

THE 5 STEPS TO MANAGING LODGING TAX COMPLIANCE

Hospitality industry



Contents

DISCLAIMER

Lodging tax rates, rules, and regulations change frequently. Although we hope you'll find this information helpful, this guide is for informational purposes only and does not provide legal or tax advice.

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Introduction

Lodging tax may seem simple, but it's often more complicated than property managers and hoteliers might realize. Your tax obligations rely first and foremost on where your properties are located.

But the amount of lodging tax due can also be affected by the number of properties you manage and how many rooms they have. Tax obligations can also vary based on the length of a stay, the channels you use to list and book your accommodations, and other seemingly trivial details.

To help you better understand all that goes into managing lodging tax for your property, we've outlined five steps that hotel and property managers should take to ensure compliance at each stage of the process.

THE FIVE STEPS TO MANAGING LODGING TAX

- Step 1. Research lodging tax obligations
- Step 2. Register with state and local tax authorities and obtain licenses
- Step 3. Calculate and collect lodging taxes from guests
- Step 4. File and remit state and local lodging taxes
- Step 5. Keep on top of tax compliance

Step 1:

Research lodging tax obligations

WHY IT'S IMPORTANT

In most cases, guests who book stays in accommodations including hotels, motels, bed-and-breakfasts, and short-term rentals have to pay lodging tax. These taxes have many names, including occupancy tax, sales tax, bed tax, and tourist tax. Typically, these are a mix of taxes paid to state, county, and city jurisdictions. As a commercial hospitality property manager, it's your job to know [when to charge guests tax](#), how much tax to charge, which fees are subject to tax, and when and where to pay those taxes to the appropriate tax authorities.

WHAT YOU NEED TO DO

Lodging tax rates and rules for accommodations properties depend on their location. To be sure you're charging guests the correct tax, you need to know the tax rates and rules for the jurisdictions (state, county, city, etc.) where your property is located – and you need to get this right for

every property you manage, whether that's one hotel or dozens of short-term rentals. Using the exact address is key because tax jurisdictions don't always follow municipal borders – which means that hotels in the same city may not have the same tax rate. Once you know your jurisdictions, it's important to familiarize yourself with their particular tax rules, including any special taxes that may apply, such as resort tax. Keep in mind that [tax rules and rates can change](#), so you need to make sure you have the latest information.

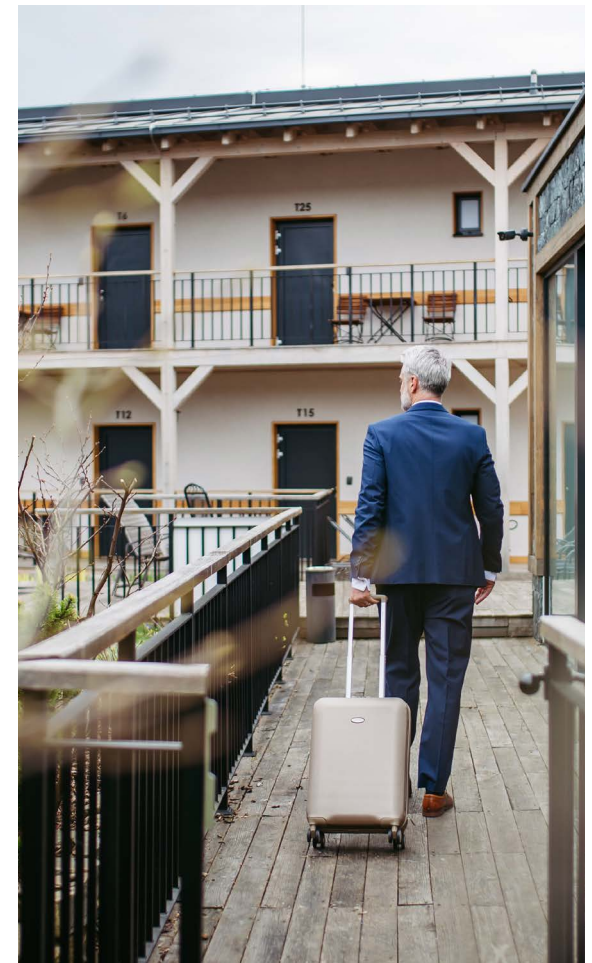
If you list rooms with an [online travel agency \(OTA\)](#), such as Expedia, Booking.com, Airbnb, or Vrbo, you'll also need to determine which taxes, if any, the OTA is collecting for your property. This information can change the amount of tax you're responsible for remitting back to the government.

