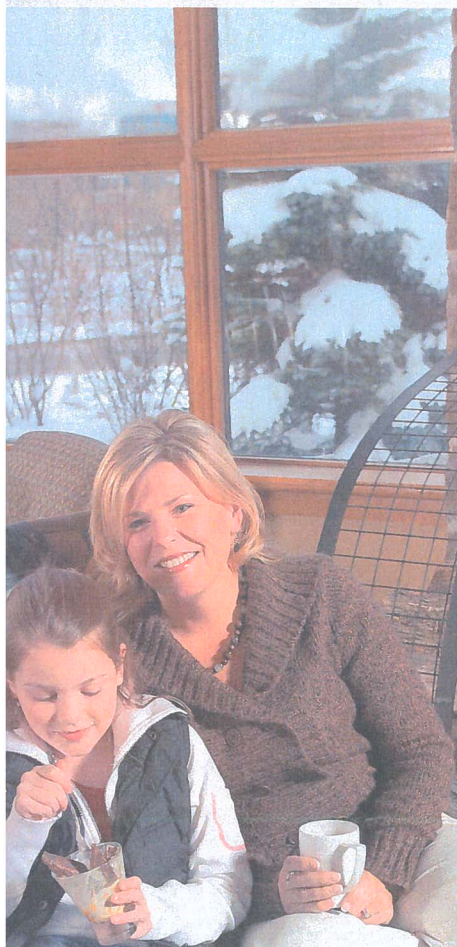


Personal Home Rentals

JUNE 2009

HOME RENTALS

Many property owners are not aware that they may be required by law to collect and remit retail sales tax, and possibly other lodging taxes, if they rent out their homes for periods of less than 30 days. These short term rentals are referred to as "transient rentals." This fact sheet contains important information for people who rent out their personal homes, including condominiums and time share units, located in Washington.



TRANSIENT RENTAL BUSINESS

Anyone who intends to regularly engage in a transient rental business must collect and report taxes. Examples of intent to engage in the transient rental business include advertising the availability of your personal home for transient rental in a newspaper, on the Internet, or hiring a property manager to handle the rental of your home.

The Department of Revenue will presume that if you rent your home three or more times in a year for periods of less than 30 days each you are engaged in a taxable business activity. A long term rental where the guest contracts in advance to stay more than 30 days is not a taxable business activity and is not counted in determining the threshold for collecting and reporting taxes. If you are in the transient rental business, you must register with the Department and collect and remit retail sales tax and lodging taxes on all transient rentals. The tax is reported and paid by filing a state excise tax return. Once registered with the Department, a tax return will be mailed to you.

TAX OBLIGATIONS

Tax must be collected on transient rentals during the first calendar year in which you exceed two transient rentals. The tax is collected the third time the property is rented in the first year. All subsequent years, even if you only rent your home once or twice, tax must be collected and reported on all transient rentals.

COLLECTING TAXES FROM YOUR RENTERS

Both the state and local sales tax rate must be collected from guests at the time they are billed for the rental. The state rate is 6.5 percent, and the local rate depends upon where the rental property is located. Local sales tax rates range from 0.5 to 3.0 percent.

In addition to the regular sales tax, the Special Hotel/Motel Tax may apply at rates from 1.0 to 5.0 percent in certain areas. Other lodging taxes also apply to businesses with multiple units, but these do not currently apply to single home rentals. These include the Convention and Trade Center Tax and the Tourism Promotion Area Charges.

PROPERTY MANAGERS MUST COLLECT AND REMIT TAXES ON THE HOMEOWNER'S BEHALF

While you are not required to collect sales tax until the third transient rental in a calendar year, all transient rentals through property management services are taxable. The property manager is required to collect sales tax and lodging taxes on your behalf, even if there is only one rental listed with the property management in the first year. You should be aware that as a property owner, you may be liable for any taxes not collected by the property manager.

