller or reseller, room reseller or reseller shall include, but not be limited to, sellers of travel packages as defined in this section. Notwithstanding the provisions of any other law, where said reservation or transfer of occupancy is done using a room reseller or reseller, the application of the sales and use tax under §§ 44-18-18 and 44-18-20, and the hotel tax under § 44-18-36.1 shall be as follows: The room reseller or reseller is required to register with, and shall collect and pay to, the tax administrator the sales and use and hotel taxes, with said taxes being calculated upon the amount of rental and other fees paid by the occupant to the room reseller or reseller, less the amount of any rental and other fees paid by the room reseller or reseller to the hotel....

– Rhode Island General Laws § 44-18-7.3

### Further information from statute:

For any residential unit offered for tourist or transient use on a hosting platform that collects and remits applicable sales and hotel taxes in compliance with § 44-18-7.3(b)(4)(i), § 44-18-18, and § 44-18-36.1, cities, towns or municipalities shall not prohibit the owner of such residential unit from offering the unit for tourist or transient use through such hosting platform, or prohibit such hosting platform from providing a person or entity the means to rent, pay for or otherwise reserve a residential unit for tourist or transient use. A hosting platform shall comply with the requirement imposed upon room resellers in § 44-18-7.3(b)(4)(i) and § 44-18-36.1 in order for the prohibition of this section to apply. The division of taxation shall at the request of a city, town, or municipality confirm whether a hosting platform is registered in compliance with § 44-18-7.3(b)(4)(i).

– Rhode Island General Laws § 42-63.1-14

## Questions/Contact Information



- ✓ Excise Tax Section by phone: (401) 574-8955
- ✓ Excise Tax Section by email: [Tax.Excise@tax.ri.gov](mailto:Tax.Excise@tax.ri.gov)
- ✓ See Division's FAQs: <https://go.usa.gov/xQbTJ>