HOW AVALARA CAN HELP

Researching each aspect of lodging tax compliance is often more work than hospitality managers bargain for. It can eat up your staff's time and resources trying to get it right – particularly if you're managing multiple properties.

That's where a reliable, simple-to-use, cost-conscious solution like [Avalara for Hospitality](#) can help. Avalara for Hospitality does the

lodging tax legwork for you, start to finish, for every single property you manage – from getting your tax accounts and licenses squared away to calculating the right tax on bookings to preparing and filing tax returns.



Step 2:

Register with state and local tax authorities and obtain licenses



WHY IT'S IMPORTANT

Before you can open your doors to guests, you'll need to [register with state and local tax agencies](#). Keep in mind that you may have to register with more than one tax authority if your property is governed by more than one jurisdiction. You may also need to obtain special licenses or permits – all depending on the tax jurisdictions where your property is located.

WHAT YOU NEED TO DO

As a hospitality manager, you need to be thorough in researching what's required for your specific property. First, you'll need to know where to register. In many states, this is the state department of revenue. You may also need to register with the

city, county, or a combination. In some cases, states will collect local taxes on behalf of cities and counties, so you only have to register with one authority – but not always. You'll need to repeat this process for every property you manage. You'll also need to renew these accounts and licenses, generally each year.

HOW AVALARA CAN HELP

There can be a lot of manual work involved in registering your hotel or other accommodations properties, especially if you're dealing with multiple jurisdictions. Avalara for Hospitality does those tedious tasks for you, determining which state and local registrations you need, completing the required paperwork, and submitting the paperwork to register where you will file returns and remit taxes.

Step 3: Calculate and collect lodging taxes from guests

WHY IT'S IMPORTANT

Lodging taxes are usually a combination of rates charged by the state, county, city, and sometimes local or special tax jurisdictions. Together, they make up [the total lodging tax rate](#) paid by your guests. For example, say the taxes on your rental property include 6% state tax, 2% city tax, and 2% county tax. If your nightly rate is \$150, you'd add 10% lodging tax and bill your guest \$165.

Keep in mind that the number of nights booked may impact the total tax rate. Some jurisdictions also require a flat-rate nightly fee to be added to the total guest bill. Fees for cleaning, pets, additional guests,

etc., are usually subject to tax as well and should be included in the total booking costs. Conditional fees such as insurance or refundable damage deposits are typically exempt from lodging tax.

Non-accommodations charges, such as food, beverages, or sundries, may be subject to different taxes at different rates than accommodations charges, like sales tax. As the seller of these items, you're still responsible for accurately calculating, collecting, and remitting applicable taxes. These non-lodging taxes may require separate registrations and have their own filing requirements.

WHAT YOU NEED TO DO

It can be painstaking work, but you'll need to determine the lodging tax rate for each property you manage, taking into account each jurisdiction in which you have an obligation to collect and remit tax. You may save some time by listing your property with an online travel agency that calculates lodging tax for you at the time of booking. This strategy is convenient for calculating the tax rate, but you need to check whether the marketplace has taken responsibility for remitting the taxes collected for your property, as this will change the amount of tax you're required to remit to the state and/or local municipalities.

Keep in mind that OTAs may not collect taxes for every jurisdiction where your property is located. As a hospitality manager, it's advisable to keep records of all tax collected from guests to prove you're doing everything by the book.

HOW AVALARA CAN HELP

Determining the appropriate lodging tax rate to charge guests can be difficult and time-consuming. It's easy to make a mistake if you're doing this work manually, even if it's only for one property. If you manage multiple hotels, motels, bed-and-breakfasts, or short-term rentals, it can be a real nightmare for any property manager to keep everything straight. Guests expect great service from the moment they book until they check out – especially when an interaction involves a transaction. So getting tax charges right is an important part of the guest experience.

[Avalara for Hospitality](#) automatically determines lodging tax rates based on your property's address – for any hotel or other accommodations property anywhere in the U.S. Rates are readily available and up to date, so there's no extra work required on your part. You'll also be able to make sure guests aren't overcharged on taxes for any purchases, including lodging, food, beverages, sundries, or other items.

Step 4: File and remit state and local lodging taxes

WHY IT'S IMPORTANT

Once you've collected lodging tax, you must remit it to tax agencies and file lodging tax returns. Some tax agencies require monthly filing, while others are quarterly, semiannual, or annual.

