



Florida Department of Revenue
Tax Information Publication

TIP

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**Transient Rental Taxes
Calculating Tax on Rewards Points Programs**

This publication concerns the application of tax to transient lodging provided to members of hotel rewards points programs. Rule 12A-1.0615, Florida Administrative Code (F.A.C.), addresses these transactions and should be relied on for transactions occurring on or after the rule's effective date of June 1, 2011.

For any transactions occurring prior to the new rule's effective date, use the information in TIP No. 06A01-01, dated March 17, 2006.

When Tax is Due

Guests

A member of a rewards points program is not required to pay tax on the points redeemed for a room or a room upgrade. The member is only required to pay tax on any charges not covered by the redemption of points.

Example #1: A program member redeems points for a room, and the points cover the entire charge. No tax is due.

Example #2: A member redeems points for a room but because the member's points are not sufficient to cover the room charges, the member must pay \$50 in addition to the points for the room. The hotel must collect tax on the \$50 charge but is not required to collect tax on the points.

Example #3: A member is charged \$150 for a room and redeems points for an upgrade. Tax is due on the \$150 charge but is not due on the points used for the upgrade.

Hotels

When the participating hotel receives more in reimbursements from the fund than it was required to contribute, taxes have not been paid on the funds the hotel receives in excess of the contributions. The hotel therefore owes tax on the excess amount.

The determination of whether the hotel receives more in reimbursements from the fund than it paid in contributions to the fund must be calculated each January using the preceding calendar year's total contributions and reimbursements. The calculation is as follows:

(Total reimbursements received in prior calendar year minus total contributions paid in prior calendar year), divided by total reimbursements received in the prior calendar year.

The resulting percentage is then applied to the total reimbursements received in each reporting period in the current calendar year to determine what amount, if any, of the current reimbursements are subject to tax. No “true-up” is required at any point.

Example #1: A hotel contributes \$10,000 to the fund in the prior calendar year and receives \$7,500 in reimbursements during the same year. Because the hotel paid more in contributions to the fund than it received in reimbursements from the fund in the prior calendar year, the hotel does not owe tax on any reimbursements it receives during the current calendar year

Example #2: A hotel contributed \$7,500 to the fund in the prior calendar year and received \$10,000 from the fund during the same year. Because the hotel received more in reimbursements than it paid in contributions, the hotel must calculate the percentage to be applied to all reimbursements received in the current calendar year. This calculation is $(\$10,000 - \$7,500)/\$10,000 = 25\%$. If the hotel’s reimbursements received in the current reporting period are \$1,000, then the hotel must remit tax on \$250 ($\$1,000 \times 25\%$) of those reimbursements.

When a hotel first begins participating in a reward points program, it must determine what percentage, if any, of its reimbursements are subject to tax. This determination must be made at the end of the hotel’s first 12 months of participation in the program. The calculation is the same as above, except that the totals to be used are for the first 12 months instead of the prior calendar year. The resulting percentage is then applied to the total reimbursements received in the first 12 months, as well as any reimbursements received during any remaining reporting periods in the calendar year in which the calculation is made.

Example #3: A hotel begins participating in a fund in June 2011. In June 2012, the hotel must determine if any of the reimbursements received from June 2011 to May 2012 are subject to tax. The hotel contributed \$5,000 to the fund during that period and received \$10,000 from the fund in that period. The calculation is $(\$10,000 - \$5,000)/\$10,000 = 50\%$. The hotel must remit tax on 50% of the total reimbursements received (50% of \$10,000 = \$5,000) during that period. The hotel must also apply the resulting percentage of 50% to all reimbursements received in the remainder of calendar year 2012.

Any reimbursements subject to tax should be included in the hotel’s gross transient rentals and taxable transient rentals on its sales and use tax return.

References: Section 212.03(4), Florida Statutes; Rule Chapter 12-26, F.A.C.; Rule 12A-1.0615, F.A.C.

NOTE: This publication does not address the tax treatment of points that are redeemed to purchase or acquire items or services other than transient lodging.

FOR MORE INFORMATION

This document is intended to alert you to the requirements contained in Florida laws and administrative rules. It does not by its own effect create rights or require compliance.

For forms and other information, visit our Internet site at www.myflorida.com/dor or call Taxpayer Services, 8:00 a.m. to 7:00 p.m., ET, Monday through Friday, excluding holidays, at 800-352-3671.

For a detailed written response to your questions, write the Florida Department of Revenue, Taxpayer Services, Mail Stop 3-2000, 5050 West Tennessee Street, Tallahassee, FL 32399-0112.

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