

Hotel Room Tax

Description

The Hotel Room Tax (or “transient occupancy tax”) is a 14 percent tax levied on hotel room charges. The tax is collected by hotel operators from guests and remitted to the Treasurer/Tax Collector. Many local governments impose this tax to recover some of the costs of governmental services associated with nonresidents. When the hotel tax was introduced in 1961, the tax rate was 6 percent, and it has increased incrementally to the current rate of 14 percent, established in August 1996.

Authorizing Statute(s)

Article 7, Sections 501-515.2 of the Business Tax and Regulation Code (Municipal Code).
Annual Appropriation Ordinance Administrative Provisions (FY 2003-04, Sec. 11.13-11.14, FY2004-05, Sec. 11.11-11.12, FY 2005-06 Sec 11.11-11.12).

Amount & Allocation

Hotel Room Tax revenues are cyclical and dependent upon economic activity, including convention bookings, business travel and tourism. As illustrated in the table below, Hotel Room Tax revenue grew rapidly up until FY 2000-01. During the 1990s, total Hotel Room Tax revenues nearly tripled. Since FY 1978-79, this single source of revenue has grown from \$19.0 million to \$273.9 million budgeted in FY 2013-14.

(\$ millions)	Annual Growth		
	Total Hotel Tax Revenue All Funds	\$ Change	% Change
FY 1998-1999	155.59		
FY 1999-2000	176.18	20.59	13.2%
FY 2000-2001	189.26	13.08	7.4%
FY 2001-2002	119.66	-69.61	-36.8%
FY 2002-2003	122.85	3.20	2.7%
FY 2003-2004	142.44	19.58	15.9%
FY 2004-2005	151.99	9.56	6.7%
FY 2005-2006	173.92	21.93	14.4%
FY 2006-2007	194.29	20.37	11.7%
FY 2007-2008	219.09	24.80	12.8%
FY 2008-2009	214.46	-4.63	-2.1%
FY 2009-2010	186.85	-27.61	-12.9%
FY 2010-2011	209.96	23.11	12.4%
FY 2011-2012	239.57	29.61	14.1%
FY 2012-2013	241.96	2.39	1.0%
Budget FY 2013-14	273.93	31.97	13.2%

The economic downturn that began in late 2000 and early 2001 resulted in a steep decline in business travel, causing occupancy rates in the Financial District in particular to decline. Compounding that downward pressure, the September 11th attacks caused a sharp decrease in air travel and related tourism, exacerbating sagging occupancy rates and triggering steep discounting in average daily room rates. In FY 2001-02, hotel room tax revenue declined by 29.8 percent from the prior fiscal year. A gradual recovery led revenue to reach its prior peak of \$188.4 million in FY 2000-01 in FY 2006-07 and higher budgeted revenues in FY 2007-08. Recent revenue performance has been due large part to increased average daily room rates, attributable in part to strong convention bookings and international tourism.

City and County of San Francisco
HOTEL TAX REVENUE (\$millions)



Collection Method & Issues

Hotel Room Tax is collected by hotel operators from guests and remitted to the Treasurer/Tax Collector according to rules established by the Treasurer/Tax Collector. An operator who fails to collect the hotel room tax from guests will be liable to the City for all unpaid taxes. All operators must file quarterly hotel room tax returns according to the schedule below and must make prepayments each of the first two months of the quarter.

Quarterly Hotel Room Tax Return Filing Schedule		
Quarter	Due Date	Delinquent On
Jan-Feb-Mar	April 1-30	May 1
Apr-May-Jun	July 1-30	August 1
Jul-Aug-Sep	October 1-30	November 1
Oct-Nov-Dec	January 1-31	February 1

The hotel operator may choose to remit actual monthly taxes due or make prepayments for the first and second month of each quarter equal to 30 percent of the tax liability from the immediately preceding quarter, as calculated by the Treasurer/Tax Collector. Due dates are shown in the table below.

Hotel Room Tax Payment Schedule		
Month	Due Date	Delinquent On
January	February 1-28	March 1
February	March 1-31	April 1
March (1 st quarter clean-up)	April 1-30	May 1
April	May 1-31	June 1
May	June 1-30	July 1
June (2 nd quarter clean-up)	July 1-31	August 1
July	August 1-31	September 1
August	September 1-30	October 1
September (3 rd quarter clean-up)	October 1-31	November 1
October	November 1-30	December 1
November	December 1-31	January 1
December (4 th quarter clean-up)	January 1-31	February 1

Tax/Rate Structure

At its introduction in 1961, the Hotel Room Tax rate was 6.00 percent, and has increased incrementally to the current rate of 14.00 percent, established in August 1996.

