

TRANSIENT OCCUPANCY TAX

Collections, Audits, Technology and
the *new* Sharing Economy

Lori Scott — Shasta County

Mary Zeeb — Monterey County

David Augustine — San Francisco City & County





Collections

Collections



- Ordinance enacted in 1965
- Current Rate 10.5% plus \$1 or \$2 MCTID
- Large source of non-program revenue for county
 - FY 2013-14 \$19.9 Million
 - FY 2012-13 \$18 Million
 - FY 2011-12 \$16.7 Million
- Currently over 450 active operators

Development Set-Aside Funding



Monterey County

\$5.8 Million FY 2014-15

- Visitors & Convention Bureau \$1,076,729
- Arts Council \$355,320
- Film Commission \$170,482
- Salinas Valley Tourism & Visitors Bureau \$70,000
- Road Fund 21% (Increases each year until 25%)
\$4,179,000

Coastal Zone



Monterey County

- Short Term Rentals are not permitted in the Coastal Zone of Monterey County.
- Tax Collection is enforced for all short term rentals, regardless of permit status.

Hotel Tax



San Francisco

- The City and County of San Francisco began collecting TOT in 1978 per Article 7 of the business and Tax Regulations Code.
- Tax imposed on hotel guests for the occupancy in a hotel, motel, lodginghouse, inn, dormitory, public/private club, etc., containing guest rooms intended to be occupied by guests.
- Tax rate is 14%. Also have a charge for Tourism Improvement District Fee and Moscone Expansion District Fee.
- Hotel operator must apply for Certificate of Authority to Collect Hotel Tax (COA).

Hotel Tax



San Francisco

- Hotel operators file and pay monthly, and are required to file online.
- For FY 2013-14, collections were \$334.4 million. For FY 2012-13, collections were \$273.8 million. This reflects an increase of over 22.2%.
- Collections go to the General Fund.

Hotel Tax



San Francisco

Beginning January 1, 2014

	TOT	TID	MED	TOTAL
Zone 1	14 %	1 %	1.25 %	16.25 %
Zone 2	14 %	.75 %	.3125 %	15.0625 %

Exemptions from Hotel Tax



San Francisco

- Permanent Resident (stays more than 30 consecutive days in the same room)
- Certain Sec. 401 and 501 organizations
- Rent is less than at the rate of \$30 a day or \$100 per week.



Audits

Audit Unit



San Francisco

- Primarily performs audits to promote voluntary taxpayer compliance with the tax ordinances
- Audits to detect underreporting
- Records and posts audit findings
- Arranges Petition for Redetermination Hearings

Audit Selection



San Francisco

- Criteria selection determined and programmed into system
- New Audit Pool List generated annually
 - Referral by BDR or Legal
- Principal Auditor selects accounts from the Audit Pool List and assigns accounts to the audit staff.

Audit Procedure



San Francisco

- Auditor analyzes account, schedules audit, sends audit appointment letter.
- Auditor interviews taxpayer; discusses scope of audit; requests records needed.
- Auditor reviews, verifies, and examines the taxpayer's books and records for accuracy and compliance with tax ordinances.
- Auditor samples and tests data.
- Auditor writes audit narrative (report) and makes recommendation.

Audit Billings



San Francisco

Principal Auditor reviews audit file and approves audit findings.

- Sends courtesy notice, or
- Sends billing for audit deficiency – Notice of Audit Deficiency

Notice of Deficiency



San Francisco

- Taxpayer agrees with audit findings and pays Notice within 30 days, or
- Taxpayer does nothing and does not pay within 30 days; Notice becomes final; referred to BDR for collection, or
- Taxpayer disagrees with Notice and sends Petition for Redetermination

