



Lodging Facility Sales and Use Tax Guide

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What is the Lodging Facility Sales and Use Tax?

There are two taxes imposed on users of an overnight lodging facility. These two taxes are a 4% Lodging Facility Use Tax (see 15-65-101, MCA, through 15-65-131, MCA; ARM, 42.14.101 through ARM, 42.14.112) and a 4% Lodging Sales Tax (see 15-68-101, MCA, through 15-68-820, MCA) for a combined 8% Lodging Facility Sales and Use Tax. Both these taxes are collected by the facility from the user and remitted to the Department of Revenue.

The tax applies to charges for the use of the facility for lodging, and does not apply to charges for meals, transportation, entertainment or similar separately stated charges that are not integral to the use or occupancy of the room. For a list of tax-exempt facilities and tax-exempt charges, please refer to the Exemptions section below.

The Lodging Facility Use Tax (4%) deposits into several state special revenue funds, the largest of which is used by the Department of Commerce for tourism promotion. The Lodging Sales Tax (4%) deposits 75% to the General Fund and 25% to a special revenue fund for the Montana Heritage Center and historic preservation.

Is the Resort and Local Option Tax the same as Lodging Facilities Tax?

No. Resort areas and resort area districts are certain Montana communities with populations less than 5,500 that derive the primary portion of their economic well-being from recreation. These districts are created by petition and election. These communities may levy their own resort tax and decide how the proceeds are spent. The fundamental idea behind resort taxes is to allow places with high numbers of visitors, but relatively few residents to manage the wear and tear on local infrastructure without overburdening local citizens.

Currently, Montana's resort tax communities are Whitefish, Red Lodge, Virginia City, West Yellowstone, Big Sky, Craig, Cooke City, Gardiner, St. Regis, and Wolf Creek. There may be other communities where a resort tax is implemented or is currently being considered.

What is a TBID (Tourism Business Improvement District) and is it the same as the lodging facilities tax or the resort tax?

The TBID fee that is assessed and collected by several cities in Montana, and is not part of the 8% Lodging Facility Sales and Use Tax found in Title 15, Chapters 65 and 68, MCA, and it is not the same as the resort tax. Additional information about the TBID fee can be found in 7-12-101, MCA. TBIDs are created through local governments to aid in tourism, promotion, and marketing within the district.

Registration

Every owner of a facility is required to register each individual facility and obtain a seller's permit. Multiple facilities under the same owner can be registered under one facility number if they are in the same geographic locality (city and county) and approved by the department.

Upon receipt of a new registration, the department will issue a special number for the individual facility. This number, used in conjunction with your federal identification number, will ensure the taxes you collect and remit are properly credited. You must re-register with the department whenever there is a change in ownership, organization type, FEIN, or change in corporate officers.

If you purchase or acquire a facility previously registered as a business with the department, you must register for a new state lodging tax account number.

To register for a Lodging Facility Sales and Use Tax account use the TransAction Portal (TAP).

- Navigate to TAP (<https://tap.dor.mt.gov>).
- Under "Business," select "Register for a New Tax Account."
- Complete the required steps and then "Submit."
- You will be issued a tracking number indicating the request was successfully submitted.
- We will mail a welcome letter and sales tax permit once the account has been established.

As a valid Lodging Tax account holder, you will get a free listing on the Office of Tourism's website: www.visitMT.com. For more information or to purchase additional services, contact the Office of Tourism at (800) 847-4868 or live chat with them from their website.

Filing Returns

To file your Lodging Tax return log into TAP (<https://tap.dor.mt.gov>).

Due Dates for the Return and Payments

- Payment is due on or before the last day of the month following the end of each quarter.
 - April 30 for 1st quarter (Jan-Mar)
 - July 31 for 2nd quarter (Apr-Jun)
 - October 31 for 3rd quarter (Jul-Sept)
 - January 31 for 4th quarter (Oct-Dec)
- Report money received as down payment on a room reservation in the quarterly report that applies to when the guest actually stays. If you reported the down payment and the guest canceled their reservation, then you would have to amend the report in which you claimed the money and wait to receive a refund.

Vendor Allowance

A facility that files and pays the Lodging Facility Sales and Use Tax timely is allowed a 5% vendor allowance against the 4% Lodging Sales Tax. There is no vendor allowance allowed against the 4% Lodging Facility Use Tax.

Penalty and Interest

If your return is not filed by the due date, a late file penalty will be assessed at 5% of the tax due for each month the return is late, up to 25%. The minimum penalty is \$50.

In addition, if the tax is not paid by the due date, a late payment penalty will be assessed at 1.5% of the unpaid tax for each month the payment is late, up to 15%.

Interest accrues at 3% above the prime rate published by the federal reserve system.

Extensions

There is no provision in the law for an extension.

Record Retention

The owner or operator of a facility shall maintain and have available for inspection any books, ledgers, registers, or other documents showing the collection of accommodation charges for a period of 5 years and shall be subject to audit by the department for that period. This includes:

- Records necessary to document gross receipts from accommodation charges.
- Records necessary to document exemptions claimed.

