



TRANSIENT OCCUPANCY TAX AUDIT – COMPED ROOM PENALTIES AND INTEREST REVIEW

FINANCE DEPARTMENT

Finance Committee

March 13, 2024

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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

Audit Phases:

1. 10 hotels audited (Jan 2019 - Dec 2021).
2. Next set of 10 hotels audited (Jan 2020 - Jul 2023).
3. Upcoming audits for remaining hotels in 2024.

Data Analysis:

1. Meticulous examination of TOT returns.
2. Rigorous accuracy assessments, reasonableness tests.
3. Trend analysis based on historical data and market trends.



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BACKGROUND (CONT'D)

Audit Findings:

- Discrepancies in reporting comped rooms for 7 of 20 hotels.
- Complications from unvalued comped rooms in Daily Revenue Report.
 - Used ADR for consistent valuation.

Appeal and Decision

- Marriott Riverside initiated appeal on Jan 10, 2024.
 - Complimentary rooms deemed taxable per Committee vote and Riverside Municipal Code.

Future Considerations:

- Finance Committee requested compliance rate and review of penalties and interest charged.
 - Pertains specifically to audits related to comped rooms.



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COMPED ROOMS (CONT'D)

Penalties and Interest:

- 20 audited hotels reviewed. Of the 7 hotels, to date:
 - 1 hotel has paid the TOT, penalties, and interest assessed.
 - 6 hotels have been notified but have not yet paid.

COMPED ROOMS NOT REPORTED	TAXABLE AMOUNT	PENALTIES	INTEREST	GRAND TOTAL P&I
PAID	\$1,565.88	\$782.94	\$475.49	\$1,258.43
UNPAID	\$31,649.05	\$15,824.52	\$8,056.88	\$23,881.40
TOTAL	\$33,214.93	\$16,607.46	\$8,532.37	\$25,139.83



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



RECOMMENDATIONS

That the Finance Committee:

1. Receive a report on penalties and interest paid by recently audited hotels in relation to Transient Occupancy Tax on complimentary rooms; and
2. Direct staff as to any action to be taken in relation to penalties and interest collected to date or identified as due and payable.



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