



## Finance Department Treasury

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### FOR HOTELS & MOTELS

There may have been confusion in the past regarding application of the room tax, particularly concerning who is exempt from paying the tax (those from whom the innkeeper need not collect the tax). This memorandum will clarify the exemptions as interpreted by the Wisconsin Department of Revenue.

The room tax applies to facilities commonly understood to be hotels and motels and specifically **excludes** accommodations furnished by hospitals, sanitariums, nursing homes, or by corporations or associations organized and operated exclusively for religious, charitable, scientific, or educational purposes provided that no part of the net earnings of such corporations or associations inures to the benefit of any private shareholder or individual.

The room tax is imposed on the entity furnishing the lodging; it is not imposed on the person renting the room, even though the innkeeper passes the tax on to the renter. The innkeeper or other furnishing entity is obligated to pay the tax whether or not it is successfully collected from the renter. However, the room tax is not subject to the sales tax. Hotel and motel operators or others furnishing rooms must pay the tax **except** in the following instances:

- Rentals for a continuous period of 30 or more consecutive days (or nights) for which room rents are collected where the same tenant (i.e., one person or family unit) occupies the room;
- Rentals to the Federal and Wisconsin State government and their agencies and instrumentalities (e.g., U.W., boards, commissions, school districts, sewerage districts, and other counties, cities, towns and villages) and any Wisconsin or other state's corporation, community chest fund, foundation, or association organized and operated exclusively for religious, charitable, scientific, or educational purposes, or for the prevention of cruelty to children or animals (except hospital service insurance corporations), no part of the net income of which inures to the benefit of any private stockholder, shareholder, member, or corporation, and the employees of all such institutions. For a complete list, see [Wis. Stat. § 77.54\(9a\)](#).

In order for the rental of a room to such governmental agencies or non-profit organizations to be exempt from the room tax, the following three conditions must occur:

1. The operator issues the billing or invoice for the lodging in the name of the exempt entity.
2. The retailer receives from the exempt entity:
  - a. A purchase order, or similar written document such as a Letter of Authorization, or payment by a government check or government credit card, **if the exempt entity is a governmental agency**, or
  - b. The Certificate of Exempt Status number of the exempt entity **if it is a non-profit organization described above**. The operator must enter this exempt status number on the operator's copy of the invoice or billing document.
3. The operator keeps a copy of the documents mentioned above to substantiate that the room rental was exempt from the room tax.

Note: The tax status of out-of-state institutions and organizations requires special attention. **State sponsored** universities, colleges, vocational/technical institutions and the like are exempt as educational

institutions. **Private** schools and colleges must establish that they are non-profit in order to be exempt. The other non-profit organizations listed above also must establish their exempt status before operators need not pay the room tax on these rentals. This can be established by the presentation of a Certificate of Exempt Status number from their home state or one from the Wisconsin Department of Revenue, [Form S-211](#), available from that Department. Operators are encouraged to have that form available so representatives from these institutions may fill them out at their establishments.

**All of the requirements given in 1., 2. and 3. above must be met.** The following examples are meant to highlight and clarify different situations that may arise.

#### EXAMPLES

1. An employee of the State of Wisconsin purchased lodging in a motel. **The billing is made in the employee's name** and the employee pays the bill with his or her own funds. The employee is subsequently reimbursed by the State for the amount of lodging. *This is **not** exempt because it is a sale to the employee, rather than to the State. Note: This lodging rental would still be taxable even if the employee submitted a letter from the State indicating that it would ultimately be responsible for the cost of the rental.*
2. An Illinois State employee pays rent with an Illinois governmental check. *This is **not** exempt because the exemption does not apply to governmental entities of other states.*
3. A high school from Green Bay pays room rent with its own funds for a group of student athletes, coaches, band members, and cheerleaders who are actively engaged in a school-sponsored activity. *This is exempt because the school has paid directly for participants in a school-sponsored activity.*
4. A high school from Kenosha pays room rent for a group of spectators, who subsequently reimburse the high school. *This is **not** exempt because the individuals are ultimately paying the room rent. If there were no reimbursement by the spectators, this would be exempt as in Example 5.*
5. The University of Colorado (a state-sponsored educational institution) pays room rent for a group of student athletic recruits. *This is exempt because it is a **state-sponsored** educational institution. An out-of-state **private** school must establish that they are non-profit in order to be exempt.*
6. Friends of XYZ, a Wisconsin or other state's charitable organization exempt from paying sales tax, pays room rent for an employee on a business trip, and provides its Certificate of Exempt Status number. *This is exempt because exemption from the State sales tax extends to exemption from the room tax and because it is a charitable organization. However, without the Certificate number, the operator should collect the tax because it cannot comply with the documentation requirements.*
7. An employee of a church purchases lodging and gives the operator the Certificate number of the church. The **billing is in the name of the church** and the church directly pays the operator for the room rent. *This is exempt from the room tax because the sale is considered to be made to the church, rather than to the employee. The operator must record the church's Certificate number on the billing to substantiate that the rental was to the church. This would still be exempt if the employee, rather than the church, paid the operator and was subsequently reimbursed by the church because the billing is in the name of the church.*
8. A Wisconsin village employee, when renting a room, submits a letter to the operator from the village indicating that the employee is on village business and that the village authorizes the employee to purchase lodging relating to the village's business. This letter is placed in the operator's file. The operator makes out the bill in the name of the village. The employee pays the bill with his or her own funds and is subsequently reimbursed by the village. *This is exempt as a rental to the village.*
9. An employee of the federal government rents a room. The employee provided the operator with a letter from the federal agency (which is placed in the operator's file), indicating the employee is traveling on agency business and the agency is responsible for payment of the employee's expenses. The billing is made out to the federal agency. The employee uses a travel advance or personal credit card or cash to pay for the room. *This sale is exempt because it is considered a sale to the federal agency, not because of the method of payment.*

Documentation for audit purposes must be maintained for all exemptions that are granted by the operator. If you have questions relating to the room tax, please call the City Treasurer's Office at (608) 266-4771.

For the complete ordinance language, see [4.21 Room Tax, Madison General Ordinances](#).