

General Guidelines on Sales Tax: What Is Taxable and Exempt?

All tangible personal property is taxable as specified in 32 V.S.A. § 9701 and Vermont Sales and Use Tax Regulations § 1.9741(2), except for items specifically exempted by statute and regulation. The information provided on this fact sheet is meant as a general guideline only. It provides examples of property, either taxable or exempt, which are included in the broader definitions given in statute and regulation. For specific questions about particular items, please contact the Vermont Department of Taxes for guidance by calling (802) 828-2551, option #3, or emailing bustax@state.vt.us.

Clothing – Exempt

- Aprons, household & shop
- Athletic supporters
- Baby receiving blankets
- Bathing suits & caps
- Beach capes & coats
- Belts & suspenders
- Boots
- Coats & jackets
- Costumes
- Diapers, child & adult, incl. disposable diapers
- Earmuffs
- Footlets
- Formal wear
- Garters & garter belts
- Girdles
- Gloves & mittens for general use
- Hats & caps
- Hosiery
- Insoles for shoes
- Lab coats
- Neckties
- Overshoes
- Pantyhose
- Rainwear
- Rubber pants
- Sandals
- Scarves
- Shoes & shoelaces
- Slippers
- Sneakers
- Socks & stocking
- Steel-toed shoes
- Underwear
- Uniforms, athletic & nonathletic
- Wedding apparel

Clothing Accessories or Equipment – Taxable

- Belt buckles sold separately
- Costume masks sold separately
- Patches & emblems sold separately
- Sewing equipment & supplies including, but not limited to, knitting needles, patterns, pins, scissors, sewing machines, sewing needles, tape measures & thimbles
- Sewing materials that become part of “clothing,” including, but not limited to, buttons, fabric, lace, thread, yarn & zippers
- Briefcases
- Cosmetics
- Hair notions, including, but not limited to, barrettes, hair bows & hair nets
- Handbags
- Handkerchiefs
- Jewelry
- Sunglasses, nonprescription
- Umbrellas
- Wallets
- Watches
- Wigs & hairpieces

Protective Equipment – Taxable

- Breathing masks
- Clean room apparel & equipment
- Ear & hearing protectors
- Face shields
- Hardhats
- Helmets
- Paint or dust respirators
- Protective gloves
- Safety belts
- Safety glasses & goggles
- Tool belts
- Welders’ gloves & masks

Sport or Recreational Equipment – Taxable

- Ballet & tap shoes
- Cleated or spiked athletic shoes
- Gloves, including, but not limited to, baseball, bowling, boxing, hockey & golf
- Goggles
- Hand & elbow guards
- Life preservers & vests
- Mouth guards
- Roller & ice skates
- Shin guards
- Shoulder pads
- Ski boots
- Waders
- Wetsuits & fins

Important: This fact sheet is intended to provide an overview only. Please refer to Vermont tax statutes, regulations, Vermont Department of Taxes rulings, or court decisions for further information. You may also contact the Department as indicated above.

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Over-the-Counter Drugs – Exempt

- Aspirin, Ibuprofen & similar pain-relief medications & analgesics
- Analgesic salves & liniments
- Antacids
- Acne medications
- Antiseptics & soaps used for the treatment of infection & skin diseases
- Medicated burn remedies
- Cough & cold medications, such as throat lozenges, cough drops & syrups
- Decongestants & antihistamines
- Analgesic toothache preparations & dental repair kits
- Eye preparations for the healing or treatment of the eyes, such as contact lens solutions, eye drops, ointments & washes
- Laxatives, cathartics & suppositories

Grooming and Hygiene Products – Taxable

- Soaps & cleaning solutions
- Shampoo
- Toothpaste
- Mouthwash
- Antiperspirants
- Suntan lotions & sunscreens

Medical Equipment & Supplies – Exempt

Durable Medical Equipment

- Bath & shower chairs
- Commode chairs
- Dialysis treatment equipment
- Drug infusion devices
- Feeding pumps
- Hospital beds
- MRIs
- Oxygen equipment
- Resuscitators
- X-ray machines