Petition for Redetermination



San Francisco

- Principal Auditor reviews Petition and any additional documentation or information
- Oral Hearing – informal hearing; Tax Collector is the hearing officer
- Tax Collector issues Decision; Decision becomes final after 15 days
 - Agrees and pays, or
 - Disagrees and pays; files claim for refund, sues in Superior Court for refund, or
 - No payment; referred to Legal/BDR for collection

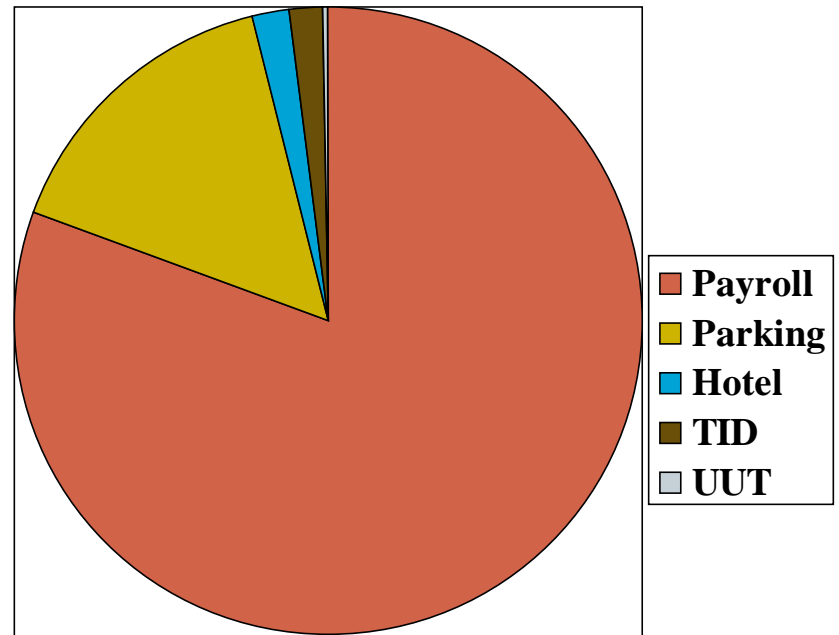
Audit Unit Performance



San Francisco

Number of Audits Completed FY 2012-13

Payroll	472
Parking	90
Hotel	12
TID	10
UUT	1
TOTAL	585



Locate TOT Operators



Monterey County

- Self Reporting, neighbors, word of mouth
- Advertising
- MC Visitors and Convention Bureau
- Tourist and Rental Sites
- Internet
 - Airbnb
 - VRBO
 - Homeaway

Process



New Operators

- Register within 30 days
- Will waive audit requirement for prior 3-year period
- Welcome Package
 - Letter with reporting instructions
 - Registration Certificate
 - TOT Exemption Information
 - Local Ordinance

Non-Compliant New Operators

- Second notice
- Audit

Enforcement



- Letters
- 30-day reporting cycle
- Estimate TOT returns with 25% penalty
- Liens and Levies
- District Attorney – criminal
- County Counsel – civil

Audits



Monterey County

County Auditor Performs Audits

- Referral by us or randomly selected

MONTEREY COUNTY

AUDITOR - CONTROLLER

(831) 755-5040 • FAX (831) 755-5098 • P.O. BOX 390 • SALINAS, CALIFORNIA 93902

MICHAEL J. MILLER, CPA, CISA
AUDITOR-CONTROLLER

ALFRED R. FRIEDRICH, CGFM
ASSISTANT AUDITOR-CONTROLLER



November 8, 2013

Mary Zeeb
Treasurer-tax Collector
Monterey County
P.O. Box 1992
Salinas, California 93902

Cut # 367

Dear Ms. Zeeb:

Pursuant to Section 5.40.140 of the Monterey County Code, we have examined the accounts and records maintained by Elite Carmel Estate Management in support of the quarterly transient occupancy tax returns submitted to the County of Monterey for the period of June 2011 through June 30, 2013.

In conducting our examination, we performed those procedures that were necessary to evaluate the reasonableness of the returns submitted by the operator.

