

## A Summary of the Sales Tax Implications of Conference Room Rentals

The Connecticut sales tax laws are difficult to understand and apply when dealing with conference room rentals because the rules are different depending on whether or not meals are included as part of the room rental.

The State of Connecticut applies a 15% occupancy tax on hotel stays but the renting of a room not used for lodging is not subject to occupancy taxes. However, the cost of the room rental may be subject to a 7.35%<sup>1</sup> sales tax if meals are served. Even if the room is allowed to be rented without purchasing meals, the act of serving meals will subject the room rental to a 7.35% sales tax even if the meals and the cost of the room rental are separately stated on the invoice.

The rules as provided by CT PS 2003(1) are summarized below:

1. **Where meals are served with a meeting room rental:** Where a hotel (or an eating establishment, including but not limited to a banquet hall, restaurant, or social club) **will not rent a meeting room unless it also furnishes meals**, the hotel's total charges, whether or not the charges for the room(s) and meals are separately stated and including any charges for Internet access, are treated as charges for the meals, and **are subject to sales and use taxes**.
  
2. **When a conference room is rented without meals:**
  - Even if the room is allowed to be rented without requiring the purchase of meals, if meals (whether banquet or buffet-style) are served or consumed in the meeting room, the hotel's total charges, whether or not the charges for the room and meals are separately stated and including any charges for Internet access, are treated as charges for the meals, and **are subject to sales and use taxes**.
  
  - If more than one meeting room has been rented for use at the same function, with one room being used for the serving of meals and another room being used for the meeting, the separately stated and reasonable charge for the room used only for the meeting would **NOT be subject to sales tax**. However, if the charge for the meeting room is neither separately stated and/or reasonable, sales tax applies to the entire hotel charge for both rooms and the meals provided.
  
  - If the guests rent the room and hire a third-party caterer to serve meals, then the charge for the room rental would **NOT be subject to sales tax**. However, the catering charges would be subject to sales and use taxes.
  
  - If a third party caterer rents the room for a function and will serve meals, the hotel does not need to charge and collect sales tax on the rental of the room to the caterer. However, when the caterer bills its customer for the function, the caterer will need to collect sales taxes on the total charge for the room and the meals even if they are separately stated on the invoice.
  
3. **What is not considered meals being served:**
  - A self-service table of nonalcoholic beverages and snacks items for those attending the meeting is not considered serving meals. In this instance, the cost of the beverages and snacks would be subject to sales tax but the cost of the room rental would not be subject to sales taxes. These charges should be separately stated on the invoice.

<sup>1</sup> Citation: PA 19-117 Sec. 323(A) and (I) adds a new 1% surcharge to the 6.35% base sales tax which modifies CT Gen Stat §12-408(1)(I). The new law reads, "With respect to the sale of meals, as defined in 12-412(13), sold by an eating establishment, caterer or grocery store; and spirituous, malt or vinous liquors, soft drinks, sodas or beverages such as ordinarily dispensed at bars and soda fountains, or in connection therewith, in addition to the tax imposed under §12-408(1)(A), at the rate of 1%.