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Letter Ruling 93-17: Application of Room Occupancy Excise to Rooms Provided by an Educational Institution

December 21, 1993

You request a letter ruling regarding the applicability of the room occupancy excise to charges for guest rooms provided to participants attending educational programs offered at [the Center] at [the College]. We conclude that transfers of occupancy of the Center's guest rooms to participants attending educational programs at the Center are exempt from the imposition of the excise since they constitute transfers of "lodging accommodations" at an "educational institution." G.L. c. 64G, § 2(b).

Facts

You have provided the following information. [The College] prepares individuals for management careers in business, government and non-profit organizations by "specializing in business education at the undergraduate, graduate, and executive levels." The College offers bachelor of science and master of business administration degrees, and enrolls full- and part-time students. [The College] is exempt from federal taxation pursuant to Section 501(c)(3) of the Internal Revenue Code, as an organization "organized and operated exclusively for...educational purposes."

[The School] is a division of [the College]. It was founded to meet "the educational needs of executives in the corporate community." [The School's] programs deliver management education. Program topics are sequenced to build a cumulative, integrated classroom experience in which participants' advance preparation and classroom participation play an important role.

[The School] maintains an open enrollment admissions policy; most participants are business executives and management personnel. After finishing a [School] management development course, participants are awarded a certificate of completion.

All [School] programs are taught either by [the College's] faculty or [the College's] faculty in conjunction with business executive "instructors." All [School/College] faculty have advanced degrees.

[The School] offers the following programs: an Executive Briefing series, consisting of one day "seminars"; a four week Consortium for Executive Development; "custom designed" programs; and several management development courses, lasting from a few days to two weeks in duration. [The School] requires that while attending a program, participants must be "free of other duties and...be able to participate fully." Program fees include residence charges, meals, and materials.

[The Center] of [the College] is the on-campus facility at which [the School's] programs are

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presented. The Center was "created solely to serve the continuing educational needs of...business organizations." The Center provides an "integrated learning environment with...meeting rooms...classrooms...dining, and deluxe guest accommodations all in one facility. Each participant is given a private room to ensure time for personal study and relaxation. Computer facilities and modern audio/visual equipment provide technical support to a wide variety of teaching approaches." The Center's approximately 130 guest rooms are designed for "comfort and study." Recreational facilities are situated elsewhere.

Non-[School] programs are also presented at the Center. "Businesses" and the "[College] community" use the Center for "educational and developmental purposes." These programs must be "appropriate" to the academic environment of the College. These non-[School] programs are "developed with the assistance of the Center." Some affiliated programs are presented by "educational groups that have an educational or research link to the College; (or such programs) comprise part of a sequence of [the College] or [College]-related programs; (or the programs are associated with) groups that are involved with other curriculum, teaching or research efforts of the College." Still other affiliated programs involve those which "reinforce the College's visibility," or are "significant in the community contributions they make," or are "consistent with the nature...of the Center, (and with)...the other programs...."

The Center is a "division within the College created (and operated) as an integral part of an educational institution." The College owns the operating assets of the Center; income generated by the Center is exempt from federal taxation by virtue of being "substantially related to the educational purpose of [the College]."

Discussion of Law

I. Room Occupancy Excise

General Laws c. 64G, § 3, imposes an excise upon the transfer of occupancy of any room or rooms in a hotel, motel, lodging house or bed and breakfast establishment in the Commonwealth by any operator. However, transfers of "lodging accommodations at...educational...institutions" are exempt from the excise. G.L. c. 64G, § 2(b).

II. "Educational Institution"

The term "educational institution" is not defined in the statute. However, analogy can be made to the definition developed through case law for the purposes of exempting such institutions from property tax. See G.L. c. 59, § 5(e).

An "element of general benefit to the public...is conferred where an institute of learning is founded for the promotion of education (and)...the dissemination of useful knowledge." *Molly Varnum Chapter, D.A.R. v. City of Lowell*, 204 Mass. 487, 491 (1909). "Educational" includes education in the "broad and comprehensive sense of the term." *Cumington School of the Arts, Inc. v. Board of Assessors of Cumington*, 373 Mass. 597, 603 (1977), quoting *Mount Hermon Boys' School v. Gill*, 145 Mass. 139, 146 (1887).

An educational institution "may provide for the physical wants and comfort of its own students, where such provision is reasonably necessary or convenient for the full enjoyment of the educational advantages offered by it to them, and to that end it may build and occupy dormitories, dining halls and other similar buildings, (and) furnish the same for use" and such amenities will be exempt from property taxation. *Phi Beta Epsilon Corporation v. City of Boston*, 182 Mass. 457, 459 (1903). Such facilities should have an "official connection" with the educational institution in order to be exempt from the property tax. *Trustee of Phillips Academy v. Inhabitants of Andover*, 175 Mass. 118, 121 (1900). "[T]he dominant or principal matter of consideration is the effect of the occupancy (of the facility) in promoting the objects of the institution.... [B]uildings intended primarily for and actually devoted to the use and benefit of students or those attending the institution for the purpose for which it was incorporated" are exempt from property taxation. *Id.* at 125.

[The College] is an educational institution, encompassing various divisions, which disseminates knowledge to the public through educational programs presented at the Center. The Center is integral to the academic mission of the College as it provides amenities necessary to participants attending such educational programs.

III. "Lodging Accommodations"

A lodging accommodation is designed for, and normally used for, sleeping and living purposes. See

G.L. c. 64G, § 1(g); see also Letter Ruling 84-66. Such accommodations may include a university or college campus center used for the dining, housing, and extra-curricular activities of the campus community. Op. Attn. Gen., 156, 157, April 1976. The guest rooms at the Center, then, qualify as "lodging accommodations."

Conclusion

The guest rooms at [the Center] at [the College], when occupied by participants attending educational programs offered at the Center, are lodging accommodations at an educational institution, and as such are exempt from the imposition of the room occupancy excise.

Very truly yours,

Mitchell Adams
Commissioner of Revenue
December 21, 1993
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