Our procedures revealed incomplete and unreliable documentation for tax payment periods prior to January 2012. Further, properties located outside the unincorporated area of the County were included when reporting gross receipts. Extended stay guests and other properties located within the unincorporated areas that should have been included in the returns were omitted. Our procedures also revealed that not all long term guests were recorded in the operator's reservation system but were reflected in Elite's general ledger (QuickBooks). The operator must determine within which tax reporting jurisdiction each property is located and familiarize themselves with the reporting requirements of each jurisdiction to assure transient taxes are remitted correctly. All transactions should be properly recorded within the reservation system.

Our procedures revealed that the operator has underpaid in the amount of \$53,259.73 including penalties and interest (attachment A).

Sincerely,

MICHAEL J. MILLER, CPA, CISA
Auditor-Controller
Monterey County

Ron Holly
Audit Division Chief



Monterey County



COUNTY OF MONTEREY
 TRANSIENT OCCUPANCY TAX AUDIT
 ELITE CARMEL ESTATE MANAGEMENT
 PERIOD: June 2011 through June 30, 2013
 ANALYSIS OF TAXES DUE /(OVERPAYMENT)

C1	C2	C3	C4	C5	C6	C7	C8=SUM(C2:C7)	C9	C10=C8-C9	C11=C10x10.5%	C12=C11x20%	C13=C11x1.5% # mnths outstdg	C14=SUM(C11:C13)
Date	Rental Income (acct 40000)	Log Term Rental Income (acct 40300)	Rental Refunds (acct 45600)	Adjustments After Tax Return Reported	Rental Income Not Allowed	Allowed Exemptions	Total Revenue	Tax Return	Difference	TOT	Penalty	Interest	Due (Refund)
04/11													
05/11													
06/11	11,200.00					(3,100.00)	8,100.00						
Subtotals	11,200.00					(3,100.00)	8,100.00	6,800.00	1,300.00	136.50	27.30	55.28	219.08
07/11	47,250.00				(1,200.00)	(3,100.00)	42,950.00						
08/11	66,150.00	14,000.00			(6,200.00)	(17,100.00)	56,850.00						
09/11	37,150.00					(3,100.00)	34,050.00						
Subtotals	150,550.00	14,000.00			(7,400.00)	(23,300.00)	133,850.00	4,000.00	129,850.00	13,634.25	2,726.85	4,908.33	21,269.43
10/11	31,150.00					(3,100.00)	28,050.00						
11/11	43,300.00					(3,100.00)	40,200.00						
12/11	25,150.00	6,000.00				(3,100.00)	28,050.00						
Subtotals	99,600.00	6,000.00				(9,300.00)	96,300.00	6,800.00	89,500.00	9,397.50	1,879.50	2,960.21	14,237.21
01/12	16,500.00	5,600.00				(5,600.00)	16,500.00						
02/12	28,350.00	5,600.00				(5,600.00)	28,350.00						
03/12	19,522.00	5,600.00				(5,600.00)	19,522.00						
Subtotals	64,372.00	16,800.00				(16,800.00)	64,372.00	7,475.00	56,897.00	5,974.19	1,194.84	1,613.03	8,782.05
04/12	46,150.00	5,600.00				(5,600.00)	46,150.00						
05/12	42,314.00	13,400.00				(13,400.00)	42,314.00						
06/12	43,023.00	13,400.00				(13,400.00)	43,023.00						
Subtotals	131,487.00	32,400.00				(32,400.00)	131,487.00	125,478.00	6,009.00	630.95	126.19	141.96	899.10
07/12	111,026.40	12,904.00		10,585.00		(12,801.50)	121,713.90						
08/12	182,920.25	15,687.00	(731.67)	16,183.00		(15,687.00)	198,371.58						
09/12	48,915.00	18,600.00				(18,600.00)	48,915.00						
Subtotals	342,861.65	47,191.00	(731.67)	26,768.00		(47,088.50)	369,090.48	342,130.00	26,870.48	2,821.40	564.28	507.85	3,893.53
10/12	43,917.00	20,100.00		10,350.00		(20,100.00)	54,267.00						
11/12	45,935.00	30,800.00		3,200.00		(28,100.00)	51,835.00						
12/12	32,666.25	60,100.00			(2,300.00)	(60,100.00)	29,766.25						
Subtotals	121,918.25	111,000.00		13,550.00	(2,300.00)	(108,300.00)	135,868.25	121,918.00	13,950.25	1,464.78	292.96	197.74	1.95
01/13	30,713.90	16,100.00			(600.00)	(16,100.00)	30,113.90						
02/13	24,529.85	16,650.00		2,750.00		(3,002.00)	24,277.85						
03/13	13,900.00	18,050.00		11,300.00		(2,000.00)	24,600.00						
Subtotals	69,143.75	50,800.00		14,050.00	(5,602.00)	(49,400.00)	78,991.75	69,144.00	9,847.75	1,034.01	206.80	93.06	1,333.88
04/13	28,793.00	31,475.00			(5,450.00)	(24,250.00)	30,568.00						
05/13	36,023.00	39,475.00			(5,450.00)	(32,250.00)	37,798.00						
06/13	34,920.00	36,675.00			(5,650.00)	(29,450.00)	36,495.00						
Subtotals	99,736.00	107,625.00			(16,550.00)	(85,950.00)	104,861.00	99,736.00	5,125.00	538.13	107.63	24.22	669.97
Grand Totals	1,090,868.65	385,816.00	(731.67)	54,368.00	(31,852.00)	(375,638.50)	1,122,830.48	783,481.00	339,349.48	35,631.70	7,126.34	10,501.69	53,259.73

