



# CITY OF TORRANCE

## UNIFORM OCCUPANCY TAX INFORMATION PACKET

Last updated 10/04/17

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## ***Uniform Occupancy Tax Overview***

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For the privilege of occupancy in any hotel, each lodger is subject to the uniform occupancy tax in the amount of eleven (11) percent of the rent charged, commencing March 1, 1994. Each operator is required to collect the tax from the lodger and remit it to the City of Torrance.

The uniform occupancy tax is an essential component of the City's funding mechanisms. The tax provides funding for essential services to the community including recreational programming, road maintenance, police, fire, parks, senior programs and other community services.

The City of Torrance is responsible for collection of uniform occupancy taxes and has established a team dedicated to providing uniform occupancy tax audit and compliance services.

This information packet provides:

- A general guide to understanding the uniform occupancy tax.
- Explanation for tax exemptions and required retention and reporting of information.
- Description of audit process and documents that may be requested as part of the audit.

For questions related to payment, collection and other reporting requirements please contact the Finance - Revenue Division (310) 618-5830. For questions regarding the audit process please contact the Finance - Audit Division (310) 781-7531.

# ***Information Sheet***

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## **What is a uniform occupancy tax (UOT) law?**

The uniform occupancy tax is a tax imposed on lodgers occupying a room in a hotel. The regulatory requirements of the uniform occupancy tax law are delineated in Division 2, Chapter 22 and Division 9, Chapter 1 of the City of Torrance Municipal Code.

## **What types of establishments are considered a Hotel Room?**

Hotel means any structure, or any portion of any structure, which is occupied or intended or designed for occupancy, and includes any hotel, inn, tourist home or house, motel, studio hotel, bachelor hotel, lodging house, rooming house, apartment house, dormitory, public or private club, mobile home or house trailer at a fixed location, or other similar structure or portion thereof.

## **Who owes occupancy tax?**

Occupancy tax is imposed on persons staying in a hotel room. The tax is a debt owed by the lodger 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.

## **What is the tax rate?**

The occupancy tax rate is 11.0%.

## **Which hotel fees should be taxable for UOT ?**

All fees or charges that are suggested as mandatory for the privilege of occupancy should be considered taxable for the uniform occupancy tax (UOT). If suggested as mandatory, such shall include but not be limited to: resort fees (in its entirety), reservation fees, energy surcharge, no show fees, attrition fees, cancellation charges, late check-out fees, trade in lieu of rent, cleaning fees, extra person(s) charges, pet in room fees, rollaway bed charges, parking or valet charges, furnishings, appliances, etc.

## **Which hotel fees are not taxable for UOT ?**

Any charge elected by the guest is not taxable. If wholly elective, such may include: parking or valet charge, in-room service charges (i.e. meals, telephone calls and long-distance calls, internet connection fees, massages), day use pass fees (for the use of a pool, athletic facility, or other services not associated with the use of the room), and meeting room charges. Also, charges for repairs and damages are not UOT taxable. Examples include a refundable security deposit, pet damage fees, and smoke damage fees.

## **Who is the Tax Administrator?**

The tax administrator means the City Manager or his appointee the City's Director of Finance and his assigned representatives.

## **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. All taxes collected shall be held in trust for the account of the City until payment is made to the City of Torrance.

## **When is the tax paid?**

Each owner or operator of the hotel is required to complete the quarterly occupancy tax return form, exemption certificates and mail payment to the City. Occupancy tax payments are due on the last day of the month following the close of each calendar quarter.

- First Quarter - Payment due on or before April 30
- Second Quarter - Payment due on or before July 31
- Third Quarter - Payment due on or before October 31
- Fourth Quarter - Payment due on or before January 31 of the new year

If the last day of the month falls on a Saturday, Sunday or holiday, the next workday is the due date. Postmarks are acceptable, but not postage meter dates. The Tax Administrator may establish a shorter reporting period for any operator if he deems it necessary in order to ensure the collection of the tax. Returns and payments are due immediately upon cessation of the business for any reason.

