

# MUNICIPAL TRANSIENT ROOM TAX INFO

## WHAT IS A TRANSIENT ROOM TAX (TRT)?

A **Transient Room Tax** (TRT) is a rental tax paid by a guest for short-term rentals of less than 30 consecutive days. The tax includes accommodations in hotels, motels, inns, tourist homes, trailers, courts, or campgrounds.

### **Municipalities can charge a TRT of up to one (1) percent.**

Any business that rents or leases lodging accommodations for less than 30 consecutive days in a TRT community is required to collect the tax. Every county in the State of Utah has adopted a TRT; however, many municipalities, even those with significant tourism traffic, have not.

## HOW DO WE COLLECT A TRT?

- 1 Adopt an ordinance establishing a TRT and rate
- 2 Submit newly adopted TRT ordinance to Utah Tax Comm.
- 3 Start collecting revenues & putting them to use

Municipalities are empowered to collect a Transient Room Tax under UCA 59-12-3a. This requires a public hearing to consider the tax (be sure to inform affected entities such as hotels and short-term rentals of the meeting) and then adopted by ordinance in an open meeting. See the back page for a sample ordinance. Once the tax is enacted, the municipality must submit the newly adopted ordinance to Jim Clayton, Distribution Manager at the Utah State Tax Commission (contact info on back page).

The tax will start assessing on the first day of each quarter of the calendar year. Communities are not required to fill out any forms to start collecting transient room taxes.

## WHAT CAN TRT REVENUE BE USED FOR?

Municipalities are allowed to use TRT revenues “for general fund purposes” (UCA 59-12-352 (4)), meaning the funds are available for most municipal needs, however, best practices suggest committing the funds to specific, related purposes. For more information about the transient room tax, see UCA 59-12-301; Publication 25, Sales and Use Tax General Information<sup>1</sup>; and Publication 56, Sales Tax Information for Lodging Providers<sup>2</sup>.

## RELATED TAX RATES

To better understand TRT, communities can compare the rates and limitations between the county and municipal levels. While counties may impose a rate up to 4.25%, the revenues received are limited to projects directly related to tourism development such as: building, operating, and/or maintaining convention meeting rooms, exhibit halls, visitor information centers, museums, sports and recreational facilities, and acquiring land. Counties of the 4th, 5th, and 6th classes can also use TRT revenues for solid waste disposal operations, emergency medical services, search and rescue, and law enforcement (additional requirements apply, see UCA 17-31-2 for more information).

TAX	MAX RATE	APPLIES TO
County TRT	4.25%	Tourist home, hotel, motel or trailer court rental for less than 30 consecutive days
Municipal TRT	1.00%	

Municipalities, on the other hand, may impose a total tax of up to one (1) percent for charges related to transient rooms and the revenues are directed to the general fund of the collecting municipality to be used as needed. Communities should avoid the temptation of simply using the funds for general use, but rather direct the revenue towards a specific, long-term use that benefits residents and visitors alike.



## CONSIDERATIONS BEFORE IMPLEMENTING A TRT IN YOUR TOWN

Communities should take into consideration the following as they consider adopting a TRT:

1. **Estimated Revenues:** What is the anticipated revenue from implementing this tax?
2. **Revenue Uses:** what will the funds be used for when they are obtained?
3. **Overall Tax Burden:** How will this tax impact local tax burden? Are there concerns for specific groups of residents?
4. **Local Economy:** Will enacting this tax impact the local economy? Will enacting a tax reduce visitors?

To address these concerns and establish a tax that truly serves the public interest, it is critical to inform the public of who bears the burden of the tax (visitors and tourists) and identify uses for the revenue that directly mitigate the challenges resulting from tourism in the area. For instance, tourist-related increases in garbage can result in trash being all over a communities streets. These funds could address that issue, using taxes obtained from the group that increased the amount of trash--the tourists.

# SAMPLE TRT ORDINANCE

## HELPER, UTAH MUNICIPAL CODE CHAPTER 3.12 "TRANSIENT ROOM TAX"

### 3.12.010 IMPOSITION OF THE TRANSIENT ROOM TAX.

Pursuant to this chapter, the city imposes a one percent tax on charges for public accommodations and services in the city, as described in Section 59-12-103(1)(i), Utah Code Annotated 1953, as amended. [Ord. 2014-4 § 1].

### 3.12.020 PURPOSE.

The Utah State Legislature has authorized municipalities to enact a transient room tax that may be collected from persons and entities providing public accommodations in the city. It is the purpose of this chapter to provide for the uniform assessment and collection of that tax pursuant to Section 59-12-301, et seq., Utah Code Annotated 1953, as amended. [Ord. 2014-4 § 2].

### 3.12.030 ADMINISTRATION, COLLECTION AND ENFORCEMENT.

The tax collected under this chapter shall be in accordance with the procedures set forth in Sections 59-12-302 and 59-12-354, Utah Code Annotated 1953, as amended. [Ord. 2014-4 § 3].

### 3.12.040 EXEMPTIONS.

No transient room tax shall be imposed under this chapter upon any person (A) engaged in business for solely religious, charitable, eleemosynary or other types of strictly nonprofit purpose who is tax exempt in such activities under the laws of the United States and the state of Utah; or (B) engaged in a business specifically exempted from municipal taxation and fees by the laws of the United States or the state of Utah. [Ord. 2014-4 § 4].

### 3.12.050 PAYMENTS.

On or before the effective date of the ordinance codified in this chapter, the city shall contract with the State Tax Commission to perform all functions incident to the administration and collection of the municipal transient room tax, in accordance with the provisions of this chapter. The mayor of the city is hereby authorized to enter into agreements with the State Tax Commission that may be necessary for the continued administration and operation of the transient room tax enacted by this chapter. [Ord. 2014-4 § 5].

### CONTACTS

<i>Utah State Tax Commission</i>	<i>Utah Community Development Office</i>
<i>James Clayton</i>	<i>Keith Heaton</i>
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### APPENDIX

1. Utah State Tax Commission. Sales and Use Tax General Information. Revised Nov. 2017. <https://tax.utah.gov/forms/pubs/pub-25.pdf>.
2. Utah State Tax Commission. Sales Tax Information for Lodging Providers. Revised Nov. 2017. <https://tax.utah.gov/forms/pubs/pub-56.pdf>.

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# ORDINANCE ADOPTION PROCESS

Adopting the TRT ordinance requirements are the same as other taxing requirements. Communities must decide to consider the ordinance, conduct a hearing, then officially adopt in a meeting.

