



## ADMINISTRATIVE APPEAL: COURTYARD BY MARRIOTT RIVERSIDE

### FINANCE DEPARTMENT

Finance Committee  
May 14, 2025

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## LEGISLATIVE HISTORY

- RMC Chapter 5.32 governs Transient Occupancy Tax (TOT) application in Riverside
  - *"For the privilege of occupancy in any hotel, each transient is subject to and shall pay a tax..."*
- RMC Section 5.32.010 – Definitions
  - **Occupancy** means the use or possession, or the right or entitlement to the use or possession, of any room or rooms or portion thereof, in any hotel for dwelling, lodging or sleeping purposes.
  - **Rent** means the amount of the consideration charged or chargeable to the tenant or person entitled to occupancy, for the occupancy of space, valued in money whether received in money, labor or otherwise, including the full value of receipts, cash, credits, property or services of any kind or nature, without any deduction whatsoever.

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## BACKGROUND

- **Transient Occupancy Tax (TOT) Audit**
  - Requested by the City of Riverside
  - Conducted by HdL Companies
  - Audit period January 2019 – December 2021
  - Ten hotels audited, including Courtyard by Marriott Riverside
  - Completed in August 2022
- **Key Findings – Courtyard by Marriott Riverside**
  - Comped rooms listed without assigned value on Daily Revenue Report
  - Solution: Utilized Average Daily Rate (ADR) for computation
  - Operator is exercising their right to appeal



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## TAX OF COMPLIMENTARY ROOMS

- **Complimentary Rooms Definition**
  - Rooms provided at no cost, often termed as "comped or complimentary rooms."
- **Operator's Benefit**
  - Reasons for offering: Maintain guest loyalty, barter for other services, employee retention, ownership use etc.
  - Ownership use
    - Preserves exclusive access to the hotel's lodging facilities
    - Deprives the property of otherwise taxable, revenue-generating occupancy and thus retains a measurable monetary value
- **Government Agencies Enforcing TOT on Comped Rooms**
  - Ontario, Coachella, Indio, Bakersfield, Burbank, Chico, Chino Hills, Lancaster, among others
  - Industry standard that complimentary rooms are taxable TOT



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## COURTYARD BY MARRIOTT RIVERSIDE APPEAL

- **Audit Response**
  - Business Tax Division requested proof of ownership for comped rooms – no documentation provided
  - January 31, 2025: the City sent letter exhausting its review and finalizing the TOT audit
- **Appeal Process**
  - February 25, 2025: Courtyard by Marriott Riverside appealed under RMC 5.32.120
- **Courtyard by Marriott Riverside Appeal Assertions**
  - Comped rooms have no monetary value
  - Rooms for ownership (not transient use) carry a \$0 value
  - Owners/operators do not pay themselves



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## CITY REQUEST FOR DOCUMENTATION

- **Business Tax Request for Documentation**
  - Requested supporting documentation of the ownership comped rooms through multiple conversations and via email on April 30, 2024
- **Courtyard by Marriott Riverside Response**
  - Stated that "There isn't any documentation to show. The room information is blank as they were just holding rooms..."
  - Ownership statement provided with no documentation supporting ownership occupied comped rooms
- **City of Riverside Final Review**
  - Courtyard by Marriott Riverside unable to provide any supporting documentation
  - City requires appropriate documentation to support claim
  - City came to final decision and finalized TOT finding



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## CITY RESPONSE TO APPEAL

- **Prior Committee Finding**
  - Comped rooms are taxable
- **RMC 5.32**
  - Provides independent basis for taxation regardless of use
  - Definitions of “occupancy” and “rent”
  - No exemption for ownership use
- **Lack of supporting documentation** from Courtyard by Marriott Riverside



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## PREVIOUS ADMINISTRATIVE APPEAL

- **Date:** January 10, 2024
- **Meeting:** Financial Performance and Budget Committee
- **Topic:** Administrative appeal by a lodging provider in the City of Riverside
- **Issue:** Appeal filed to contest the TOT audit finding that complimentary rooms are taxable
- **Outcome:** Committee's motion to deny the appeal was carried unanimously



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## STRATEGIC PLAN ALIGNMENT

### Strategic Priority 5: High Performing Government

Goal 5.3: to Enhance communication and collaboration with community members to improve transparency, build public trust, and encourage shared decision-making.

#### Cross-Cutting Threads



Community Trust



Fiscal Responsibility



Sustainability & Resiliency



Equity



Innovation



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## RECOMMENDATIONS

That the Finance Committee:

1. Reaffirm that complimentary rooms are taxable under Chapter 5.32 of the Riverside Municipal Code; and
2. Deny the appeal filed by Courtyard by Marriott Riverside and direct the payment of the unpaid taxes, penalties, and interest owed for the taxable complimentary rooms.



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