### Penalties and Interest?

Failure to pay occupancy tax 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. In addition, interest at the rate of one-half of one percent (1/2 of 1%) per month or fraction thereof on the amount of tax, will be charged. Every penalty imposed and interest that accrues shall become part of the tax required to be paid.

### Records?

All operators who fall under this municipal code to collect and remit occupancy tax are required to keep and maintain all the hotel accounting records as may be necessary to determine the amount of occupancy tax. All records are subject to inspection by the Tax Administrator at all reasonable times.

### Are there exemptions?

The City allows certain qualified individuals to not pay the tax and permits the hotels to grant these exemptions. Certain documentation is required to qualify for exemptions.

Exemption Type	Exemption	Required Documentation
Individual Exemptions - 60 Day - Low Income Exemption	No tax shall be imposed upon any person who: <ol style="list-style-type: none"> <li>1. Is the head of the household; and</li> <li>2. Stayed in the hotel for longer than (60) consecutive days; and</li> <li>3. Has a combined gross income from the most recent completed calendar year of all members of the household residing in the same hotel that does not exceed \$12,000.</li> </ol>	Send a written request to City Revenue Division
Individual Exemptions	See appendix for administrative procedures.	Refer to administrative procedures
Organizational Exemptions	<ol style="list-style-type: none"> <li>1. 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, and Federal Credit Unions.</li> <li>2. Diplomats - With the appropriate U.S. Department of State identification card. The U.S. Department of State issues an identification card that verifies these individuals and their tax exemption entitlement.</li> <li>3. Employees of the <b>Federal government</b>, while on government business. State employees are not allowed to claim exemptions.</li> </ol>	The lodger must complete the Torrance Exemption Certificate (Exemption form) and provide proof of employment. As proof of employment the City accepts an employee's agency identification card and/or travel orders. The City also allows the lodger to provide the first four digits of the government issued credit card used for payment as proof of employment. (See appendix for qualifying credit card numbers). The exemption form is submitted to the City along with the quarterly return and payment.

# ***Tourism Business Improvement District (TBID)***

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## **What is the Tourism Business Improvement District Assessment?**

The Torrance TBID is a special benefit assessment area made up of lodging businesses that contribute to a fund to market the area, including conducting promotional activities, special events and programs in order to increase business. The funds raised by the assessments are returned to the private non-profit corporation, Discover Torrance, which was formed to govern the district.

## **Which hotels are subject to TBID assessment?**

Lodging businesses with more than fifty rooms located within the boundaries of the City of Torrance.

## **Who owes the assessment?**

The assessment is imposed on persons staying in a hotel room. The assessment is owed by the lodger to the City. Owners or operators of hotels collect the assessment for the City.

## **What is the tax rate?**

The tax rate is 1.0%.

## **Penalties and Interest?**

Businesses which are delinquent in paying the assessment shall be responsible for paying:

1. The original amount of the assessment; plus
2. One and one-half percent (1.5%) per month interest on the unpaid amount; plus
3. A ten percent (10%) penalty on the unpaid amount; plus
4. All costs incurred by the City and/or the TBID in collecting the unpaid assessment.

## **Are there exemptions?**

The City allows certain qualified individuals to not pay the assessment tax and permits the hotels to grant these exemptions:

1. Long-Term Lodgers: Individuals who have stayed in the hotel for longer than (60) consecutive days;
2. Airline Crew Members: Various airline companies maintain contracts with specific hotels in the City of Torrance to allow their airline crews to be accommodated.

## **How is it collected?**

The amount of assessment, if passed on to each lodger, shall be disclosed in advance and separately stated from the amount of rent charged and any other applicable taxes, and each lodger shall receive a receipt for payment from the hotel.

## **When is the assessment paid?**

The TBID assessment is due at the same time of the occupancy tax payments.

