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SPECIAL NOTICE

Room Occupancy Tax on Short-Term Rentals

Purpose: This Special Notice describes the Connecticut room occupancy tax as it applies to short-term accommodations in Connecticut. This Special Notice also describes the responsibilities of short-term rental facilitators in complying with Connecticut room occupancy tax legislation enacted by 2019 Conn. Pub. Acts 117, §§ 329-330, which becomes effective October 1, 2019.

Room Occupancy Tax: Connecticut room occupancy tax applies to transfers for consideration of the occupancy of any room or rooms in a hotel, lodging house, or bed and breakfast establishment for up to 30 consecutive calendar days. The tax rate is 15% (11% for bed and breakfast establishments) of the total payment received for occupancy of the room or rooms for up to 30 consecutive calendar days. Beginning on the 31st consecutive day of occupancy by the same person, the tax no longer applies.

Short-Term Home Rentals: The short-term rental of all or a portion of a home is subject to room occupancy tax at the current rate of 15%. The terms of the contract between the operator and renter control whether there is a short-term rental of real property subject to room occupancy tax. Charges for services, accommodations, and other amenities provided by the owner or operator and accompanying occupancy are subject to room occupancy tax, whether or not separately stated.

Rental contracts for a period of less than 90 days, including month-to-month contracts, are considered short-term rentals subject to room occupancy tax for the first 30 days of occupancy.

Room occupancy tax does not apply to rental contracts for a period of at least 90 consecutive calendar days. Continued tenancy by the same renter after the term of such a contract expires is not subject to the room occupancy tax.

A business may enter into a rental contract to keep a home on a long-term basis for use by its personnel.

Room occupancy tax does not apply to the rental contract with the business if it is for a period of 90 days or more.

Room occupancy tax does not apply to rental contracts of any length if the owner or operator does not provide furnishings for the occupancy, including furniture and appliances.

Short-Term Rental Facilitators: Beginning October 1, 2019, short-term rental facilitators are required to collect and remit room occupancy tax on Connecticut short-term rentals that they facilitate. This requirement applies to the facilitation of all short-term rentals (as defined in the new law, below) subject to the room occupancy tax, including short-term home rentals.

“Short-term rental” means the transfer for consideration of the occupancy in a furnished residence or similar accommodation for a period of 30 days or less. A residence may include all or a portion of a home, apartment, condominium, or similar dwelling.

A “short-term rental facilitator” means any person that:

- Facilitates retail sales of **at least \$250,000** during the prior twelve-month period by short-term rental operators by providing a short-term rental platform;
- Directly or indirectly through agreements or arrangements with third parties, collects rent for occupancy and remits payments to the short-term rental operators; **and**
- Receives compensation or other consideration for such services.

“Short-term rental platform” means a physical or electronic place, including, but not limited to, a store, a booth, an Internet website, a catalog or a dedicated software application that allows short-term rental operators to display available accommodations to prospective guests. Such platforms may include travel websites, home-sharing websites, and real estate agent offices or websites.

The \$250,000 retail sales threshold includes all retail sales facilitated through a short-term rental platform, not just Connecticut retail sales.

The threshold is determined using the period from October 1 to September 30 of the prior calendar year. In determining whether a short-term rental facilitator is required to register with the Department of Revenue Services (DRS) as of October 1, 2019, the short-term rental facilitator must determine the amount of retail sales it facilitated during the period from October 1, 2018, to September 30, 2019. A facilitator must perform this analysis each year to determine whether it has met the threshold amount of retail sales and must register with DRS.

Responsibilities of Short-Term Rental Facilitators:

The short-term rental facilitator is considered the retailer of the short-term rentals it facilitates. Each short-term rental facilitator must:

- Register with DRS for the room occupancy tax using **Form REG-1**, *Business Taxes Registration Application*;
- Collect and remit the room occupancy tax on **Form OP-210**, *Room Occupancy Tax Return*, for each Connecticut short-term rental it facilitates;
- Comply with all obligations imposed by Connecticut room occupancy tax laws, as if the facilitator was the retailer of the short-term rentals, including timely filing all returns; **and**
- Keep such records and information as may be required by DRS.

Any facilitators who have entered into agreements with DRS prior to October 1, 2019, to voluntarily collect and remit the tax must comply with any new requirements beginning October 1, 2019.

Short-Term Rental Operators: A “short-term rental operator” is any person that has an agreement with a short-term rental facilitator regarding the listing or advertising of a short-term rental in Connecticut.

The collection requirements of short-term rental operators depend on whether or not their sales are made exclusively through one or more short-term rental facilitators.

Responsibilities of Short-Term Rental Operators:

A short-term rental operator is not liable for the collection of the room occupancy tax to the extent that a short-term rental facilitator collected the tax due. The short-term rental operator is still

considered the retailer for any sales which are not made through a short-term rental facilitator, and must collect and remit room occupancy tax on those sales.

If a short-term rental operator offers rentals exclusively through one or more short-term rental facilitators, the short-term rental operator is not required to register with DRS for room occupancy tax.

If a short-term rental operator makes sales directly to customers in addition to sales through a short-term rental facilitator, the operator is still required to register for the room occupancy tax and collect the tax on its direct sales. On its Form OP-210, the short-term rental operator must only include its direct sales in its taxable receipts.

Effective Date: October 1, 2019, and applicable to sales occurring on or after October 1, 2019.

Statutory Authority: 2019 Conn. Pub. Acts 117, §§ 329, 330; Conn. Gen. Stat. § 12-407(a); Conn. Gen. Stat. § 12-407(a)(12), as amended by 2019 Conn. Pub. Acts 117, § 330; Conn. Gen. Stat. § 12-408(1)(B); Conn. Gen. Stat. § 12-411(1)(B).

Effect on Other Documents: Policy Statement 2017(3), *Room Occupancy Tax on Short-Term Home Rentals*, is modified and superseded and may not be relied upon on or after the date of issuance of this Special Notice.

Effect of This Document: A Special Notice announces a new policy or practice in response to changes in state or federal laws or regulations or to judicial decisions. A Special Notice indicates an informal interpretation of Connecticut tax law by DRS.

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

- **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.

Forms and Publications: Visit the DRS website at portal.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 portal.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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