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**AMC 12.20 Room Tax**  
**INFORMATIONAL #5**  
**Rooms Rented by an Employer for Its Employees**

**Rev. Mar. 1, 2002**

This informational provides uniform guidance to all registered operators regarding the potential tax-exempt status of rooms rent by an operator to an employer for the use of that employer's employees.

A contract for a minimum number of rooms is not a requirement for tax-exempt status of this nature. However, such a contract would certainly serve as objective evidence that the rooms rented by a client have met the requirements to be tax-exempt. The requirements specified in AMC 12.20.022A3 are as follows:

1. The room is to be rented for a period of 30 consecutive days or more;
2. The room rent must be paid directly by the employer; and
3. The room is to be used by an employee, or several employees, on a rotating basis.

In interpreting the effects of AMC 12.20.022A3 when applied to a "block" of rooms rented by an employer, the Municipality determines tax-exempt status one room at a time. Therefore, a fluctuation in the number of rooms rented by an employer may affect the taxable status of additional rooms. For all rooms rented by a person to be used by that person's employees to remain tax-exempt, the incremental number of rooms must remain constant for a period of at least 30 consecutive days.

Stated somewhat differently, a fluctuation in the number of rooms to be rented by an employer will not automatically result in some taxable rentals. The critical factor is that a block of rooms (of a constant number) must be rented for a term of 30 consecutive days or more to be considered tax exempt. For example, a client could rent a block of 8 rooms for a term of 30 consecutive days, then increase the block size to 10 rooms for a term of 30 consecutive days, then decrease the block size to 6 rooms for a term of 30 consecutive days and all of the rooms would be tax-exempt under AMC 12.20.022A3.

Some rooms would become taxable if, for example, the above-mentioned increase of block size to 10 rooms was for a term of only 14 days. This new scenario would result in 28 separate taxable room rentals – 2 extra rooms for 14 days. In addition, if the client enters into a contract to rent a block of rooms and the contract does not specify a specific minimum number of rooms to be made available by the lodging operator on a daily basis, the taxable status of some rooms may be affected if there is a temporary decrease in the block of rooms rented. For example, an operator may agree to make any number of rooms available as required by the client on a daily basis.

The client rents 10 rooms per day for a period of 30 days, then rents 5 rooms for 1 day, then rents 10 rooms for 20 days. The rooms rented during the first 30 days are tax exempt. However, only 5 rooms for the remaining 21 days are tax-exempt. Those 5 rooms were rented for a period of 51 consecutive days.

As you can see, it will be necessary for an operator to maintain adequate records to track rental activity for the purpose of determining taxable or nontaxable status when the daily number of room rented to an employer for use by its employees fluctuates for periods of less than 30 consecutive days.

In summary, a contract between the operator and an employer which specifies a minimum number of rooms to be made available on a constant basis for a specific period of time is not a prerequisite for nontaxable status. It is, however, an efficient and effective means for the operator to provide objective evidence of the nontaxable status of certain rental transactions. If a contract is used by the operator, the contract should address the three requirements of AMC 12.20.022A3 that were detailed in the second paragraph of this informational.

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For more information, please visit our website at: [www.muni.org/treasury](http://www.muni.org/treasury) and click the "Room Tax" link, or contact: Supervisor (907) 343-6965 Enforcement Officers (907) 343-6964 or 6676 Assistants (907) 343-6686 or 6967