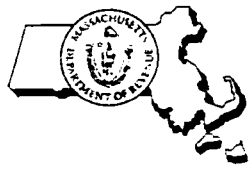
Massachusetts Department of Revenue Division of Local Services
Navjeet K. Bal, Commissioner Robert G. Nunes, Deputy Commissioner & Director of Municipal Affairs



Bulletin

2009-15B

LOCAL OPTION EXCISES

TO: Assessors, Accountants, Auditors, Clerks, Mayors, Selectmen, City/Town Managers, Finance Directors, City/Town Councils, City Solicitors and Town Counsels

FROM: Robert G. Nunes, Deputy Commissioner & Director of Municipal Affairs

DATE: July 2009

SUBJECT: New Local Meals Excise and Amended Local Room Occupancy Excise Rate

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This *Bulletin* provides preliminary information about the procedures for implementing sections of the Fiscal Year 2010 state budget regarding local option excises on restaurant meals and room occupancies. The Department of Revenue (DOR) collects the local excises in addition to the state taxes on the occupancies or meals and distributes the collections on a quarterly schedule.

The FY10 state budget:

- Adds a new local option excise of .75 percent on sales of restaurant meals originating within the municipality.
- Increases the maximum rate of the existing local option room occupancy excise from four to six percent (four and one-half to six and one-half percent for Boston).

Local excises become operative only if accepted by a city or town. Acceptance is by majority vote of the municipal legislative body, subject to local charter. G.L. c. 4, § 4. Questions about the charter requirements in your community should be referred to municipal counsel. As further explained in this *Bulletin*, acceptance of either local excise, or amendment of the local room occupancy excise rate, must occur at least 30 days in advance of the first day of a calendar quarter in order to become operative for that quarter. **Communities must report their acceptance or amendment of these local excises to the Division of Local Services (DLS) in the manner prescribed by this *Bulletin*.**

Additional guidance on implementation issues and procedures will be issued in the future.

If you have questions about these notification requirements, please contact the Municipal Data Bank at databank@dor.state.ma.us.

LOCAL OPTION MEALS EXCISE

Chapter 27, §§ 60 and 156 of the Acts of 2009
Adding General Laws Chapter 64L
Effective for sales of restaurant meals on or after October 1, 2009

A city or town may now impose an excise of .75% on the sales of restaurant meals originating within the municipality by accepting G.L. c. 64L, § 2(a). As with the existing local option room occupancy excise, the DOR will collect the local meals excise at the time it collects the state tax on the sale. Therefore, the local excise applies to all meals subject to the state sales tax. A community may not vary the rate or the meals subject to the excise.

The DOR will distribute the collections to the city or town on the same quarterly schedule that applies to the local room occupancy excise. G.L. c. 64L, § 2(b). The distribution schedule is found in Attachment A. A community may dispute its distribution by notifying the DOR, in writing, within one year of the distribution. G.L. 64L, § 2(b).

To assist in the administration of the excise, the DOR may provide cities and towns with certain information, including the total collections in the prior year and the identity of vendors collecting the tax locally. G.L. c. 64L, § 2(d).

Acceptance Procedure

Acceptance of the local option meals excise is by majority vote of the municipal legislative body, subject to local charter. To accept G.L. c. 64L, § 2(a), the following or similar language may be used:

> VOTED: That the city/town of _____ accept G.L. c. 64L, § 2(a) to impose a local meals excise.

Acceptance Effective Date

A community's acceptance of the local meals excise becomes operative on the first day of the next calendar quarter after the vote, provided that date is at least 30 days after the vote to accept. If not, the acceptance becomes operative on the first day of the second quarter after the vote. **As a result, October 1, 2009 is the earliest an acceptance can become operative for FY10. A community must accept on or before August 31, 2009 in order for the DOR to begin collecting the excise on that date.**

For the start dates of each quarter and last date an acceptance vote will take effect for that quarter, please see the schedule in Attachment A.

A city or town may make the acceptance operative at the start of a later quarter by including the later start date in the vote (" to take effect on January/April /July/October 1, 2___.")

Notification Requirements

(1) Notice of Acceptance

The city or town clerk must notify the Municipal Data Management/Technical Assistance Bureau within the DLS whenever the statute is accepted or rescinded. ("Notification of Acceptance/Rescission–Meals Excise"). The notice is to be submitted **within 48 hours** of the vote. **Without timely notice, the DOR cannot begin collecting the excise for the city or town.**

(2) List of Restaurants

After the clerk notifies the DLS of the community's acceptance, the local licensing board or official will be asked to verify the restaurants or other establishments that serve meals in the community. The verified information will be used by the DOR to notify vendors of their obligations to collect and pay over the local excise and to ensure that sales are properly sourced to the community. More detailed instructions will be provided, but local officials should be prepared to review and verify this information on an expedited basis.