Mobility Enhancing Equipment

- Wheelchairs
- Stairlifts
- Canes
- Crutches
- Motorized carts
- Walkers

Prosthetic devices

- Artificial limbs
- Artificial eyes
- Prescription eyeglasses & contact lenses
- Hearing aids
- Dentures & dental appliances
- Electronic voice producing machines
- Cranial hair prosthesis
- Cervical collars
- Heart valves
- Pacemakers
- Orthotic devices
- Trusses
- Fabric & elastic supports
- Braces

Medical supplies

- Bandages & surgical dressings
- Hypodermic syringes & needles
- Disposable heating pads
- Colostomy devices

Supplies – Taxable

- Body massage appliances
- Therapeutic foot baths
- Room humidifiers & air conditioners
- Household baby & bathroom scales
- Medic alert bracelets
- Hot tubs

Local Option Tax: What Is It and When Does It Apply?

Any vendor authorized to collect sales, meals, rooms, and alcohol taxes in Vermont is required to collect applicable local option tax. No additional registration with the Vermont Department of Taxes is necessary.

What Is Local Option Tax?

Local option tax is a way for municipalities in Vermont to raise revenue. A municipality may vote to levy any combination of the following 1.0% local option taxes in addition to state business taxes:

- **Local Option Sales Tax**
6.0% sales tax + 1.0% = 7.0% total tax
- **Local Option Meals Tax**
9.0% meals tax + 1.0% = 10.0% total tax
- **Local Option Rooms Tax**
9.0% rooms tax + 1.0% = 10.0% total tax
- **Local Option Alcoholic Beverages Tax**
10.0% alcohol tax + 1.0% = 11.0% total tax

Although local option tax is levied by the municipality, the vendor who collects the tax remits it to the Vermont Department of Taxes along with any state taxes the vendor collects. The Department then sends the local option tax to the municipality.

Note: The City of Burlington and the City of Rutland have enacted their own local taxes on meals, lodging, and entertainment. They administer and collect their taxes.

What Is Subject to Local Option Tax?

A transaction is subject to local option tax if it is subject to Vermont sales, meals, rooms, or alcoholic beverage tax. Local option tax also applies to rentals.

Note: Local option tax does not apply to transactions that are subject to use tax or motor vehicle purchase and use tax.

When Must a Vendor Charge Local Option Tax?

Local option tax is “destination-based.” This means the tax is applied based on the location where the buyer takes possession of the item or where it is delivered. If the vendor is located out of state but has registered to collect Vermont state business taxes, it must also collect local option tax where applicable.

Note: Delivery charges are subject to state and local option taxes.

Which Municipalities Levy Local Option Tax?

Not all Vermont municipalities choose to levy local option tax or may levy only one or two types of tax. Visit the Department’s website at www.bit.ly/LocalOptionTownList (case sensitive) to view a current listing. You want to look for the municipality where the buyer is taking possession of the item or where the item is being delivered. Another handy resource for sales tax rates, including local option tax, is GeoSalesTax, available on the same website page as the local option tax town listings.

For more information, helpful links, and examples of how to show local option tax on a receipt, please see the reverse side.

If you have questions about local option tax, call (802) 828-2551, option 3.

How Should Vendors Show Local Option Tax on Invoices and Receipts?

Vermont business taxes and local option tax may be shown combined or separately on invoices and receipts. See the examples below:

Example 1

Business and local option tax combined:

Item 1	\$10.00
Item 2	\$15.00
Subtotal	\$25.00
7.0% Sales & Local Option Tax	\$ 1.75
Total	\$26.75

Example 2

Business and local option tax listed separately:

Item 1	\$10.00
Item 2	\$15.00
Subtotal	\$25.00
6.0% Sales Tax	\$ 1.50
1.0% Local Option Sales Tax	\$ 0.25
Total	\$26.75

How Do Vendors Remit Local Option Taxes to the Vermont Department of Taxes?

The easiest way to file and remit local option tax is through VTBizFile, the Department's electronic filing option at www.bit.ly/VTBizFile. VTBizFile provides many convenient benefits to business filers, including quick and easy filing, storing up to four years of payment history, issuing printable receipts, and more.

If you choose to use paper forms, you may request them by calling (802) 828-2551, option 3. Local option tax is reported on Part II of the Sales and Use Tax Return (Form SU-451) and the Meals and Rooms Tax Return (Form MR-441). Forms are printed annually in July with the names of the municipalities which have enacted local option taxes as of June 30. If a municipality enacts a local option tax after the printing of these forms, then vendors may write in the name of the municipality and the amount of tax collected.

