

Long-Term Lodging Exemption



OFFICE OF THE STATE AUDITOR

C O L O R A D O

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Colorado sales tax is generally imposed on amounts charged for rooms or accommodations in hotels and other lodging establishments. The Long-term Lodging Exemption allows people who live in a lodging establishment for at least 30 consecutive days to be exempted from paying state sales tax on the cost of their lodgings. The exemption was likely intended to provide equal tax treatment between people who enter into residential leases, which are not subject to sales tax, and those who reside in lodging establishments on a long-term basis.

We found that the exemption equalizes tax treatment between people who reside in traditional housing and those who live in lodging establishments on a long-term basis when it is applied correctly. However, it appears that some establishments may not be aware of or applying the exemption.

- When the exemption is applied, people living in long-term lodging establishments receive 2.9 percent in tax savings (an estimated \$44 to \$98 per month, or \$529 to \$1,176 per year) on the cost of their housing.
- The exemption may not be applied consistently to all eligible stays. Most accommodation booking websites that we examined do not apply the exemption at the time of booking. However, the majority of respondents of a small sample of lodging establishments appear to be applying the exemption correctly.

Policy Considerations

We did not identify any policy considerations for this exemption.

Tax Type:	Sales tax	Year Enacted:	1959
Expenditure Type:	Exemption	Repeal/Expiration date:	None
Statutory Citation:	Section 39-26-704(3)(a), C.R.S.	Revenue Impact (2021):	\$9.1 million

Purpose given in statute or enacting legislation? **No**

