



# Iowa Department of REVENUE

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## IOWA HOTEL AND MOTEL TAX QUESTIONS AND ANSWERS

### 6% State Rate

**How does the state sales tax rate increase to 6% on July 1, 2008, affect hotels, motels, and similar businesses?**

- The state rate for hotel and motel lodging remains at 5%.
- The hotel/motel tax, if any, still applies.
- The local option tax (LOST) does not apply, whether or not the rental is subject to hotel/motel tax.
- All hotels, motels, and similar establishments will complete an additional schedule when filing their returns.
- The first return affected was the July - September 2008 quarterly return, which was due the end of October.

### Change in Taxation of Room Rentals effective July 1, 2009

The taxation of room rentals has changed. Please see this file for a summary.

### Elections

**Election:** How does the issue of hotel/motel tax get on the ballot?

**Effective Date:** When can the hotel/motel tax be imposed in a new jurisdiction?

**Effective Time:** How long does the hotel/motel tax stay in effect?

**Change / Repeal:** When can an existing hotel/motel tax rate be changed or repealed?

**Notification:** When does the city or county notify the Department of Revenue of the start date?

**Distribution:** How is the hotel/motel tax distributed?

### Who Does Not Collect or Pay?

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**Federal:** Does the federal government pay the hotel/motel tax?

**Others:** Do other government entities and schools pay the hotel/motel tax?

**Colleges:** Do Iowa universities and colleges charge hotel/motel tax?

### Collecting Tax

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**State Rate:** Is the state tax rate charged?

**Local Option:** Is the local option tax charged?

**Who Collects:** Who is required to collect the hotel/motel tax?

**Taxable:** What sales are taxed?

### **Current hotel-motel jurisdictions and rates**

#### **Remitting Tax**

**Filing:** What are the filing requirements?

**Permit:** Is a special permit required for hotel/motel tax?

#### **Elections**

##### **Q. How does the issue of hotel/motel tax get on the ballot?**

#### **Incorporated jurisdictions**

A city council passes a resolution to hold an election. The resolution is sent to the county commissioner of elections, usually the auditor. The auditor presents the resolution to the supervisors, who vote to direct the commissioner of elections to set up an election date. The issue passes or fails based on a simple majority vote.

#### **Unincorporated jurisdictions**

A county board of supervisors passes a resolution to hold an election. The auditor, commissioner of elections, takes the resolution and sets up an election date. The issue passes or fails based on a simple majority vote.

##### **Q. When can the tax be imposed in a new jurisdiction?**

On one of two start dates: January 1 or July 1. The Department must be given 45 days notice of the imposition of the tax in a new jurisdiction.

This means an election to impose the tax in a new jurisdiction must be held on or before November 14 or May 14.

Regardless of the election date, the county auditor must notify the Director of the Department within 10 days of the election if the tax is approved in a new jurisdiction.

##### **Q. How long does the tax stay in effect?**

Once imposed, the hotel/motel tax must remain in effect at the rate imposed for a minimum of one year.

##### **Q. When can an existing tax rate be changed or repealed?**

After the 1-year period expires, the tax can be changed or repealed on one of two annual dates: December 31 or June 30. The Department must be given 45 days notice of the change or repeal of the tax in an existing jurisdiction.

This means an election to change or repeal the tax in an existing jurisdiction must be held on or before November 13 or May 13.

Regardless of the election date, the county auditor must notify the Director of the Department within 10 days of the election if the tax is changed or repealed in an existing jurisdiction.

**Q. When does the city or county notify the Department of the start date?**

The Department must be notified at least 45 days before imposition. This also applies to rate changes and repeals.

**Q. How is the hotel/motel tax distributed?**

The tax is remitted to the Department with the hotel/motels' quarterly sales tax returns. It is then distributed to the appropriate jurisdictions on a quarterly basis. The amount distributed is not an estimate; it is the actual amount remitted.

**Who Does Not Collect or Pay?**

**Q. What about religious institutions that rent rooms?**

Rooms located on real property that is exempt from tax as the property of a religious institution are exempt from hotel/motel tax if the reason for renting the room is to provide a place for a religious retreat or function and not a place for transient guests generally.

**Q. Does the federal government pay the hotel/motel tax?**

Accommodations that are paid for directly by the United States government are exempt. However, rooms rented to federal government employees who are paying with cash, personal check, or personal credit card are subject to tax. This is true even if the employees will be reimbursed by the federal government.

**Q. Do other government entities and schools pay the hotel/motel tax?**

**Prior to 7-1-08:** Contracts made directly with Iowa state / local governmental entities and schools were exempt from the 5% state excise tax (previously sales tax) on room rental, but were not exempt from the local hotel/motel tax.

**From 7-1-08 to 6-30-09:** Contracts made directly with Iowa state / local governmental entities and schools are exempt from both the 5% state excise and local hotel/motel taxes.

**Beginning 7-1-09:** Contracts made directly with Iowa state / local governmental entities and schools will be subject to both the 5% state excise and local hotel/motel taxes.

**Q. Do Iowa universities and colleges charge hotel/motel tax?**

No. Sleeping rooms in dormitories and in memorial unions at all Iowa universities and colleges are exempt from hotel/motel tax.

**Collecting Tax**

**Q. What is the hotel/motel tax rate?**

The hotel/motel tax rate cannot exceed 7% and must be imposed in increments of one or more full percentage points.

**Q. Is the state tax rate charged?**

Yes. The hotel/motel tax is in addition to the 5% state excise tax on room rental.

Sales other than room rental are subject to the 6% state sales tax rate and local option sales tax, if any.

**Q. Is the local option tax charged?**

No. Room rental is not subject to local option tax, whether or not the rental is subject to hotel/motel tax.

**Q. Who is required to collect the hotel/motel tax?**

When a tax is imposed by a city, it applies only to those hotels and motels located within the corporate boundaries of that city.

When a county imposes the tax, it applies only to those hotels and motels outside the incorporated areas within the county.

**Q. What sales are taxed?**

The hotel/motel tax is imposed on the gross receipts from the renting of sleeping rooms, apartments, or sleeping quarters in any:

- Hotel
- Motel
- Inn
- Public lodging house
- Rooming house
- Tourist court
- Bed-and-breakfast or
- In any place where sleeping accommodations are furnished to transient guests

...when contracted for periods of 31 consecutive days or less. Contracts for periods of more than 31 consecutive days are exempt. To qualify, the renter must contract to rent for a single period of more than 31 days and cannot accumulate these days.

The tax base must include the entire cost related to the rental of the room. If a person is charged for other items when renting a room, the charges must be stated separately or the entire amount will be subject to the hotel/motel tax.

## Remitting Tax

**Q. What are the filing requirements?**

Hotel/motel tax is reported and remitted with the quarterly sales tax return through [eFile & Pay](#). Local hotel/motel taxes should not be paid with the sales tax monthly or semi-monthly deposit.

**Q. Is a special permit required for hotel/motel tax?**

No. Each facility must have a sales tax permit, but no special number is issued for hotel/motel tax.