

# **HOTEL/MOTEL TRANSIENT LODGING**

## **YOU OWE TAX ON HOTELS AND MOTELS IF:**

You are engaged in the business of operating a hotel/motel charging for lodging and/or lodging space furnished to any person.

### **TAX RATE**

The City transaction privilege tax rate is 2.75% of the gross income. For all rental activity for a period of 29 consecutive days or less, there is an additional tax of 3% called transient occupancy or "bed tax". All transient occupancy transactions are also subject to a state tax of 6.325%. The business codes for reporting the tax are summarized below:

<u>Transient (&lt;30 days)</u>	<u>Business Code</u>	<u>Tax Rate</u>
Lodging-Hotels - City	044	2.75%
Transient Lodging - City	144	3%
<u>Transient Lodging - State</u>	025	<u>6.325</u>
Total		12.075%

If the rental activity is for a period of 30 days or more, the taxable transaction would be classified as residential rental. In that case, the total tax rate is only 2.75%. There is no state tax on residential rental. The business code for reporting residential rental is 045.

## **COLLECTION OF TAX**

You may choose to charge the tax separately on each sale, or include sales tax in your price. If you over charge any tax to your customers, you must remit the excess tax to the city.

If your price includes privilege tax, you can compute how much of the total price is privilege tax. You may deduct the total city, state, and county privilege tax from your gross receipts.

### **SPECIAL SITUATIONS**

The hotel/motel business encompasses many services and activities other than the rental of rooms. The activities listed below should be included in gross income and taxed at the appropriate privilege tax rate.

#### **Real Property Rentals**

When real property, such as meeting rooms, retail space, etc., is rented or leased for non-lodging activities, income is taxed under the commercial rental category. See Real Property Rentals tax brochure.

#### **Sub Leases**

When a property is subleased, the taxable landlord is the one directly leasing to the tenant in actual possession of the property.

#### **Retail Sales**

If the retail store is owned by the hotel/motel, gross income from selling tangible personal property at retail is taxable. If a store located on the property is owned by a third party, the third party is responsible to remit tax for the retail activity.

## **Fees and Commissions**

Income received from the operation of vending machines, pay phones, movies, or any other amusement is taxable. If a third party is licensed with the city and paying tax on any of these activities, then the hotel/motel is responsible for remitting tax on the commission received, as this income represents licensing for use of real property.

## **Food and Beverage Sales**

Persons engaged in the business of sales of prepared food and drink for consumption on or off the premises within Prescott are taxable under the restaurant category. See the Restaurant Privilege Tax Brochure.

## **Refundable and Nonrefundable Deposits**

"Nonrefundable deposits" for cleaning, keys, pet fees, maintenance, or for any other purpose are deemed gross income upon receipt.

"Security deposits," and other refundable deposits, are deemed gross income at the time such deposits are forfeited.

## **Telecommunication Services**

Toll charges, charges for transmissions, and charges for other telecommunication services are taxable. Charges for transmissions originating in Prescott and terminating outside the State are exempt from privilege tax. See Telecom-munication Services Privilege Tax Brochure.

## Exemptions

Charges by primary health care facilities to patients of such facilities for use of rooms or other real property during the course of their treatment by such facilities are exempt.

## Use Tax

*Equipment and Supplies* are subject to use tax unless an equivalent tax has been paid. See Use tax brochure.

*Employee Meals:* Charges made by a hotel/motel to its employees for meals are taxable sales. If a charge is not made for food and beverage provided to employees, the cost of the items provided is subject to City use tax.

To view a complete copy of the City tax code, please go to: <http://www.prescott-az.gov>



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# PRESCOTT PRIVILEGE TAX

## HOTELS/ MOTELS



This publication is for general information regarding Transaction Privilege (Sales) Tax on hotels/motels & transient lodging. For complete details, refer to the City of Prescott Privilege & Use Tax Code and related regulations. In the case of an inconsistency or omission in this publication, the language of the Tax Code will prevail. The transaction privilege tax is commonly referred to as a sales tax, however, under State of Arizona law, the tax is on the privilege of doing business in Prescott and is not a true sales tax.

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