Examples of Taxability

Rental Scenario	Tax Obligation
<p>1st year</p> <p>John bought a cabin as a retirement home on San Juan Island. He considered renting the cabin when he would not be using it. John had no idea how often he might rent it, but by word of mouth, he rented it out once within the first calendar year for 10 days.</p>	<p>John is not required to register with the Department of Revenue, or to collect sales tax and other lodging tax because he did not intend to rent his cabin out frequently, and he only entered into one rental agreement during the year.</p>
<p>2nd year</p> <p>John rented the home five times with five separate rental agreements as follows:</p> <p>Rental #1 - 30 days Rental #2 - 32 days Rental #3 - 35 days Rental #4 - 14 days Rental #5 - 21 days</p>	<p>John is not required to register with the Department of Revenue, or collect sales tax/lodging taxes. Only the transient rentals are counted in determining the taxable threshold, and John engaged in only two transient rentals (less than 30 days) during the year.</p>
<p>3rd year</p> <p>John rented the house four times, each for a period of less than 30 days.</p>	<p>John needs to register at the time he rents out his house for the third rental period during this year. John must collect tax on both the third and fourth rental periods, and remit the collected taxes to the Department of Revenue.</p>
<p>4th year</p> <p>John rents out his house only once for a period of 29 days.</p>	<p>The very first transient rental is subject to sales tax/ lodging taxes because John exceeded the taxable threshold in year three. Also, for all years after this year, John must collect taxes on all transient rentals.</p>

BUSINESS AND OCCUPATION (B&O) TAX

If you are a property owner you are responsible for paying any "retailing" B&O tax due. This is a tax calculated on gross receipts of the business. The rate is currently 0.471 percent (\$4.71 per thousand dollars of taxable rental income). However, you may qualify for the Small Business B&O Tax Credit, depending on the amount of the rental income. For information on the credit, call our Telephone Information Center toll free at 1-800-647-7706, or see our Small Business B&O Tax Credit Table, available online at dor.wa.gov. The information will also be mailed to you in our new business packet once your tax reporting account has been established.



PAYING THE TAXES COLLECTED

Taxes are reported by filing a state excise tax return. On the return report your taxable rental income and calculate state and local taxes due. You will receive excise tax returns regularly once you register with the Department.

Registering with the Department of Revenue

You can register one of two ways:

- Go to our web site, dor.wa.gov, and click on "Get a form or publication." Under Forms click on "Business License Application."
- Call us toll free at 1-800-647-7706 to request an application. Complete and send it to the address noted on the application.

Once registered, you will receive a business license and a Unified Business Identifier (UBI) from the Department of Licensing. This UBI number is a unique number assigned to you, and it is the "registration number" used for reporting to the Department of Revenue.

Electronic Filing – Reporting the Fast and Easy Way

File and pay your returns electronically using E-file. It is the fastest and easiest way to report. We also offer a variety of electronic payment methods. To learn more, go to our web site at dor.wa.gov and click on "File my taxes online," then click "Learn about E-file benefits" and watch the video. If you have questions or need assistance, you may also call our tax specialists at 1-800-647-7706.



LODGING TAXES

Examples of Lodging Taxes by location (excluding taxes currently imposed on transient rental facilities with multiple units):

City	Retail Sales Tax	Special Hotel/Motel Tax	Calculation example*
Spokane	0.087	None if fewer than 40 rooms	\$52.20 (\$600 x 0.087)
Seattle	0.095	None	\$57.00 (\$600 x 0.095)
Leavenworth	0.080	0.03	\$66.00 (\$600 x 0.11)
Vancouver	0.082	0.02	\$61.20 (\$600 x 0.102)
Ocean Shores	0.083	0.03	\$67.80 (\$600 x 0.113)

* The calculation examples reflect taxes due assuming a single unit rented for \$600. The tax rates reflect rates in effect as of the date of publication, and are subject to change.

TELEPHONE INFORMATION CENTER

1-800-647-7706

WEB SITE

dor.wa.gov

REQUEST FOR LETTER RULING

If you would like to request a ruling on the taxability of your activities, write to:

**Taxpayer Information and Education
Washington State**

Department of Revenue

PO Box 47478

Olympia, WA 98504-7478

NOTE: Personal property taxes may apply to the value of your household items, including furniture, appliances, artwork, and any other item of tangible personal property used to furnish a home that is rented out. However, there may also be certain exemptions available. Contact your county assessor for details on how to report the personal property, and how to claim any exemptions from the tax.

To inquire about the availability of this publication in an alternate format for the visually impaired, please call (360) 705-6715. Teletype (TTY) users please call 1-800-451-7985.

The information contained in this fact sheet is current as of the date of this publication and provides general information about Personal Home Rentals. It does not cover every aspect of the tax, nor does it alter or supersede any administrative regulations or rulings issued by the Department of Revenue.



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