

NOTICE

Sales and Hotel Tax on Vacation Homes, Rooms and Other Residential Dwellings

The 2015 session of the Rhode Island General Assembly amended Rhode Island General Laws Section 42-63.1-2 (4) to define “Hotel” as follows:

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 and 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 or occupancy. The term “hotel” shall not include schools, hospitals, sanitariums, nursing homes, and chronic care centers.

Effective July 1, 2015 certain rentals will be subject to both the sales tax and the hotel tax. This change in the tax law may apply to certain taxpayers filing a federal Schedule E.

If a person or business rents a room, vacation home, or other type of residential dwelling for a period greater than thirty (30) consecutive days or for one calendar month to the same customer, there is no tax on this charge.

If a person rents a vacation home or residential dwelling in its entirety for thirty (30) days or less, the rental will be subject to the seven percent (7%) sales tax and a one percent (1%) hotel tax.

If a person rents a room in a residential dwelling for thirty (30) days or less, the rental will be subject to the seven percent (7%) sales tax and the six percent (6%) hotel tax.

All rentals of residential dwellings including room rentals which have a documented agreement in place prior to July 1, 2015 are not subject to tax, provided the rental takes place during 2015.

Any taxpayer making taxable rentals of rooms, vacation homes, and residential dwellings is required to apply for a sales tax permit by filling out a Business Application and Registration form.

Hotels are not affected by this change and will continue to file sales and hotel tax in the same manner.

If you have any questions regarding this notice, please contact the Excise Tax section by telephone at (401) 574-8955.

July 2015
Notice 2015-04

David Sullivan
Tax Administrator