



# Transient Occupancy Tax (TOT)

## Information Sheet

*(for operators of hotels and similar establishments)*

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- What is TOT?** Transient Occupancy Tax (TOT) is a tax imposed on visitors occupying a room in a hotel, motel, inn, or similar establishment.
- Who owes it?** Pursuant to State of California, Revenue and Taxation Code, Sections 7280-81, a city may impose TOT on persons staying 30 days or less in a room or rooms in a hotel, inn, motel, tourist home, non-membership campground or other lodging facility. The tax is a debt owed by the transient to the City.
- Who collects it?** Owners or operators of hotels and similar businesses collect the tax for the City. Operators must have a current business license and be registered with the City for the collection of the tax.
- A Business License Application and TOT Registration are attached. Please complete these forms and return them with your business license payment.
- What is the tax rate?** The TOT rate is 12%. 10% is unrestricted revenue and 2% is restricted to Creeks Restoration and Water Quality Improvement.
- How is it collected?** The amount of the tax is stated separately from the room charge and the hotel operator collects the tax at the same time as the room charge is collected.
- By completing the monthly TOT return, the hotel operator determines the amount of tax due. The hotel operator then mails the completed TOT return and payment to the City.
- When is the tax paid?** TOT payments are due on the tenth of the month, following the month that payments were received. If the tenth falls on a Saturday, Sunday, or a holiday, the next workday is the due day. Postmarks are acceptable, but not postage meter dates. Failure to pay TOT by the due date will result in a 10% penalty. If payment of the tax is delinquent more than 30 days, an additional 10% penalty will be added plus interest at the rate of one-half of one percent ( $\frac{1}{2}$  of 1%) per month.
- If a business is sold, the seller must submit a return and payment within ten days from date of sale.
- Anything else?** City of Santa Barbara Municipal Code Chapters 4.08 and 4.09 govern TOT and are attached for reference. As stated in Chapter 4.08, hotel accounting records will be maintained for a minimum of three years and are subject to audit.
- Are there exemptions?** The City of Santa Barbara Municipal Code does not provide for TOT exemptions; however, it does allow certain qualified individuals to obtain a refund directly from the City. Also, in an effort to better accommodate visitors, the City has adopted an administrative policy that will permit hotels/motels to allow exemptions instead of requiring the individual to pay the tax and obtain a refund. Details on exemptions and claims for refund are found on the opposite side of this page.
- Additional Questions.** Questions may be directed to the Finance Department by calling (805) 564-5346 ext. 4342.

## EXEMPTIONS

- 1. Over 30 days.** After a customer has occupied a room for 30 consecutive days, beginning with the 31st day and continuing subsequent days, the customer is exempt from paying the tax. Additionally, when a customer has made advance reservations and executed a *written contract* for a successive or uninterrupted stay exceeding 30 days, the customer is exempt from the tax for the entire stay.
- 2. Special Organizations.** Certain government organizations and other entities have been granted special exemption by the U.S. Congress and under Public Law. Exemptions are given to AMTRAK, the American Red Cross, the U.S. Postal Service, Federal Credit Unions, and insurance companies. **REQUIRES Certificate of Tax Exemption to be completed by exempt guest upon checking in and hotel front desk staff signature for verification of information provided.**
- 3. Diplomats (with the appropriate U.S. Department of State identification card as shown in the attached Diplomatic Tax Exemption Program card sheet.)** In 1982, the United States Congress passed a law (Foreign Missions Act, 22 USC 4301) under which foreign missions, diplomats and certain other categories of persons, living or traveling in the United States on official business for their government, are granted an exemption from the payment of all state and local restaurant, sales, lodging, and similar taxes. The U.S. Department of State issues an identification card that verifies these individuals and their tax exemption entitlement. **REQUIRES Certificate of Tax Exemption to be completed by exempt guest upon checking in and hotel front desk staff signature for verification of information provided.**
- 4. U.S. Government (when payment is made directly by the U.S. Government on a purchase order or the individual pays for lodging with a credit card issued by the U.S. Government.)** Only federal agencies are exempt -- not state or municipal. Even if the individual claims he/she is a member of a federal agency and is travelling on official business, if the lodging is paid for with a personal credit card or cash/check, the individual must pay the tax and submit a claim for refund (see below) directly to the City. **REQUIRES Certificate of Tax Exemption to be completed by exempt guest upon checking in and hotel front desk staff signature for verification of information provided.**

*If you accept an exemption, based on strict compliance with the City's exemption criteria, please provide the information on your monthly Transient Occupancy Tax Return. Include the room charge in the total rents reported on Line "A" and report the tax exemption amount on Line "B". To substantiate this amount, provide a copy of (1) the federal purchase order or credit card, (2) a copy of the individual's bill or itemization of the account, and (3) Certificate of Tax Exemption completed by the Federal employed guest – signed by the guest and hotel staff.*

## CLAIMS FOR REFUND

The Director of Finance may approve refund of a payment collected by an operator for TOT upon finding that:

- The claim for refund form is accurately completed, supported by adequate documentary evidence, and evidence of suitable identification.
- The claim was made within 90 days after such tax had been paid.
- Such a refund is required by applicable state or federal law, treaty, rule, regulation, exemption, or other legislation.

*If a transient requests a refund, furnish them with a copy of the Claim for Refund form. The transient is responsible for completing the form and submitting it to the City for processing.*