

# COLLECTION PROCEDURES

## TRANSIENT OCCUPANCY AND CONFERENCE CENTER TAXES

SOUTH SAN FRANCISCO – EFFECTIVE January 1, 2010

The Transient Occupancy Tax (TOT) rate in South San Francisco is 10% of the gross rent paid by hotel guests. TOT is collected by the hotel operator from the guests and is payable to the city on a monthly basis. The Conference Center Tax (CCT) is \$2.50 per occupied room per night. CCT is also collected by the hotel operator from the guests, but is payable to the South San Francisco Conference Center monthly.

### Tax Returns and Payments

TOT and CCT are to be reported on the Monthly Tax Return. Separate checks are required for payments of TOT and CCT. The TOT check is to be made payable to the City of South San Francisco, and the CCT check is to be made payable to the South San Francisco Conference Center. Both checks and the Monthly Tax Return should be sent to:

Finance Department – TOT/CCT  
City of South San Francisco  
P.O. Box 711  
South San Francisco, CA 94083

Hand deliveries at the Finance Department will also be accepted during business hours.

### Specific Line Information

- Line 2, “Number of physical rooms available for occupancy”, is for the total rooms in the hotel, as a measure of its size, and should not be reported as the number of rooms times the number of days in the month.
- Line 7, “Total Room Nights Rented During the Reporting Period”, reports the number of occupancies during the month.

### Due Date

Returns and payments are due on the last day of the month following the month in which the taxes were collected. Late penalties of 10% (one month late) or 20% (over two months late), and interest of 1% per month, are required for late payments. Postmarks will not be acceptable. Timely payment of TOT and CCT will be strictly enforced.

### Records

The South San Francisco Municipal Code requires that adequate records are to be maintained by the hotel operator for a minimum of three years, and are subject to inspection by the City at all reasonable times. These records must be sufficient to support the collection, calculation, and payment of TOT and CCT. Inadequate records may result in audit findings and penalties.

In the case of a transfer of ownership, the City may require an audit of tax collections before a business license is issued to the new owners of a hotel. The new owners should obtain and retain the old records necessary to support an audit.

## Exemptions

Exemptions from TOT and CCT are allowed for individual guests in four specific situations:

1. An employee of the federal or the state government traveling on official government business. (Form 1)
2. An individual guest with a written agreement with the hotel operator which provides for continuous occupancy by that guest in excess of 30 days. (See below) (Form 2)
3. An individual guest with no written agreement who has continuously occupied a room in the hotel for 30 days, and has paid TOT and CCT for that period, for continued occupancy beyond the initial 30 days. (Form 2)
4. Foreign diplomats traveling with a State Department id card that indicates their embassy's employees are exempt from hotel taxes. (Form 3)

Any occupancy claimed as exempt is limited to a specific individual – if a room is continuously rented for over thirty days by an individual or company, but occupied by different individuals for less than thirty continuous days each during the rented occupancy, no part of the occupancy is exempt. (For example, a room continuously rented by an airline for over 30 days but occupied by different flight crew personnel over that period would not be exempt.) Hotel operators are responsible for the collection of TOT and CCT, and will be liable for any erroneously claimed exemptions. Questions on exemptions should be directed to the Finance Department.

Note: Specific hotels are subject to Use Permits restrictions that do not allow occupancies longer than thirty days, so no related exemptions can be claimed.

## Exemption Reporting

Exemptions are documented on two forms:

- The Individual Exemption Form is required for each room occupant claiming an exemption. The guest must identify the type of exemption claimed, print his or her name, and sign the form. The hotel operator must record the beginning and ending dates of the guest's occupancy, and sign and date the form. For exemptions of federal or foreign government employees, additional documentation, such as a photocopy of a government issued identification card or letter of introduction, is required.

An incorrectly prepared Individual Exemption Form may not adequately document the occupancy, and could be disallowed during an audit. The hotel operator will be liable for any unpaid taxes related to the rejected claim of exemption. As with other TOT and CCT records, the forms are to be held for at least three years. It is recommended, but not required, to attach a copy of the Individual Exemption Form to the Monthly Tax Return for the month in which the exemptions are claimed. Individual Exemption Forms must be renewed annually. Long term residents must sign a new form each year to continue to claim the exemption.

