

Duff on Hospitality Law

# Exemptions and Credits that Result in Savings for the Hotel and Restaurant Industry

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*I'm pleased to introduce guest author Katie Nguyen, a CPA from local accounting firm, [Clark Nuber](#). Katie specializes in state and local taxes for the hospitality industry and has offered to share her experience and knowledge with the Duff on Hospitality readers. Welcome, Katie, and thank you for today's post on some important tax incentives available to Washington's owners and operators. – Greg*

I'd imagine that every hotel and restaurant owner/operator is interested to know how to save money on his or her state taxes (while still following all of the applicable laws and rules, of course). As a former Washington Department of Revenue auditor, I've seen many exemptions, credits, and preferential tax rates go unused - primarily because businesses just didn't know that they existed! This post provides a brief explanation of some Washington tax incentives (both old and new) that the hotel and restaurant industry should be taking full advantage of.

## **Sales/Use Tax Exemption for Items Imparting Flavor or Supporting Food**

The Washington legislature recently enacted a measure providing a retail sales and use tax exemption on purchases by restaurants of the following two types of items:

- Items used to impart flavor to foods that are completely or substantially consumed by combustion during the cooking process. Such items could include charcoal, charcoal briquettes, wood chips, grape vines, and the like.
- Items comprised entirely of wood that support the food during the cooking process. Such items could include wood planks, etc.

This exemption expires July 1, 2017.

## **Commute Trip Reduction Credit**

Also recently passed by the state legislation was a bill extending the life of the Commute Trip Reduction B&O tax credit. This credit is a great incentive for those taxpayers who help subsidize the cost of employee public transportation, carpooling, or non-motorized commuting. For each employee, the credit is capped at \$60 or 50% of the transportation cost paid (whichever is lower) annually. Be sure to submit your application to the Department of Revenue by January 31, 2014 to get your 2013 credit!

## **Syrup Tax Credit**

2009, the buyer is entitled to a B&O tax credit of 100% of the syrup tax paid. The credit can be taken directly on the excise tax return as well. Although not part of the new legislative changes, the syrup tax credit is another great incentive to take advantage of if you are in the restaurant industry. This is a Washington B&O tax credit that is available to any buyer of carbonated beverage syrup who uses the syrup in making carbonated beverages that are then sold (provided that the syrup tax has already been paid).

### **Lodging for Continuous Periods Greater than 30 days**

Hotels and similar short-term accommodation providers are generally required to collect sales tax on charges for room rentals of 30 days or less, but not for continuous periods of more than 30 days. A recently issued Washington Tax Determination provides a favorable application of this law to a hotel that provided blocks of rooms to a corporate customer. In the determination, an airline had a long-term contract in place with a hotel to provide rooms for their off-duty flight crews. The contract was for a term of more than 30 days and the hotel was to provide the airline a set number of rooms on an ongoing basis. The hotels did not set aside specific rooms for the airline, but the airline was guaranteed the availability of the number of rooms specified and was required to pay for them even if they went unused.

The Appeals division ruled in favor of the airline, explaining that the law does not require a specific hotel guest to be in continuous occupancy of the same hotel room for a continuous 30-day period to qualify for the sales tax exemption. This treatment applies retroactively, so there may be refunds available to the extent sales tax has been charged on corporate contracts or other bookings of one or more hotel rooms for a continuous period of at least 30 days.

Awareness of these potential tax savings is just part of the process; implementing the exemptions and credits is the more difficult part. Contact [Clark Nuber](#) or your tax provider to "serve up" assistance in these areas.

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## Authored by

[Greg Duff](#)

[Principal|Seattle](#)

[206.816.1470](tel:206.816.1470) [greg.duff@foster.com](mailto:greg.duff@foster.com)