Auditor's Notes:
 1.) Scholl, Chyo & Company did not start to prepare tax returns until the quarter of July-September 2012.
 2.) Operator filed registration form 6/15/2011, certificate dated 6/22/2011.
 3.) Rental income not allowed are properties not within the unincorporated area of the County, including long term rental income (properties not in unincorporated area).



Technology

Automation



- Registration application, quarterly forms, and exemption information available for download on our website
- Ability to “fill in” the form
- Access Database
- Property Tax Vendor, Megabyte, is working on TOT module

Certificate Number

Key an existing certificate number or click 'New' to generate a new certificate.

Certificate Information

Created Date

Property Count

Last Modified Date

Operator Information

Information for the Operator linked to this Certificate is displayed below. Use 'Operator Maintenance' to make any necessary updates.

Operator ID

Phone

Operator's Last Name

Operator's First Name

Operator's Title

Alternate Phone

DBA / Property Management Company

Fax

Street Address Line 1

Street Address Line 2

City

E-mail

State

Zip / Postal Code

Country

International Address

Electronic Only

Owner

Operator

Property Mgmt

Operator Maintenance

Certificate and Operator Information

Properties Linked to Certificate

New F6 Save F7 Cancel F8 Inactivate



User DTS



Monterey County

Certificate Number

Key an existing certificate number or click 'New' to generate a new certificate.

Property Information

Properties currently linked to this Certificate are displayed below. Use 'Property Maintenance' to make any necessary updates.

Drag a column header here to group by that column

Cert No	Property ID	Parcel No	Property N...	URL	Operator Si...	Street Add1	Street Add2	Property City	Prop
---------	-------------	-----------	---------------	-----	----------------	-------------	-------------	---------------	------