If the requested documentation is not provided, the department has the right to estimate and assess the tax, penalty, and interest.

Amended returns

- Log into your TAP (<https://tap.dor.mt.gov>).
- Click on the return period button "View Return."
- Select the "amend" button found in the left-hand (green) section.
- Make changes to return then "submit" the return again.
- After an amended return is processed, the credit or bill will be created.
- A tax specialist working the return must manually approve the refund. Refunds are not automatic.

Payment Options

For your convenience, you may submit payment by:

- E-check (free) or with a credit/debit card (small fee) online through our TAP,
- ACH Credit by sending a payment from your financial institution to the Department of Revenue (Visit MTRevenue.gov for more information), or
- Mailing a check, with your printed payment voucher. To ensure proper credit to your account, you must include the Montana Account ID and payment period on the memo line of your check.

Property Management & Online Booking Services (Airbnb, VRBO, etc.)

Owners of lodging facilities who rent out their locations by the night or the week must be registered with the department and must collect and remit the taxes.

Your property management firm or online booking service may be collecting and remitting the taxes on your behalf. Please verify they are doing so, because ultimately the responsibility for the taxes remains with the owner of the facility.

Additional Taxable Charges

In addition to regular room charges, any charge that is integral to the use of the room should be taxed. Examples include, but are not limited to: cleaning fees, extra person charges, early check-in or late check-out fees, resort fees, rollaway bed charges, in-room safe charges, and convenience fees. This is not an all-inclusive list and other charges may be considered taxable if the department determines they are an integral part of the use of the room.

Charges at a campground for water, electrical and sewer hookups, and bathhouse facilities are also subject to the tax.

Please contact the department for any questions about the taxability of certain fees.

Combined Charges

Accommodation charges are often combined with food, beverage, recreation, transportation or other charges that are not subject to the Lodging Facility Sales and Use Tax. When these other charges are a substantial portion of the total charge, the owner may allocate the accommodation charge portion using one of the following:

1. A flat rate of the state reimbursement rate per day per person (\$35.00),
2. 25 % of all charges, or
3. Your own allocation based upon documented itemization of each charge. All methods of allocation are subject to review and may be disallowed by the department.

Please Note: These additional charges must be a substantial portion of the total charge.

For example, the expense for providing a continental breakfast is probably not a substantial portion of the total charge, therefore the combined charges allocation cannot be applied in this type of situation.

Exemptions

Exempt Facilities

Some facilities are not required to collect the Lodging Facility Sales and Use Tax, such as:

- Health care facilities, such as hospitals.
- Rest homes (defined in 50-5-101 MCA).
- Youth camps owned or operated by nonprofit or religious organizations (501(c) (3)IRC) and primarily used for youth, under age 18, for camping.
- Hotels, motels, hostels, public lodging houses and bed and breakfast facilities charging an ADAC rate that is 60% or less than the state reimbursement rate (15-65-101, MCA) for a single room. (This applies to a single room daily rate, weekly or monthly rates not included.)
- Conference room rentals.
- A campground that is temporarily located pursuant to a permit issued by an agency of the U.S. government.

Dormitory facilities are taxable unless the accommodation charges are for guest(s) involved in activities meeting any of the following three criteria:

1. Person is enrolled in a regular academic program or a program of continuing education;
2. Activities offered primarily for students enrolled in primary or secondary schools or universities;
3. Participant is in an education program to improve the work of the educational institution by developing the professional knowledge and skills of the employees of the hosting institution.

Resort, condominium, inn, campground, dude or guest ranches, outfitters, and vacation rentals do not fall under the ADAC exemption.

Contact the Department of Revenue for the current ADAC limit and review by department.

Exempt Charges

Some charges are exempt from collecting the Lodging Facility Sales and Use Tax, such as:

1. Units or spaces rented 30 continuous days or more to the same user,
2. Units or spaces located on an Indian reservation and rented to an enrolled member of the same reservation. The enrollment number must be recorded on the billing,
3. Charges billed directly to and paid by the federal government. Tax-exempt letters presented by federal employees are not valid,
4. Some federal employees may have a credit card which is billed directly to the federal government. These are specific GSA SmartPay cards. Record the card type and first six card digits,
5. Units or spaces rented to a diplomat who presents a tax-exempt card issued by the U.S. State Department. The card number must be recorded on the billing.

State employees, school districts, city and county governments, and nonprofit organizations, whether from Montana or elsewhere, are subject to the tax.

Please Note: Being a federal employee doesn't make the employee exempt; the federal government must be paying the bill directly. Cards centrally billed to and paid by the federal government are considered exempt from the lodging taxes. Please refer to the following link to identify which federal credit cards are individually billed (taxable) and those that are centrally billed (tax-exempt):

<https://smartpay.gsa.gov/content/about-gsa-smartpay#sa372>.

- Other methods of payment by the federal government for lodging may be exempt. For example, the Red Cross does not participate in the SmartPay program but is still considered to be tax exempt.

Please contact the Department of Revenue with any questions on exempt charges.