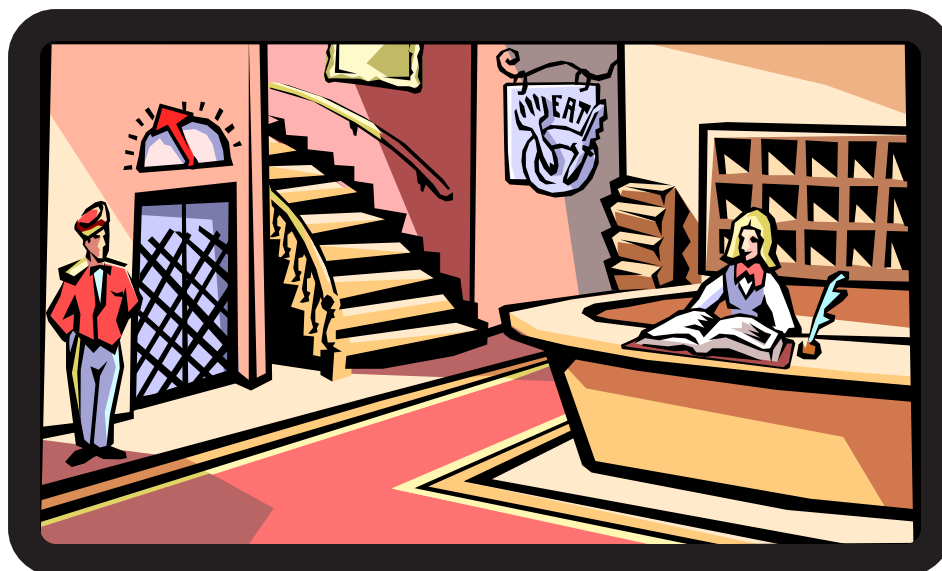


Montana

Lodging Facility Use and Sales and Use Tax Guide



Department of Revenue
PO Box 5835
Helena, MT 59604-5835

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Montana Department of Revenue

4% Lodging Facility Use Tax and 3% Sales and Use Tax Information Guide

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If you have a special situation not covered in this guide, or if you need assistance, please call us at (406) 444-6900.

What is The Lodging Facility Use Tax (LFUT)?

Montana has collected a lodging tax since 1987. People who stay in Montana lodging facilities must pay a tax on the lodging charge. The tax is known as the Lodging Facility Use Tax (unofficially, the “bed tax”). The tax rate is 4%. In 2003 a 3% sales and use Tax was enacted. The total lodging tax is now 7%.

Those who provide the lodging must collect the tax and forward it to the department every three months (quarterly). Proceeds from the tax are transferred to the Department of Commerce to be used for the maintenance of facilities in state parks, signage for historic sites, development of infrastructures and the promotion of Montana as a vacation destination or filming location.

What is the Lodging Facility Sales and Use Tax?

In June of 2003, an additional 3% sales and use tax was enacted to provide additional revenue to the state general fund. A vendor allowance was enacted to effect the timely collection of the sales and use tax. Combined, there is now a total of 7% tax on accommodations in the State of Montana.

To determine whether your facility must collect the tax, ask yourself the following questions:

- What type of facility is it ...Is the facility exempt?
(See “Exempt Facilities” page 3).
- If the facility is not exempt, what charges are taxable?
- How do I register?
- How do I report/remit the tax?

This guide will help you answer these questions.

Glossary of Terms You Should Know

ADAC stands for the average daily accommodation charge. It is the average unit rate (not including the tax) for single occupancy of all units rented for single occupancy in a facility. It is used to determine if a facility is exempt. The ADAC applies only to hotel, motel, hostel, public lodging house, or bed and breakfast facilities.

For example:

A 40-unit facility has 10 units that are never rented for single occupancy. Therefore, only the 30 remaining units are used to calculate the ADAC.

10 units rent for \$15 / night	-	\$150
20 units rent for \$12 / night	-	\$240
total rate of the 30 units	-	\$390
divided by the 30 units	-	\$13 ADAC

On charges for periods of 1-30 days, the tax is based on what you charge. If you choose to rent the room only by the week the tax is based on your weekly rate. If the room is rented on a daily basis, the tax is on the daily rate you have established, not the weekly rate divided by 7.