After you register, you'll receive instructions from each tax authority, including what forms you should file, how frequently you'll need to file, and when they're due. If you're paying lodging tax to multiple jurisdictions, you may have to file more than one return, and the schedules and deadlines may be different for each one.

Keep in mind that most jurisdictions require you to file a tax return even if you don't have any income or tax to report for that filing period.

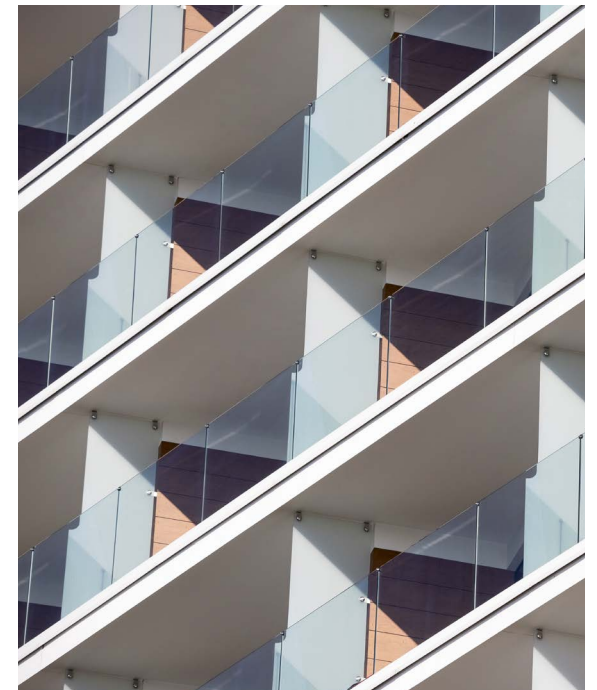
WHAT YOU NEED TO DO

When you file your taxes, you'll report the amount of revenue for your property for a specific period and pay the lodging tax owed on that revenue – and repeat this process for all of the properties you manage. As mentioned previously, some online travel agencies may collect and remit part or all of the tax owed on your behalf. However, property managers are generally still responsible for filing returns and paying any remaining tax owed. Never assume an OTA is going to manage all your state and local taxes for you. Always verify the terms, including what compliance steps you're responsible for and the protocols your jurisdictions follow.

HOW AVALARA CAN HELP

Figuring out your tax obligations across multiple properties, business systems, and online travel agencies – and then submitting all those returns and payments to the right agency, on time – is time-consuming and prone to error.

Avalara for Hospitality streamlines this process. We prepare and file U.S. lodging tax returns and remit payments on behalf of hospitality managers while providing a central location for storing hospitality tax compliance information. All you need to do is sign in to your account and report revenue, and we fill in your sales and booking data on the appropriate forms, remit tax owed, and prepare and file returns on time. You'll also get a record of all tax filings and payments that can be easily accessed for audits and to show compliance.



Step 5:

Keep on top of tax compliance

WHY IT'S IMPORTANT

State and local governments take lodging tax obligations seriously – and so should property managers and hoteliers. It pays to have a solid plan in place to ensure you're able to keep up with your obligations and avoid problems such as lapsed registrations and licenses, missed payments, or late returns. Properly managing lodging tax also better prepares you to pass an audit successfully, should it happen.

