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Effective January 1, 2023, KRS 91A.345, the definition statute for the Transient Room Tax, provides the following definition:

Rent “means the total amount charged for the rental of an accommodation and any charges for any services necessary to facilitate the rental of accommodations whether the amount is charged by the provider of the accommodations or by a person facilitating the rental of the accommodations by brokering, coordinating, or in any way arranging for the rental of the accommodations.”

The addition of this language requires 3rd party intermediaries, such as Online Travel Companies (OTCs) and short-term rental platforms, to collect the state 1% transient room tax and any local government transient room taxes at the full rental amount of the accommodation, including their service fees.

As a result of this change, hotel operators are no longer required to collect and remit either the Kentucky statewide or local transient room tax on sales of accommodations where payment is made through OTCs or short-term rental platforms registered to collect the applicable transient room taxes.

Online Travel Companies were already collecting the Kentucky sales tax on these transactions based on a September 1, 2017, agreement with the Kentucky Department of Revenue. However, they were not always collecting the state transient room tax and the local transient room tax.

Effective October 1, 2023, and in accordance with KRS 91.750 through KRS 91.762, hotels in Jefferson County with 51 rooms or more will charge an additional 1.5% Greater Louisville Lodging Management District (GLLMD) tax on their gross short-term rental revenue.

Example of how to calculate the 6% Sales Tax on gross receipts:

In this example, the OTC has charged a \$100.00 rental rate, the local transient rate is 3%, the GLLMD tax is 1.5% and the OTC retains a 20% commission of the \$100.00.

OTC charge to the customer:

Rental rate: \$100.00

Kentucky State Transient Room Tax (1%): \$1.00

Local Transient Room Tax (3%): \$3.00

Other local taxes such as the GLLMD Tax (1.5%): \$1.50

Total Subject to Kentucky Sales Tax: \$ 105.50

Kentucky Sales Tax: (6%): \$ 6.33

Total charge: \$ 111.83

The OTC will collect \$ 111.83 from the customer. The company will list the rental receipts on line 1 of the sales tax return filed electronically as \$ 105.50, and the Sales Tax will be calculated at \$ 6.33. The OTC will retain the \$20.00 commission, remit \$80.00 to the hotel, remit \$ 6.33 on the Sales Tax Return, remit \$1.00 on the Kentucky State Transient Return, remit \$3.00 on the local Transient return, and remit the \$1.50 Greater Louisville Lodging Management District (GLLMD) tax.

The hotel will complete the Sales Tax return as follows:

Line 1 Gross Receipts: \$80.00

Line 170 (Other) Deduction with a description of "Receipts from a Third-Party Intermediary": \$80.00

Net Receipts: \$0

Kentucky Sales Tax Due: \$0

Any tax on charges by a hotel beyond those for the accommodation will remain the responsibility of the accommodation's provider. Examples of these charges include charges for room service, long distance phone calls and charges for parking. The accommodation's provider is also responsible to collect the Kentucky sales tax, the Kentucky transient room tax and any local taxes on reservations made directly without the involvement of a 3rd party intermediary.

Please note that this guidance supersedes the guidance given by the Department dated September 1, 2017, February 5, 2018, and November 22, 2022. Any transaction processed before October 1, 2023, should be handled in accordance with previous guidance.