Campground is an area (publicly or privately owned) used for public camping where people may camp, secure tents, or park individual recreational vehicles for camping and sleeping purposes. This includes city and/or county owned campgrounds and parks. Example: If your county is having a fair and they charge for camping sites, it is a taxable facility. The tax is based on the site rate plus hook ups (electric, water, sewer, etc.). Campgrounds do not fall under the ADAC Exemption.

Facility is a building, a group of buildings, or an area recognized as a single entity used for lodging accommodations. The term includes a hotel, motel, campground, resort, dormitory, condominium, inn, dude ranch, guest ranch, outfitter, hostel, public lodging house, or bed and breakfast facility.

A facility may contain several lodging units or spaces used for sleeping or resting, including a single area within a campground (this includes tent spaces).

Gross Receipts is the total accommodation charge for use of lodging facilities, whether the charges were received in money or otherwise. This includes all receipts, cash, credits and property or services of any kind. Credit card service charges do not reduce gross receipts.

Lodging Facility Use Tax Charge is the 4% fee for renting a unit or space, not including the tax. Accommodation charges do not include charges for food, beverages, transportation, recreation, entertainment, administrative costs, or reservation services fees.

Non-Taxable Receipts means exempt accommodation charges and charges that are uncollectible and written off during a specific quarter. Examples are non sufficient funds (NSF) checks and any discounts which may have been included in the gross receipts but were not part of the net accommodation charge to the user.

Outfitters use one or more permanent structures to furnish sleeping accommodations or bathhouse facilities to guests and offers hunting, fishing, or recreational services in conjunction with the services of an outfitter or guide.

Owner (or Operator) of a facility is a person or organization who is responsible for the financial affairs of the facility. An owner or operator may hire a manager to manage the day-to-day operation. The owner or operator has the final say in the business and is liable for collecting, reporting and remitting the Lodging Facility Use Tax to the department.

Sales and Use Tax Charge is the 3% fee for renting a unit or space, not including the tax. Accommodation charges do not include charges for food, beverages, transportation, recreation, entertainment, administrative costs, or reservation services fees.

User is a person (s) renting a unit or space.

Vendor Allowance was enacted to effect the timely collection of the sales and use tax. It applies to the 3% sales and use tax only. A person filing a timely return may claim a vendor allowance which is 5% of the 3% tax and has a maximum of \$1,000 per quarter.

Registering

Registration

Every owner of a facility is required by law to collect the Lodging Facility Use Tax and the Sales and Use Tax. They must register each individual facility with the department. Multiple facilities can be registered under one facility number if they are in the same geographical locality (city and county) and is approved by the department.

Upon receipt of the registration form, the department will issue a special number for the individual facility. This number, used in conjunction with your federal identification number, will ensure the taxes you collect are properly credited.

Sales and Use Tax Permit

The law requires each facility with sales subject to the new 3% sales and use tax to apply to the department for a seller's permit. The department will issue a separate, numbered permit for each location where you maintain a place of business. The permit is valid only for the person in whose name it is issued and for any business transacted at the place designated.

Re-Registration

You must re-register with the department whenever there is a change in ownership, a change in the type of organization, or if a corporation, a change in corporate officers.

Purchasing a Facility

If you purchase or acquire a facility previously registered with the department, you must apply for a new identification number. You **cannot** use the previous owner's identification number. Your new application will help ensure that you avoid potential claims against your business (for example, the former owner's tax liabilities).

Exempt Facilities

Some facilities are not required to collect the Lodging Facility Use Tax. Those facilities are:

- Health care facilities such as hospitals, rest homes, (defined in 50-5-101 MCA).
- Youth camps owned or operated by nonprofit and religious organizations (501 (c) (3) IRC) and primarily used for youth (under age 18) for camping.
- Hotels, motels, hostels, public lodging houses and bed and breakfast facilities charging an average (ADAC) rate that is 60% or less than the state reimbursement rate (15-65-101, MCA) for a single room (see **ADAC** page 2). Contact the Department of Revenue for the current ADAC limit.