For more information

Note: URLs are case sensitive

Listing local option tax by zip code www.bit.ly/VTLocalOption

Sales tax plus local option tax:
www.bit.ly/VTSalesLocal

Rooms & meals tax plus local option tax:
www.bit.ly/VTMealsLocal

Alcoholic beverages tax plus local option tax:
www.bit.ly/VTBevLocal

Technical Bulletin TB-37 – Local Option Sales Tax:
www.bit.ly/TechBulletin37

Technical Bulletin TB-25 – Local Option Meals & Alcoholic Beverages Tax & Local Option Rooms Tax:
www.bit.ly/TechBulletin25

VTBizFile:
www.bit.ly/VTBizFile



Visit the Vermont Department of Taxes at
www.tax.vermont.gov
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VERMONT
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Vermont Sales and Use Tax for Businesses

Businesses need to know in what situations Vermont Sales and Use Tax applies to them. This fact sheet is designed to provide a general overview of sales and use tax. For more detailed information on each of the topics presented here, you may refer to the Vermont Department of Taxes website at www.tax.vermont.gov.

Sales and Use Tax: What Is It?

The sales tax of 6.0% is imposed on the retail sales of tangible personal property unless exempted by law. Retail sales include goods you sell at your place of business as well as at other locations in Vermont. A seller must collect sales tax at the time and place of the sale. Sales tax is *destination-based*, meaning the tax is applied based on the location where the buyer takes possession of the item or where it is delivered.

Use tax is paid by the purchaser of an item when the purchase is made from a vendor that is not registered by the state of Vermont to collect sales tax. Sales tax and use tax work together to create the same tax result whether a vendor collects sales tax or not. Therefore, use tax has the same rate, rules, and exemptions as sales tax.

Businesses are responsible for collecting sales tax from their customers and then filing and remitting the tax to the state. Sales tax is reported using the accrual basis, requiring that sales tax is charged at the time of the sale and reported even if full payment for the sale has not been received by the seller.

Following is a noninclusive list of transactions subject to sales tax:

- Sales of tangible personal property—anything that can be seen, weighed, measured, felt, or touched
- Sales of alcoholic beverages
- Entertainment, recreation, and amusement admission charges
- Nonresidential retail sales of public utility services—electricity, gas, water, steam, and fuel
- Sales of telecommunications services
- Internet purchases, digital downloads, and prewritten software
- Delivery charges, even if stated separately on an invoice, of items subject to the tax
- Fabrication charges
- Rentals and leases of tangible personal property
- Barter transactions
- Sale of items for which a coupon is used, and the seller is reimbursed for the full cost by a third party

- Certain labor charges
- Bundled transactions where retail sales of two or more distinct and identifiable products sell for one price

If you are unsure whether the type of sales transaction you conduct is subject to tax, you may contact the Department of Taxes for guidance.

When Must Use Tax Be Paid?

Use tax is paid in the following situations when purchases are made of tangible personal property subject to the sales tax:

- You make a purchase from a vendor not registered to collect tax with the state of Vermont
- You use property you normally manufacture for sale
- You use property in the operation of your business or for personal use that you originally purchased for resale with an exemption certificate

Sales and Use Tax Account: Who Must Register

Businesses must register for a sales and use tax account prior to collecting sales and use taxes. Registration is free. Following is a noninclusive list of types of businesses required to register for an account:

- Businesses that sell tangible personal property at retail
- Transient vendors coming into Vermont for short periods of time
- Vendors with no permanent Vermont address
- Nonprofit organizations, even if applying for exemption
- Manufacturers that sell tangible personal property at wholesale
- Businesses purchasing tangible personal property for resale

*Please see reverse
for additional information.*

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DEPARTMENT OF TAXES

Register for a Vermont sales and use tax account by completing an application, Form S-1, and mailing or faxing it to:

Vermont Department of Taxes
P.O. Box 547
Montpelier, VT 05601-0547

Fax: (802) 828-5787

Once your application is processed, you will receive the following for your business from the Department of Taxes:

- Vermont Sales and Use Tax account number
- Date to begin collecting each tax
- Filing frequency based on your estimated tax obligation
- Vermont Sales and Use Tax license, which must be displayed for customers as your authorization to collect taxes on behalf of the State of Vermont

Please note:

When reporting and paying these taxes, be sure to report and remit the tax for every required filing date *even when no tax is owed*.