# Occupancy Tax Audit

## What is a Uniform Occupancy Tax audit?

Periodically the City conducts audits of the taxes remitted by the Hotel. See audit process section for details on the audit process.

## Why does the City perform the audit?

The objective of the audit is to assess whether occupancy tax was remitted accurately and in compliance with the Uniform Occupancy Tax Law. This review ensures the revenue received by the City are accurate and complete.

## What types of documents are needed for audit?

Examples of documentation needed for audit include but not limited to hotel financial statements, tax returns, guest folios, exemption forms, airline contracts.

## How does the City perform the audit ?

The City Audit Division will perform the audit using the standard process shown below



# Appendix

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Following shows the credit cards numbers of federal employees who are exempt from occupancy tax.

## CITY OF TORRANCE

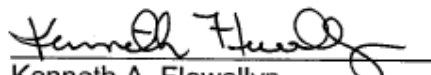
September 9, 2009

To: City of Torrance Hotels/Motels  
From: Kenneth A. Flewellyn, Assistant Finance Director  
Subject: Federal Employee Occupancy Tax Exemption

Employees of the Federal government, while on government business, are exempt from Torrance's Occupancy Tax. To qualify for the exemption, the government employee must complete an exemption form and provide proof of employment. As proof of employment, the City accepts an employee's agency identification card, travel orders, etc. The Hotel should photocopy and retain this documentation along with the exemption form to support the claim for exemption.

The City also allows the employee to provide the first four digits of the government-issued credit card used for payment as proof of employment. To be accepted as a valid form of identification, the credit card number must begin with one of the following four-digit series:

Card Type	1 <sup>st</sup> 4 digits
Visa	4486
Visa	4614
Visa	4716
MasterCard	5568
MasterCard	5565
Voyager	8699

  
Kenneth A. Flewellyn  
Assistant Finance Director



Following is information on individual exemptions



# CITY OF TORRANCE

## FINANCE DEPARTMENT

Eric E. Tsao  
Finance Director

Kenneth A. Flewellyn  
Assistant Finance Director

310/618-5850  
kflewellyn@torranceca.gov

October 11, 2017

To: City of Torrance Hotels/Motels

Re: Occupancy Tax exemption for permanent individuals  
(Stay more than thirty (30) consecutive days)

### ADMINISTRATIVE PROCEDURE #2017-01

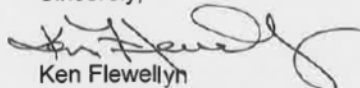
#### Occupancy Tax Exemption

Effective October 4, 2017, in order to qualify for an Occupancy Tax Exemption, the following criteria must be met:

For an individual to qualify for an Occupancy Tax Exemption, the individual must, prior to occupancy, enter into a written agreement with the hotel operator. The written agreement shall obligate a person to pay rent for the individual's occupancy for a period of at least thirty-one (31) consecutive days. The minimum substance of such written agreement shall contain the lodger's name, address, period of occupancy, rent and signature. In the absence of a written agreement prior to the commencement of occupancy, the individual shall be subject to the tax until the qualifying period (thirty (30) consecutive days) has been satisfied. On the thirty-first consecutive day, and on each consecutive day thereafter, the tax shall not apply. If the individual fails to stay for at least thirty-one (31) consecutive days, irrespective of the written agreement, then the tax shall be due.

Where a tax has been collected in advance for the individual having a written agreement as described above and this individual subsequently completes thirty-one (31) consecutive days of occupancy, the operator shall return to such individual an amount equivalent to the amount of the tax so collected either in cash or by crediting his or her account unless the tax has been paid over to the Tax Administrator. In the latter case, the operator who collected the tax may within three (3) years after the date of the payment to the Tax Administrator, provided the operator has returned the equivalent amount of the tax to the lodger or credited the lodger's account with that amount, either take credit for the amount so reimbursed on a subsequent return or file a claim for refund of the tax.

Sincerely,



Ken Flewellyn  
Assistant Finance Director