WHAT YOU NEED TO DO

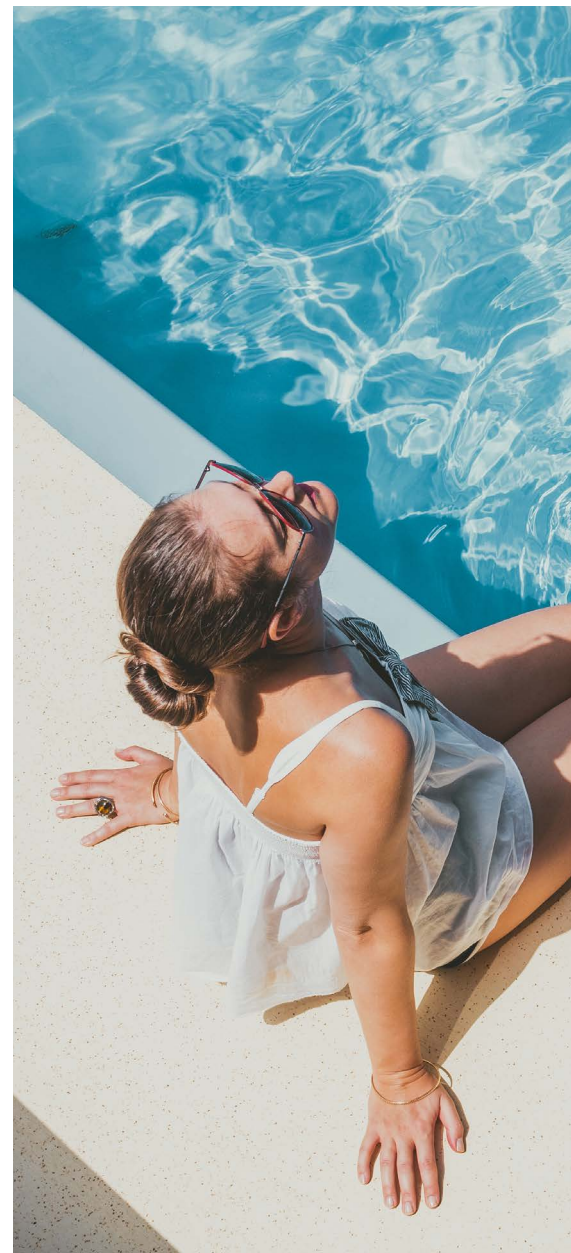
Even once you have the basics of lodging tax down, the work doesn't end there. Lodging tax compliance requires an ongoing commitment to staying on top of changing rules and regulations, renewing tax registrations and other licenses, and filing returns on time. If you solicit bookings from multiple online travel agencies, you must also keep track of the role of each online travel agency in how you charge, collect, and remit lodging tax. If you have multiple hotels, short-term rentals, or other accommodations to manage, you're looking at even more work and time.

WHERE TO FIND MORE INFORMATION

[Avalara for Hospitality](#) helps solve tax compliance challenges for the hospitality industry.

HOW AVALARA CAN HELP

Managing lodging tax isn't as simple as it may seem. Wouldn't you rather focus your staff's attention and energy on booking stays and making guests feel welcome, rather than being bogged down with tax compliance? You're not alone. Which is why our hospitality manager customers are happy we take on that burden for them. We're on it!



Lodging tax compliance checklist

RESEARCH LODGING TAX OBLIGATIONS

- ☐ Identify the tax jurisdictions for your property
- ☐ Account for any special taxes that apply to your property

REGISTER WITH STATE AND LOCAL TAX AGENCIES AND OBTAIN LICENSES

- ☐ Determine registration and licensing requirements
- ☐ Register with required tax agencies (city, county, and state)
- ☐ Apply for and obtain business licenses or permits, if required

CALCULATE AND COLLECT LODGING TAXES FROM GUESTS

- ☐ Verify the state tax rate for each property
- ☐ Verify city, county, local, and special jurisdiction (such as resort or tourist) tax rates for each home or property

- ☐ Calculate the correct lodging tax to add to your rental fees
- ☐ Include tax required for additional fees (cleaning, pets, additional guests, etc.)
- ☐ Identify any rental marketplaces that automatically calculate tax on your bookings

FILE AND REMIT STATE AND LOCAL LODGING TAXES

- ☐ Identify any OTAs that collect and remit tax on your behalf
- ☐ Determine what forms you'll need to file
- ☐ Prepare forms and file according to each jurisdiction's guidelines (e-file or paper)
- ☐ Keep track of filing schedules and due dates
- ☐ Remit tax and file returns on time to avoid late fees and penalties

KEEP ON TOP OF TAX COMPLIANCE

- ☐ Check for any changes to tax rates or rules
- ☐ Renew registrations, licenses, and permits
- ☐ Respond to any notices from state or local tax agencies
- ☐ Remit tax and file on time to avoid penalties and fees
- ☐ Check that all forms have been completed properly
- ☐ Remedy any late submissions, underpayments, or back taxes owed
- ☐ Be prepared for audits should they happen

LET US HELP

Get set up with [Avalara for Hospitality](#) so your staff can focus less on compliance and more on guest experiences. [Contact us today](#) to find out how we can help you get lodging taxes done right, every step of the way.



A complete tax compliance solution built for how you do business

At Avalara, we live and breathe tax compliance. That means that we have solutions to help you determine nexus obligations, register, calculate sales tax, manage exempt sales, and file and remit your returns – saving you time and hassle.