Revenue Estimates

Within the next few weeks, the DOR expects to **release estimates** of the amounts each city or town could collect from imposing the local meals excise. At that time, we will provide further information about the use of meals excise revenue as an estimated receipt in the FY10 tax rate. **No community will be allowed to use new local meals excise revenues in the FY10 tax rate, however, unless it has accepted the statute before the rate is set.**

LOCAL OPTION ROOM OCCUPANCY EXCISE

Chapter 27, §§ 51, 52 and 154 of the Acts of 2009
Amending General Laws Chapter 64G, § 3A
Effective for occupancies on or after August 1, 2009

A city or town may impose, up to a maximum rate, a local excise on the rental of rooms in hotels, motels, lodging houses and bed and breakfast establishments by accepting G.L. c. 64G, § 3A. The maximum rate communities may now impose is 6% (6.5% for Boston). Previously, the maximum rate was 4% (4.5% for Boston). The local excise applies to all room occupancies subject to the state room occupancy excise. A community may not vary the occupancies subject to the excise, but may adopt any rate up to the maximum. A city or town that accepts the local room occupancy excise may also amend its excise rate, but it can only revoke or amend the rate once a year.

Acceptance or Amendment Procedure

Acceptance of the local option room occupancy excise, or amendment of the local excise rate, is by majority vote of the municipal legislative body, subject to local charter. To accept, the city or town must vote to accept G.L. c. 64G, § 3A <u>and</u> specify the local excise rate. The following or similar language may be used:

> VOTED: That the city/town of _____ accept G.L. c. 64G, § 3A to impose a local room occupancy excise at the rate of _____ percent.

The following or similar language may be used to amend the local rate:

> VOTED: That the city/town of _____ impose the local room occupancy excise under G.L. c. 64G, § 3A at the rate of _____ percent.

<u>or</u>

> VOTED: That the city/town of _____ amend its local room occupancy excise under G.L. c. 64G, § 3A to the rate of _____ percent.

Acceptance or Amendment Effective Date

A community's acceptance of the local room occupancy excise, or amendment of its excise rate, becomes operative on the first day of the next calendar quarter after the vote, provided that date is at least 30 days after the vote to accept or amend. If not, the acceptance or amendment becomes operative on the first day of the second quarter after the vote. **<u>As a result, October 1, 2009 is the earliest an acceptance or amendment can become operative for FY10. A community must accept or amend on or before August 31, 2009 in order for the DOR to begin collecting the excise or new excise rate on that date.</u>**

For the start dates of each quarter and last date an acceptance vote will take effect for that quarter, please see the schedule in Attachment A.

A city or town may make the acceptance or amendment operative at the start of a later quarter by including the later start date in the vote (" to take effect on January/April /July/October 1, 2____.")

Notification Requirements

The city or town clerk must notify the Municipal Data Management/Technical Assistance Bureau within the DLS whenever the statute is accepted or rescinded, ("Notification of Acceptance/ Rescission-Room Occupancy") or the excise rate is amended ("Notification of Acceptance-Room Occupancy Rate Change"). The notice is to be submitted **within 48 hours** of the vote. **Without timely notice, the DOR cannot begin collecting the excise or new excise rate for the city or town.**

Revenue Estimates

Within the next few weeks. the DOR expects to **release estimates** of the amounts each city or town could collect from imposing or increasing the local room occupancy excise. At that time, we will provide further information about the use of room occupancy excise revenue as an estimated receipt in the FY10 tax rate. **No community will be allowed to use new local room occupancy excise revenues in the FY10 tax rate, however, unless it has accepted the statute or amended its excise rate before the tax rate is set.**

ATTACHMENT A

LOCAL OPTION EXCISE TIMETABLE

FY QUARTER	QUARTER START DATE	ACTION DEADLINE	DISTRIBUTION DATE	REVENUE COLLECTED DURING
Q1	July 1	May 31[1]	September 30	June, July, August
Q2[2]	October 1	August 31	December 31	September, October, November
Q3	January 1	December 1	March 31	December, January, February
Q4	April 1	March 1	June 30	March, April, May

[1] Latest date to accept or amend in order to implement for full fiscal year. In first year, community will receive collections from July – May (11 months). Community will receive full year collections thereafter.
[2] Earliest Quarter acceptances or amendments can become operative for FY10. If community implements in this quarter, it will receive collections from October – May (8 months) during FY10.

Massachusetts Department of Revenue
Division of Local Services
Municipal Databank

_____
(City/Town)

Notification of Acceptance/Rescission
General Laws Chapter 64L, § 2A
(Local Option Meals Tax)

The Commissioner of Revenue is hereby notified that the City/Town of _____, by an act of its legislative body on _____, _____, has accepted/rescinded the provisions of General Laws Chapter 64L, § 2A to impose a local meal tax. Please complete the contact information below for the Local Licensing Authority (required for establishment verification purposes).

_____
(City/Town Clerk)

_____
(Date)

Local Licensing Authority

Name: _____, Title: _____

Telephone: _____ Email Address: _____

Please submit this form in one of three ways to:

databank@dor.state.ma.us

(617) 660-7023 (fax)

Municipal Databank
PO Box 9569
Boston, MA 02114-9569

Massachusetts Department of Revenue
Division of Local Services
Municipal Databank

_____
(City/Town)

Notification of Acceptance
General Laws Chapter 64G, § 3A
(Room Occupancy Rate Change)

The Commissioner of Revenue is hereby notified that the City/Town of

_____, by an act of its legislative body on _____,

_____, has voted to increase/decrease the local room occupancy excise to a rate of

_____ percent under the provisions of General Laws Chapter 64G, § 3A.

_____
(City/Town Clerk)

_____
(Date)

Please submit this form in one of three ways to:

databank@dor.state.ma.us

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