HOTELS AND OTHER ACCOMMODATION PROVIDERS

Dear sir or madam:

This correspondence provides guidance regarding the payment of Kentucky sales tax on hotel bookings in Kentucky that are reserved through a “travel intermediary”, such as Expedia or Priceline, and the “travel intermediary” is the merchant of record on the consumer’s credit card transaction. The entity collecting the payment for the accommodations rental is a retailer as defined in KRS 139.010(27)(a). In a recent Franklin Circuit Court ruling in Kentucky, it was determined that the entire charge for the hotel room reservation is subject to Kentucky sales tax, not just the portions of the charge for the room reservation remitted to the party furnishing the accommodations. (Department of Revenue v. Expedia, Inc., 13-CI-00828). See description below on how hotels and other accommodations providers should process these transactions in light of Kentucky sales tax collections at the point of sale from the customer.

Beginning with reservations made on or after October 1, 2017, the “travel intermediary” will remit directly to the Kentucky Department of Revenue the 6% Kentucky sales and use tax that is due on hotel reservations and will cease forwarding to hotels (through virtual credit card or other processes already agreed to between the hotel and the travel intermediary) any amount of Kentucky sales and use tax. The “travel intermediary” will only forward to the hotel the net receipts exclusive of Kentucky sales and use tax. The hotel providing the accommodation must report its net receipts on Line 1 of its Kentucky Sales and Use Tax Return and then take a corresponding deduction on Line 18 or 19 as an “other deduction” indicating receipts from “travel intermediary reservations”. However, prior to the implementation date of October 1, 2017, hotels should continue remitting Kentucky sales and use tax on their net receipts directly to the Kentucky Department of Revenue.

Please note that this guidance does not change how local or statewide transient taxes or amounts the hotels charge directly to a customer during the hotel stay are reported and remitted (accommodations providers continue to report transient taxes directly to localities and the state). 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 accommodations provider charges to the consumer’s credit card must be reported on the provider’s tax return.

This guidance also does not affect any so-called agency model hotel reservations made through a “travel intermediary” (in other words, transactions in which the hotel serves as the merchant of record and charges the customer at checkout). The “travel intermediary” is not responsible for

KentuckyUnbridledSpirit.com

Employer M/F/D

An Equal Opportunity
any taxes on these amounts, and the hotel should continue remitting Kentucky sales and use tax and applicable transient taxes on these amounts directly to the Kentucky Department of Revenue or local jurisdictions respectively.

If additional assistance is required, please contact the Division of Sales and Use Tax via telephone or email as noted in the signature block below.

Sincerely,

[Signature]

Ricky Haven, Director
Division of Sales and Use Tax
501 High Street
P.O. Box 181, Station 53
Frankfort KY 40602-0181
DORWebResponseSalesTax@ky.gov
(502) 564-5170