Easy Filing to Remit Your Business Taxes

Once you receive your registration letter, you will be able to file and remit your business taxes online using VTBizFile, a free service designed to make remitting your business taxes easier and faster. VTBizFile offers the following benefits:

- Schedule, file, and pay your Vermont Sales and Use, Meals and Rooms, and Withholding taxes in one place and when convenient for you
- Print filing and payment receipts to maintain your records
- View and print a history of filings for up to four years
- Choose from three easy payment options—ACH debit, ACH credit, or credit card

Local Option Taxes

Certain Vermont municipalities impose local option tax of 1.0% on sales. Businesses are responsible for collecting and remitting local option taxes along with state business taxes. Like sales tax, local option tax is destination-based. Not all Vermont municipalities choose to levy local option tax or may levy only one or two types of tax. For a current listing of municipalities who impose local option taxes, visit the Department's website at www.bit.ly/LocalOptionTownList.

Sales Tax Exemptions/Exemption Certificates

There are many exemptions to the Vermont Sales and Use Tax, including clothing and footwear, food, medicines, newspapers, certain agricultural products, some purchases by specific industries, certain utility purchases, and purchases that are shipped out-of-state. Purchases by 501(c)(3) nonprofit organizations may be exempt. An exemption certificate must be presented to the vendor prior to the sale, and the vendor must retain it for at least three years from the date of the last sale covered by the certificate. For more information on nonprofit organizations, visit the Department's website. If you are unsure of sales tax exemptions, you may contact the Department for guidance.

Know the Regulations to Avoid Problems

Business owners are expected to be familiar with state tax laws and regulations applicable to their businesses. We recommend reading the following statutes, regulations, and technical bulletins (case sensitive):

Vermont tax statute, Title 32: www.bit.ly/VSA_Title32
Regulations: www.bit.ly/SalesUseRegs
Technical Bulletins: www.bit.ly/TaxTechBulletins

If you close your business or your business information changes, you must notify the Vermont Department of Taxes using Form B-2, as your tax liability is in effect until the change is processed.

To learn more about the Vermont Sales and Use Tax, and other applicable business taxes, visit www.tax.vermont.gov or contact the Business Tax section at bustax@state.vt.us or (802) 828-2551, option 3.

Vermont Meals and Rooms Tax for Businesses

Businesses need to know the circumstances in which the Vermont Meals and Rooms Tax applies to them. This overview provides information on the tax and general guidelines. Refer to the Vermont Department of Taxes website at www.tax.vermont.gov for more details on each of the topics presented here.

Meals and Rooms Tax: What is it?

Any private person, entity, institution, or organization selling meals, serving alcohol, or renting rooms to the public must collect the Vermont Meals and Rooms Tax from their customers on their gross receipts and remit the tax to the Vermont Department of Taxes.

Meals and Rooms Rates in Vermont

Following are rates for meals and rooms tax in Vermont:

- 9.0% on sales of prepared and restaurant meals
- 9.0% on sales of lodging and meeting rooms in hotels
- 10.0% on sales of alcoholic beverages served in restaurants

Businesses Subject to the Meals and Rooms Tax

Following is a noninclusive list of types of businesses subject to meals and rooms tax:

- Restaurants, bars, or catering businesses
- Grocery and convenience stores if they offer prepared foods
- Food carts
- Transient vendors
- Hotels, motels, inns, bed & breakfasts
- Rental cottages, condominiums, campsites, and ski lodges
- Rooms in homes, entire homes, second homes, and other types of accommodation owned by private individuals for which a rental fee is charged

Meals and Alcohol Tax

Definition of a Restaurant and Taxable Meal

All food is taxable when sold by a restaurant. Alcoholic beverages sold on the premise of a restaurant are subject to the alcoholic beverage tax. The type of sales and amount of sales determine if a business is a restaurant.

A restaurant is defined as:

1. An establishment that charges for food or beverage intended for immediate consumption; or
2. An establishment that has made total sales of food or beverage in the previous taxable year of at least 80% taxable food and beverage; or
3. A new establishment that projects its total sales for the first year to be at least 80% taxable food and beverage.