Property ID	Name of Business Establishment		Located on Parcel#	Phone
<input type="text"/>	<input type="text"/>		<input type="text"/>	() -
	Web Site URL		Current Operator Since	Alternate Phone
	<input type="text"/>		<input type="text"/>	() -
Property Type	Street Address Line 1	Street Address Line 2		Fax
<input type="checkbox"/> Individual	<input type="text"/>	<input type="text"/>		() -
<input type="checkbox"/> Hotel	City	State	ZIP Code	E-mail
<input type="checkbox"/> Corporation	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
<input type="checkbox"/> VRBO >>>				<input type="checkbox"/> Electronic Only
<input type="checkbox"/> Home Away >>>>				<input type="button" value="Property Maintenance"/>
<input type="checkbox"/> Other >>>>>>				<input type="button" value="Remove Selected Property"/>

Certificate and Operator Information Properties Linked to Certificate

New F6 Save F7 Cancel F8 Inactivate



User DTS



Monterey County

TOW7130 - Megabyte Property Tax System - County of NT3PLACER

File Edit View Help

TOW7130v2.4.0.36: Main **Property Maintenance** Sep 12, 2014 10:47:06 AM (-07:00)

Drag a column header here to group by that column

Cert No	Property ID	Located on Parcel #	Name of ...	Web Site...	Current ...	Street A...	Street A...	City
0000000302	0000000456	189-353-010-000			7/25/2014	220 Punta ...		Carn
0000000303	0000000457	0			7/25/2014	28 Mentone...		Carn
0000000304	0000000458	0			7/25/2014	2990 Red ...		Carn
0000000305	0000000459	0			7/25/2014	246 HWY 1		Carn
0000000308	0000000462	008-582-003-000			7/25/2014	7 Ocean Pin...		Pebt
0000000309	0000000464	419-241-003-000			7/25/2014	46240 Pfeif...		Big S
0000000311	0000000466	423-011-015-000			7/25/2014	29141 Plask...		Big S
0000000312	0000000467	418-231-023-000			7/25/2014	26 Trampa ...		Carn
0000000313	0000000468	0			7/25/2014	2966 Congr...		Pebt
0000000314	0000000469	418-031-020-000			7/25/2014	37021 Palo ...		Carn
0000000315	0000000470	419-271-004-000			7/25/2014	47011 Clea...		Big S

Record 105 of 324

Property ID: 0000000429

Name of Business Establishment: []

Located on Parcel #: 419-211-005-000

Phone: () - -

Web Site URL: []

Current Operator Since: 07/25/2014

Alternate Phone: () - -

Property Type: Individual Hotel Corporation VRBO >>>>>> Home Away >>> Other >>>>>>

Street Address Line 1: 47047highway One

Street Address Line 2: []

Fax: () - -

City: Big Sur

State: CA

Zip Code: 93920

Email: []

Electronic Only

Property Information | Owner Information

New F6 Save F7 Cancel F8

User DTS



Monterey County

TOW7130 - Megabyte Property Tax System - County of NT3PLACER

File Edit View Help

TOW7130v2.4.0.36: Main **Property Maintenance** Sep 12, 2014 10:45:51 AM (-07:00)

Drag a column header here to group by that column

Owner ID	Last Name	First Name	Title	DBA	Street A...	Street A...	City	State	Zip/Posta...	Country

Record 0 of 0

Assigned owner information is shown below. Use 'Owner Maintenance' to assign a new owner to this property.

Owner ID Phone

Owner's Last Name Owner's First Name Owner's Title Alternate Phone

Street Address 1 Street Address 2 City Fax

State Zip/Postal Code Country Email

International Address

Electronic Only

Owner Maintenance Remove Selected Owner

Property Information **Owner Information**

User DTS



Monterey County

Drag a column header here to group by that column

Contact ID	Last Name	First Name	Title	DBA	Street Address	Street Address	City	State
0000000119	Hugh & Sue...			Riverside C...	P.O. Box 3		Big Sur	CA
0000000128	Mary M Fo...			Ocean Pine...	P.O. Box 171		Carmel	CA
0000000133	McQueen M...			Big Sur Cam...	47000 HIG...		Big Sur	CA
0000000134	William R Je...			Monterey D...	P.O. Box 308		Moss Landing	CA
0000000136	148 Monter...			148 Monter...	114 Los Patios		Los Gatos	CA
0000000149	Zen Center			Zen MTN C...	300 Page S...		San Francisco	CA
0000000154	Northern C...			Carmel Vall...	8545 Carm...		Carmel	CA
0000000155	A. J. B...			Del Mar C...	600 Del Ma...		Carmel	CA