Exempt Charges

- Units or spaces rented 30 continuous days or more to the same user.
- Units or spaces located on an Indian reservation and rented to an enrolled member of the same Indian reservation. The enrollment number must be recorded on the billing.
- Charges billed directly to and paid by the federal government. Example: The U.S. Forest Service calls your facility and wants to block 5 rooms for 10 days. You send the Forest Service the bill; the federal government pays you directly. Tax exempt letters presented by federal employees are not valid. Montana does not honor these exemptions.
- Some federal employees may have a credit card which is billed directly to the government agency. These cards are Visa card, and Master card.

The determination is made from the prefix of each card as to whether or not it is billed directly to the federal government. The prefix information is available upon request through the department. No other credit cards are directly billed to a government agency.

- Units or spaces rented to a diplomat who presents a tax exempt card issued by the U.S State Department. The card number must be recorded on the billing.

Resort, Condominium, Inn, Campground, Dude or Guest Ranches and Outfitters.

These facilities do not fall under the ADAC exemption. Private owners of condominiums who rent their condos out by the night or the week must be registered and collect the tax. If your condominium is listed with a property management firm, the firm must be registered and remit the tax to the department.

Dormitory

These facilities are taxable unless the accommodation charges are for person (s) involved in activities meeting any of the following 3 criteria.

1. Activities offered for college credit;
2. Activities offered primarily for students enrolled in primary or secondary schools, or universities, for example, computer camps, athletic camps, science camps, etc.;
3. Activities which meet all of the following criteria:
 - a. Sponsored exclusively by the university;
 - b. Staffed exclusively by the university;
 - c. Contains an instructional component, for example, a weekend workshop sponsored by MSU on agricultural practices and taught exclusively by faculty staff.

The tax must be collected by dormitory facilities which do not meet the above criteria.

Combined Charges

Accommodation charges are often combined with food, beverage, recreation, transportation, or other charges which are a substantial portion of the charge. The owner or operator may allocate the accommodation charge portion using one of the following:

- A flat rate of the state reimbursement rate(contact the department for current dollar figure) per day per person; or
- 25% of all charges; or
- Your own allocation based on documented itemization of each charge.

All methods of allocation are subject to review and may be disallowed by the department.

Reporting

In December of each year, the department will send you a packet containing quarterly report forms. The form for each quarter must be completed and sent, along with the payment, to the department. Remember, quarterly reports for seasonal facilities must be sent in every quarter even if you have no tax liability.

Quarterly Report Forms

The department provides quarterly report forms unique to your facility including your individual account numbers and business name. Please do not use photocopies of another facility's quarterly reports. The department will provide you with replacement report forms if yours are misplaced. The following information is to be reported:

- Gross Receipts – All charges for use of lodging facilities as defined on page 2.
- Non-Taxable Receipts – Exempt charges, (as explained on pages 3 & 4), discounts and bad debts in the quarter.
- Adjustments – Corrections from previous quarters. An explanation of the correction must be provided on the back of the form or on a separate sheet of paper attached to the form.
- Vendor allowance - For timely filing on the 3% sales tax only. Not to exceed \$1,000 maximum per quarter.

All gross receipts are to be reported in the quarter collected.

Example:

You rent the facility from December 23rd through January 3rd. The bill is paid January 3rd. The tax must be reported in the 1st quarter when it was actually collected.

For the purpose of determining the correctness of any return, we may request additional information to verify amounts or items on the return.

Due Dates

Report form and payment are due on or before the last day of the month following the end of the calendar quarter.