Please note:

Some items are taxable even when sold by a business not defined as a restaurant, e.g., sandwiches (except frozen), heated food or beverages, items from a salad bar, and party platters and prepared food.

Rooms Tax

Definition of a Hotel

According to Vermont law, hotel accommodations are subject to tax. A hotel is broadly defined as an establishment that holds itself out to the public by offering sleeping accommodations for a charge. Any charge by a hotel that gives a person the right to use rooms, furnishings, or services of the hotel is subject to the rooms tax. The tax applies whether or not the room contains sleeping accommodations, as long as it is located in an establishment that is defined as a "hotel." For example, the rental of a conference room in a hotel is subject to a rooms tax.

People who own property in Vermont often rent rooms in their homes, the entire home, or other types of lodging to visitors. If you own and rent any of these types of accommodations to guests for 15 days or more, consecutive or nonconsecutive, in a calendar year, you must collect and remit the rooms tax. Please note that the first 14 days are also taxable. The tax applies to a rental that is made to one renter or multiple renters over the course of a year.

*Please see reverse
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DEPARTMENT OF TAXES

Local Option Tax

Certain Vermont municipalities impose a local option tax of 1.0% on sales of taxable meals. Businesses are responsible for collecting and remitting local option taxes along with state business taxes. Local option tax is destination-based. Not all Vermont municipalities choose to levy local option tax or may levy only one or two types of tax. For a current listing of municipalities who impose local option taxes on meals and rooms, visit the Department's website at www.bit.ly/LocalOptionTownList (case sensitive).

Guidelines for Nonprofits

Nonprofit organizations must pay meals and rooms tax if they rent lodging from a hotel or are served meals by a restaurant. If they serve meals or offer lodging for rent, they must then charge tax. Nonprofits are exempt from tax when all three of the following conditions are met:

- Meals served or rooms rented occur on the premises of the nonprofit
- The nonprofit is organized and operated exclusively for religious or charitable purposes
- The activity is in furtherance of any purpose for which the nonprofit was organized

Meals and Rooms Tax Account and License

Businesses must register for a Vermont Meals and Rooms Tax account and license prior to collecting these taxes. Registration is free. All businesses must display their licenses for customers at each location as authorization to collect tax on behalf of the State of Vermont.

Please note that nonprofit organizations must register, even if they qualify for an exemption. Businesses with more than one location must obtain separate business tax accounts and licenses and file separate returns for each location. Businesses with no permanent location in Vermont, such as cart vendors, may obtain one license.

Register for a Vermont business tax account by completing an application, Form S-1, and mailing or faxing it to:

Vermont Department of Taxes
P.O. Box 547
Montpelier, VT 05601-0547

Fax: (802) 828-5787

Once your application is processed, you will receive the following for your business from the Department of Taxes:

- Vermont Meals and Rooms Tax account number
- Date to begin collecting each tax
- Filing frequency based on your estimated tax obligation
- Meals and rooms tax license

Please note:

When reporting and paying these taxes, be sure to report and remit the tax for every required filing date *even when no tax is owed*.

Easy Filing to Remit Your Business Taxes

Once you receive your registration letter, you will be able to file and remit your rooms and meals taxes online using VTBizFile, a free service designed to make remitting your business taxes easier and faster. VTBizFile offers many benefits, including a single, convenient place to pay your business taxes, help in maintaining your business records, and three easy payment options—ACH debit, ACH credit, or credit card.

Know the Regulations to Avoid Problems

Business owners are expected to be familiar with state tax laws and regulations applicable to their businesses. We recommend reading the following statutes, regulations, and technical bulletins (Note: URLs are case sensitive):

Vermont tax statute, Title 32: www.bit.ly/VSA_Title32
Regulations: www.bit.ly/MealsRoomsRegs
Technical Bulletins: www.bit.ly/TaxTechBulletins

If you close your business or your business information changes, you must notify the Vermont Department of Taxes using Form B-2, as your tax liability is in effect until the change is processed.

To learn more about the Vermont Meals and Rooms Tax, and other applicable business taxes, see the "Meals Tax for Vermont Businesses" and "Rooms Tax for Vermont Businesses" fact sheets. You may also visit www.tax.vermont.gov or contact the Business Tax section at bustax@state.vt.us or (802) 828-2551, option 3.