Record 14 of 342

Contact ID	Last Name	First Name	Phone
0000000136	148 Monterey Dunes, a Calif. Partnership		(408)379-6243
Contact Type	Title	DBA/Property Management Company	Alternate Phone
<input type="checkbox"/> Owner		148 Monterey Dunes	(408)379-6244
<input checked="" type="checkbox"/> Operator	Street Address Line 1	Street Address Line 2	Fax
<input type="checkbox"/> Property Mgmt	114 Los Patios		() -
	City	State	Zip Code
	Los Gatos	CA	95032
		Country	E-mail
		USA	rmatthews2@aol.cc
	<input type="checkbox"/> International Address	<input type="checkbox"/> Electronic Only	

New F6 Save F7 Cancel F8



User DTS



Monterey County



Website Companies, Hosts, and Sharing Economies

Website Companies and Hosts



San Francisco

- Many people in San Francisco have chosen to engage in the business of accepting rent in exchange for providing “transient” accommodations in San Francisco – any rentals for stays lasting 30 days or less. In some cases, the accommodations consist of an entire apartment or single-family home, while in other cases the accommodations are a room or some portion of a home.

Website Companies and Hosts



San Francisco

- The people who let these accommodations are “hosts.” Some of these hosts receive payment of rent in conjunction with a website company, while others receive payment directly from the guest. All of these transactions are subject to San Francisco tax laws.

Website Companies and Hosts



San Francisco

- Hosts and website companies are jointly and severally liable for the TOT.
- There is a business registration requirement, Certificate of Authority requirement, and a filing and payment requirement for both.

Website Companies and Hosts



San Francisco

- However, there is an exception for a “Qualified Website Company,” a company that is (1) registered, (2) has a COA, and (3) files and pays all TOT for any host.
- In that case, a host need not obtain a COA nor file and pay TOT. They do have to obtain a business registration certificate.
- More information is available at:
www.sftreasurer.org/hosts

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Home » Transient Occupancy Tax (TOT) Information for Hosts and Website Companies

Transient Occupancy Tax (TOT) Information for Hosts and Website Companies



This page links to useful information for hosts, website companies, and merchants of record, for compliance with the San Francisco Transient Occupancy Tax (TOT).

[Information for Hosts](#)

[Information for Website Companies and Merchants of Record](#)

[Frequently Asked Questions](#)

[Tax Collector Regulations](#)

[Business Registration Requirements](#)

[Certificate of Authority \(COA\) to Collect the Transient Occupancy Tax Application](#)

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What Does The Future Hold



Monterey County

- **Old News**

- Airbnb
- VRBO
- Homeaway

- **Legislation**

- CACTTC Ad-Hoc Committee
 - R&T §7280
 - Local Ordinances

Luxury Ownership Swap Vacations



Monterey County

- 3rd Home
- IVHE Ltd
- Exclusive Exchanges
- Home Exchange Gold
- Love Home Swap

“Taxes would be difficult to impose, because swapping home is not deemed by anybody we know to be a commercial transaction, because no value is established.”

*-Ed Kushins
Home Exchange*

Monterey County Ordinance



Monterey County

“Rent” means the consideration charged, whether or not received, for the occupancy of space in a hotel valued in money, **whether to be received in money, goods, labor or otherwise**, including all receipts, cash, credits and property and services of any kind or nature, including but not limited to mandatory facility or grounds fees or mandatory gratuity or administrative fees retained by the operator, without any deduction therefrom whatsoever.



Questions or Cocktails?