
Sales Tax On Rentals of Private Residences, Cottages, and other Accommodations

April 17, 2014

The Department previously issued an Important Notice regarding sales tax due on rentals of accommodations, including private residences and cottages. Prior to an amendment to the notice on June 14, 2012, the Department held a longstanding interpretation that private residences and cottages listed with real estate agents, including "real estate brokers" as defined in G.S. 93A-2, for rental to transients were deemed to be generally available for rental to transients, and the less than 15 days exclusion was not applicable to any receipts from such rentals to transients. The liability of a rental agent for tax due on accommodation rentals relieved the provider of the accommodation from liability. Additionally, if a private residence or cottage was generally and routinely made available by the owner for rental, the less than 15 days exclusion was not applicable to such rentals and all gross receipts from such rental were subject to tax.

In the June 14, 2012 amendment to the Important Notice, the Department altered its interpretation to provide the gross receipts derived from the rental of all private residences and cottages for fewer than 15 days in a calendar year were not subject to sales tax, no matter if such were listed with a real estate agent or broker for rental to other persons. Upon further review, the Department has concluded that the June 14, 2012 amendment did not reflect the intent of the law.

The Department of Revenue asked the General Assembly to provide clarifying legislation upholding the longstanding interpretation prior to change. The Revenue Laws Study Committee has voted to recommend codifying the interpretation held prior to June 14, 2012 in its report to the General Assembly. Additionally, the local occupancy taxes administered by the local governments would apply to the same gross receipts derived from such rentals subject to sales and use tax.