



## Short Term Rental TAXES

The *Frisco Town Code* imposes sales tax, lodging tax and STR excise tax upon the purchase price paid for the right to use or possess rooms or other accommodations. This includes accommodations booked through a third party in addition to directly through the owner / manager of the property.

The purchase price of short-term lodging includes the total amount paid for the lodging provided. This amount may include the nightly lodging rate, cleaning fee, administration fee, service fee, processing service fee, facilitation fee, resort fee, facility fee (such as pool, spa, or health club), assessment fee, surcharges (including energy surcharges), extra guest charges, extra equipment charges (ex. roll-away bed, refrigerator), and other mandatory service charges.

Cancellation charges, forfeited deposits, or similar charges for cancelling a reservation or failing to check-in are subject to sales, lodging, STR excise tax unless both of the following conditions apply:

1. The charge is less than the daily room rate; and
2. The purchaser is not entitled to the right to use or possess rooms or accommodations despite having paid the cancellation charge or forfeiting the deposit.

Charitable organizations, governments, and not-for-profit schools are exempt from sales tax, lodging tax and STR excise tax for stays of official business, provided that the charges are paid directly to the seller by the funds of the organization and the organization is not being reimbursed. An exemption affidavit must be completed by the exempt organization and returned to the accommodations provider for the exemption to be granted. Stays in an accommodation unit for a period of at least 30 consecutive days are also exempt from the STR taxes and should be deducted from gross sales on the STR tax return.

Such supplies as toilet tissue, soap, shoeshine cloths, clothes bags, matches, facial tissue, coffee and other items available for guest use are not subject to sales tax at the time of purchase by the lodging provider. These items are deemed supplied to the guest as part of the taxable sale of lodging. This exemption is based on resale of these consumables in a taxable transaction and does not apply to lodging rented continuously for over thirty (30) days that are not subject to sales tax, lodging tax and STR excise tax. Note that these items are exempt from tax at the time of purchase and not deductible under the lodging provider's sales tax, lodging tax and STR excise tax return. An exemption affidavit should be provided to the place of purchase for exemption from Town of Frisco sales tax.

Lodging tax at the rate of 2.35%, sales tax at the rate of 2% and STR excise tax of 5% are imposed upon the entire amount paid for the right to use or possess rooms or other accommodations. Any mandatory service or service charges, that are added on to the nightly rate of the lodging are included as part of the amount paid for such accommodation. This applies to accommodations booked through a manager or third party, in addition to directly through the owner.

Any additional fees/charges that are considered mandatory by the owner or third party that is booking the accommodation unit, are a part of the purchase price of the lodging. In addition to the nightly rate, any mandatory service or service related charges, whether described as administration fee, assessment fee, cleaning fee, extra equipment chares (ex. roll away bed, refrigerator), extra guest charges, facilitation fee, processing service fee, resort fee, service fee, surcharges (including energy surcharges), or

otherwise, are included as part of the amount paid for such accommodations and therefore subject to sales tax, lodging tax and STR excise tax.

## **EXAMPLES**

1. A Property Manager books a reservation for a client's accommodation unit. The price included the nightly lodging rate of \$200 for 3 nights, the cleaning fee of \$75, the service fee (for making the reservation) of \$50, an extra guest fee of \$5/night, & a resort assessment fee of 2%. The total purchase price for the lodging is \$754.80 and sales tax, lodging tax and STR excise taxes are due on this total.
2. Customer B makes a reservation with an owner of a Frisco condominium for an upcoming business trip. The nightly rate for the unit is \$125 plus tax. At the last minute, Customer B calls the owner and cancels the reservation. The owner charges a \$50 cancellation fee and sells the unit to another guest. The \$50 cancellation fee is not subject to sales tax, lodging tax and STR excise tax & can be deducted from gross sales on the return.
3. A group affiliated with Church C has planned a group ski trip to Frisco. Because the trip is a leisure trip for the members of Church C and not official business in the exempt capacity of the church, sales tax, lodging tax and STR excise tax would be due on the purchase price of the rooms.
4. Teachers from School D are attending a conference and reserves rooms at Hotel X. School D has been certified as a qualifying 501(c)(3) "non-profit organization" by the IRS. Each of the teachers pays for their room individually. Sales tax, lodging tax and STR excise tax would be due on the purchase price of the rooms.
5. Customer E is an employee of the state of Colorado government. Customer E reserves and pays for a room using their state issued travel card. Customer E explains that they pay the bill for the card and are reimbursed for their travel expenses. Because the charge is not being paid directly by the funds of the government, sales and accommodations tax is due on the purchase price of the unit.

THE ABOVE INFORMATION IS A SUMMARY IN LAYMEN'S TERMS OF RELEVANT FRISCO TAX LAW FOR THIS TOPIC, INDUSTRY, OR BUSINESS SEGMENT. IT IS NOT INTENDED FOR LEGAL PURPOSES TO BE SUBSTITUTED FOR THE FULL TEXT OF THE FRISCO TOWN CODE AND APPLICABLE RULES AND REGULATIONS. THIS GUIDE DOES NOT CONSTITUTE A TOWN TAX POLICY.