Mark the following due dates on your calendar:

Quarter	Due by
January 1 – March 31	April 30
April 1 – June 30	July 31
July 1 – September 30	October 31
October 1 – December 31	January 31

Sample Report:

MONTANA Form ACT Rev. 9-03				Montana Department of Revenue Lodging Facility Use Tax and Sales and Use Tax		Above space is for department use only.
1. Federal ID Number		2. Facility ID Number		3. Quarter Ending		4. If you are no longer in business and want your account cancelled, enter the final date.
				June 30, 2004 July 31, 2004		/ /
5. Give monthly breakdown of gross receipts				6. Gross receipts from accommodations ⇨		
April ⇨		May ⇨		7. Less: 30 day continuous rentals ⇨ ()		
		June ⇨		8. Less: federal employee exemption ⇨ ()		
				9. Less: uncollectable charges ⇨ ()		
				10. Less: other (attach explanation) ⇨ ()		
				11. Taxable receipts (line 6 minus lines 7-10) ⇨		
				12. Tax due (7% of line 11) ⇨		
				13. Less vendor allowance (see instructions) ⇨ ()		
				14. Total tax due (line 12 minus line 13) ⇨		
				15. Amount paid with this return ⇨		
16. Date		17. Signature		18. Title		19. Phone
Make check payable to the Department of Revenue and mail with this coupon to: Department of Revenue, PO Box 5835, Helena, MT 59604-5835						

Line by Line Instructions	
Line 1	Enter your Federal ID Number
Line 2	Enter your Facility ID Number - If you do not have one, contact the Department of Revenue for further information
Line 3	Enter the year(s) for the quarter for which you are filing
Line 4	Enter the final date if you are no longer in business and want your account cancelled
Line 5	Enter the Gross receipts for each month of the quarter - Gross receipts are all charges for lodging
Line 6	Enter the total gross receipts for the quarter - Add the amounts of the three months on line 5)
Lines 7-10	Miscellaneous deductions or exemptions - Contact the Department of Revenue for further information if needed
Line 11	Taxable receipts are line 6 minus lines 7 through 10
Line 12	Tax due for the 7% portion - (.07 times line 11)
Line 13	Less 5% vendor allowance on 3% sales and use tax. (.0015 times line 11) \$1,000 maximum per quarter. Only if tax is filed and paid timely
Lines 14	Total tax due - (line 12 minus line 13)
Line 15	Amount paid with this return
Lines 16-19	Provide information as requested
If you need additional coupons, you may call our Customer Service Center at (406) 444-6900.	
A seasonal facility with no tax liability for a specific quarter must still file a quarterly report.	
The 2003 law enacting 3% sales and use tax also provided for a 5% vendor allowance for facilities that file and pay their quarterly reports timely. This 5% vendor allowance applies only to the 3% sales and use tax.	

Postmark Date

There is no provision in the law for an extension. The postmark date is considered the date of filing. You must prepare and file your quarterly report before the last day of the month following the calendar quarter. If you choose to mail the report on the last day, it is important that you find out when mail will be postmarked. Although mail may be placed in a receptacle one day, it may not be postmarked until the following day. To ensure timely filing/payment, contact your local post office for postmark deadline information.

Penalty and Interest

Failure to file the return and/or pay the tax collected will result in a penalty of 1.5% of the tax that was collected or that should have been collected per month or fraction of a month. Interest is 1% per month or any portion of a month on the tax due. Late filing penalty is \$50 or the amount of the tax, whichever is less.

Records Required/Audit

You must maintain records necessary to document gross receipts from accommodation charges. For example, you may be required to substantiate gross receipts reported for a particular quarter. Reconstruction of the reported gross receipts from the original accommodation receipt will be required for audit purposes. Such records must include specific documentation of exempt charges. The record must be maintained by owner/operator of a facility for a period of five years, and will be subject to audit by the Department of Revenue for that period. If requested information is not provided, the department has the right to estimate and assess tax, penalty and interest.

Application for a Sales and Use Tax Permit

This application must be filed by the owner or by a person authorized to sign the application if the owner is a corporation, partnership, limited liability company, or some other business entity.

Business Name _____

List location address for each place of business. Please list all locations (additional sheets may be attached, if needed)

- 1. _____
- 2. _____
- 3. _____
- 4. _____
- 5. _____
- 6. _____

Signature of Owner or Authorized Person _____ Date _____

Mail completed application for seller's permit to:

Lodging Facility Use Tax/BIT
Montana Department of Revenue
PO Box 5835
Helena, MT 58604-5835