



# Rhode Island Department of Revenue Division of Taxation

ADV 2025-16  
Tax Administration

ADVISORY FOR TAXPAYERS AND TAX PROFESSIONALS  
August 29, 2025

## **Effective 1/1/26 - Changes to the taxation of short-term rentals**

*Increase to local hotel tax rate and new whole home short-term rental tax on residential dwellings*

PROVIDENCE, R.I. – The Rhode Island Division of Taxation reminds taxpayers and tax professionals that changes enacted during the 2025 legislative session will impact short-term rentals. In Rhode Island, short-term rentals include all rentals of lodging where the rental period is 30 consecutive days or fewer. Two changes impacting such short-term rentals will go into effect January 1, 2026.

### **Change 1: Applies to all short-term rentals** **Increase to local hotel tax rate**

All short-term rentals, including hotels, in Rhode Island are subject to a 1% “local” hotel tax. Effective January 1, 2026, Rhode Island’s local hotel tax rate will increase from 1% to 2%.

### **Change 2: Applies only to a residential dwelling rented in its entirety** **New whole home short-term rental tax**

In addition to the increase in the local hotel tax rate from 1% to 2%, a new whole home short-term rental tax on residential dwellings will go into effect on January 1, 2026.

Beginning January 1, 2026, a new 5% tax will apply to the short-term rental of a residential dwelling rented in its entirety.

The tax is calculated based on the total charge for a short-term rental of a residential dwelling rented in its entirety. Generally, rentals that will be subject to the tax are short-term rentals including houses, condos, mobile homes, and other residential dwellings, and will include vacation rentals and/or rentals offered through online hosting platforms.

This whole home short-term rental tax is distinct from the 5% state hotel tax on single room rentals including hotel rooms and other short-term room rentals. No single short-term stay would be subject to both the 5% state hotel tax and the 5% whole home short-term rental tax. If a renter will be staying in the rental on or after January 1, 2026, the tax they will be responsible for will be:

- The 2%, local hotel tax;
- Either:
  - The 5% state hotel tax (for room rentals); or
  - The 5% whole home short-term rental tax (for entire residential dwellings)

In some cases, short-term residential dwelling rentals may be booked months, or even a year, in advance. Short-term rentals where the occupancy is on or after 01/01/26 are subject to the new tax.

All state and local taxes are based on date of occupancy. The tax rates in effect at the time of occupancy apply to all short-term rentals. When full payment is made in 2025 for a 2026 rental, the taxes collected should be at the 2025 rate, and the difference in the tax rate for 2026 should be charged at the time of checkout from the rental.

Tax on short-term rentals		
Room or Residential dwelling rented in its entirety	Rental period	Tax obligation on and after 1/01/2026
Room	30 days or less	Collect and remit 7% sales tax, 5% statewide hotel tax, and 2% local hotel tax
Room	More than 30 days	Collect no sales tax, no hotel tax (with no break in occupancy)
Residential dwelling	30 days or less	Collect and remit 7% sales tax, 5% whole home short-term rental tax, and 2% local hotel tax
Residential dwelling	More than 30 days	Collect no sales tax, no whole home short-term rental tax (with no break in occupancy)

For questions about hotel and short-term rental taxes, contact the Rhode Island Division of Taxation's Excise Tax Section by email at [Tax.Excise@tax.ri.gov](mailto:Tax.Excise@tax.ri.gov), or by phone at (401) 574-8955 between 8:30 a.m. and 3:30 p.m. on business days.

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*The Rhode Island Division of Taxation, part of the Rhode Island Department of Revenue, is open to the public from 8:30 a.m. to 3:30 p.m. business days. For more information, contact the Division of Taxation at (401) 574-8829 or see <https://tax.ri.gov/about-us/contact-us>.*

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