- The second required form is the Monthly Exemption Summary. It consolidates the gross rent and room nights claimed as exempt during the month for reporting on the TOT/CCT return. A completed, signed and dated Monthly Exemption Summary must be submitted with the return if any exemptions are claimed for the month. The total rent and rooms nights reported as exempt by the hotel operator on Line 4 and Line 5 of the Monthly Exemption Summary are listed on the Monthly Tax Return as Deductions on Line 4 and Line 8.

## Written Agreements

The Municipal Code requires a written agreement between a long term guest and a hotel operator if the guest wishes to claim an exemption from TOT and CCT for the first 30 days of occupancy. The written agreement must sufficiently document the terms of the occupancy. A regular registration card or receipt is not considered sufficient. The hotel operator will be liable for the TOT and CCT claimed as exempt with unacceptable written agreements. It is recommended that hotel operators using written agreements obtain approval of the format of the proposed agreements by the Finance Department in advance.

## Park-and-Fly Programs

With an appropriate use permit, hotels may offer “Park-and-Fly” packages combining a night’s lodging with a period of parking and shuttle service to the airport. Hotel operators should report parking revenue with Gross Rent on Line 3 of the Monthly Tax Return for TOT and CCT. Contact the Planning Department at 877-8535 to inquire about your hotel’s use permit.

## Complimentary Breakfasts

The state legislature and the State Board of Equalization have been concerned with the potential double taxation on complimentary breakfasts. If a hotel operator reclassifies a portion of room charges as food revenue, the amount is subject to either TOT at 9% or sales tax at 9.25%, but not both. Review of tax reporting related to complimentary breakfasts will be included in audits.

## Revenue from Guaranteed Reservation Forfeitures

Charges for forfeited guaranteed rooms (no-shows) must include TOT and CCT, and the hotel operator must report and remit the tax collections to the city and conference center. The Municipal Code specifically defines “occupancy” as “the right to the use or possession”, and not only the actual use or possession.

## Bonus Night Promotions

Hotel chains may run promotions offering a free night of lodging after a certain number of paid nights. If no payment is received by the hotel for the bonus night, then no TOT or CCT should be collected or paid. However, if the hotel operator is reimbursed by the chain or any other party for the bonus night, then TOT and CCT is due.

## Pre-numbered Registration Cards

All hotels using a manual registration system are required to use pre-numbered registration cards or folios. Computerized registration systems are required to have an

equivalent sequential control system that ensures all rent transactions are clearly recorded.

## **Enforcement**

Under the Municipal Code, unpaid taxes are considered a debt to the city, which may bring actions for recovery. Violations of this section of the code are misdemeanors and are punishable by fine or imprisonment.

Periodic audits of hotel tax collections may be conducted by City staff or by audit firms hired by the City. Findings may result in additional taxes, late penalties, and interest.

## **Forms**

The Monthly Tax Return, the Individual Exemption Form, and the Monthly Exemption Summary are provided by the Finance Department. These can be mailed to you on request, and are also available on the city web site – [www.ssf.net](http://www.ssf.net) -- under the Finance department.

## **Tourism Business Improvement District**

The hotels in the City of South San Francisco joined with other hotels in the area around SFO to form the San Mateo County Tourism Business Improvement District (BID). An annual assessment for each hotel – based on the number of sleeping rooms and level of services – is calculated by the district. The assessments are used to support the San Mateo County Convention and Visitors Bureau (SMCCVB).

The South San Francisco Finance Department is a collection point for BID assessments for hotels in the city. Quarterly payments are received and processed by the Finance Department and transferred to the City of Burlingame for the SMCCVB.

The South San Francisco Finance Department will also distribute notices of assessment to city hotels for each year. Hotels have the option of making a single annual payment for the BID assessment.

Checks should be made out to the City of South San Francisco, and mailed to:

City of South San Francisco  
Finance Department  
400 Grand Avenue  
South San Francisco, CA 94080

Hotels may pass BID assessments through to their guests as a separate tourism fee. However, such pass-through assessments should not be identified as a city tax or included with tax payments to the City of South San Francisco. (The BID charge may be combined in a single line item with the Conference Center Tax on the guest folio if the hotel registration software does not allow an additional line. Such combinations are not recommended, and the operator must be careful not to misrepresent these charges to the guest.)