

COMMONWEALTH OF KENTUCKY  
**DEPARTMENT OF REVENUE**  
FRANKFORT  
40620  
revenue.ky.gov

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**FILING EXAMPLE FOR OTC'S AND HOTELS**

The Kentucky Department of Revenue (DOR) is providing the following example as supplementary material to the September 1, 2017 guidance published regarding travel intermediaries, such as Online Travel Companies (OTC), paying Kentucky sales tax on the entire charge for a hotel room reservation in this state when the OTC is the merchant of record for the customer's payment transaction. This example also addresses hotels' obligations to continue remitting state and local transient taxes on the net room rate. These changes are effective for tax periods beginning October 1, 2017 forward.

**Example:** The gross room rate charged by the OTC is \$105. The net room rate that is due to the hotel per the contractual agreement with the OTC is \$100. The Kentucky sales tax (6%) applies to the gross room rate and three other taxes apply to the net room rate. The three other taxes are the state transient tax (1%), a local transient tax (3%), and a city transient tax (4%). The OTC reports the gross receipts from the transaction for a Kentucky hotel stay and remits the Kentucky sales tax directly to the DOR.

In this example, the total room rate charged by the OTC is \$105, excluding taxes, and the hotel will receive the \$100 net room rate per the contractual agreement with the OTC. The OTC remits the 6% Kentucky sales tax of \$6.78 on the total sales price of the room rental (\$113, see example below) which includes the transient gross receipts taxes imposed on the hotels and passed on and collected from the customers. The OTC will then forward the \$1.00 state transient tax, the \$3.00 local transient tax, and the \$4.00 city transient tax to the respective hotel. The hotel remits these amounts to each of the respective jurisdictions on the applicable transient tax returns.

**State sales tax returns filed as shown below:**

OTC sales tax return:

Line 1 Total Receipts (paper return): \$119.78 (\$105+\$1+\$3+\$4+\$6.78)

Line 22 Taxable Receipts per paper return (Gross Receipts of \$119.78 divided by 1.06): \$113.00 for electronic filing, sales tax already excluded from line 1

Sales Tax Due: \$6.78=\$113.00 of taxable receipts X 6%

Revenue sent to the hotel: \$108.00 (\$100+\$1+\$3+\$4)

Hotel sales tax return:

Line 1: Total receipts: \$108.00 amount from OTC including all transient taxes

Line 17: Other deduction: \$108.00 amount from OTC including all transient taxes

Description of Other Deductions:

line 17/code 170: OTC transaction receipts

line 27: Sales tax due from hotels on reported OTC receipts: \$0.00

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Please note that this guidance does not change how receipts are reported and remitted by the hotels for charges directly to a customer during the hotel stay. For example, the hotel is responsible for any Kentucky sales and use tax that may be owed by a guest for extra nights not covered by the reservation through the travel intermediary. In addition, resort fees or other hotel-imposed fees, or other amounts the hotel charges to the consumer's credit card must be reported on the hotel's tax return.

For additional assistance, please contact the Division of Sales and Use Tax via telephone at (502) 564-5170 or email at [DORWebResponseSalesTax@ky.gov](mailto:DORWebResponseSalesTax@ky.gov).