Hotel Room Tax Rate History	
Effective Dates	Rate
August 1961 through June 1978	6.00%
July 1978 through June 1980	8.00%
July 1980 through December 1986	9.75%
January 1987 through August 1993	11.00%
August 1993 through July 1996	12.00%
August 1996 to date	14.00%

San Francisco's Hotel Room Tax rate is on the upper end of the tax rate spectrum. The table below summarizes a survey of Hotel Room Tax rates that the Controller's Office conducted in October 2003 of the 10 largest cities in California as well as San Francisco's neighboring cities.

Hotel Room Tax - Rate Comparisons

10 Largest California Cities	Population[1]	Tax Rate[3]	Neighboring Cities	Tax Rate[3]
Anaheim	328,014	15.00%	San Francisco	14.00%
Los Angeles	3,694,820	14.00%	Berkeley	12.00%
San Francisco	776,733	14.00%	Emeryville	12.00%
Long Beach	461,522	12.00%	Oakland	11.00%
Fresno	427,652	12.00%	Hayward	10.50%
Sacramento	407,018	12.00%	Concord	10.00%
Oakland	399,484	11.00%	Palo Alto	10.00%
San Diego	1,223,400	10.50%	San Jose	10.00%
San Jose	894,943	10.00%	San Leandro	10.00%
Santa Ana	337,977	9.00%	Fremont	8.00%
Average (Mean) of 10 Largest Cities		11.95%	Average (Mean) of Neighboring Cities	10.75%
Median of Largest Cities		12.00%	Median of Neighboring Cities	10.25%

Source Data & Notes

[1] 2000 Census Data from CA Dept. of Finance Website (10/21/2003)

[3] Survey Comparison Completed 10/21/2003 using AAA TourBook - 2003 Edition, City of Hayward (2 parts)

Exemptions

Guests who occupy a hotel room for 30 consecutive days, such as many Single Room Occupancy (SRO) residents, are exempt from paying the tax, as are guests in dormitory-style arrangements who pay under \$30 per day or \$100 per week. Employees of nonprofit organizations and government agencies are exempt when travelling on business if charges are paid by the employer. Foreign diplomatic and consular personnel and their dependents are exempt as well.

Trends & Projections

Three factors directly affect Hotel Room Tax revenue: (1) average daily room rates (ADRs), (2) occupancy rates, and (3) the overall supply of rooms. Today the total number of rooms generating hotel room tax revenue is approximately 33,000.

The tables on the next page summarize overall trends by fiscal year for ADR and occupancy rates for San Francisco. Average annual occupancy levels have tracked economic trends, dipping in the early 1990s to 66 percent, and reaching an all-time high of 84.3 percent in FY 2012-13. Prices have rebounded from aggressive discounting begun during the most recent economic downturn in FY 2008-09 and posted double digit average increases for three consecutive fiscal years. As a result of these strong increases in occupancy and average room rates, ADRs have increased from \$73 back in 1980 to a high of \$180 in FY 2012-13, with a particularly steep rises from fiscal years 2011-12 through 2012-13.

Hotel Occupancy Rates

MONTH	FY 1999-00	FY 2000-01	...	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13
July	88.0%	87.5%		88.8%	86.0%	88.3%	89.8%	89.1%
August	81.3%	90.2%		91.8%	88.7%	92.4%	92.0%	92.6%
September	86.9%	88.5%		86.6%	86.3%	87.8%	90.8%	90.0%
October	82.7%	87.9%		82.4%	87.5%	88.3%	87.4%	90.0%
November	74.1%	72.7%		68.5%	69.8%	71.2%	78.0%	78.2%
December	62.1%	64.4%		66.8%	62.7%	68.6%	67.3%	72.4%
January	67.0%	63.5%		61.0%	62.5%	69.9%	68.4%	70.6%
February	79.7%	70.4%		59.1%	69.5%	76.3%	74.9%	77.9%
March	88.6%	72.9%		68.3%	77.2%	78.1%	78.5%	80.8%
April	84.7%	70.7%		74.9%	79.5%	80.4%	80.2%	90.2%
May	84.4%	76.9%		74.7%	82.0%	84.6%	85.0%	87.8%
June	91.7%	80.0%		80.5%	84.8%	87.3%	91.4%	91.6%
AVG. OCC. RATE - ANI	80.9%	77.1%		75.3%	78.0%	81.1%	82.0%	84.3%
% Rate Chg from PY	1.1%	-3.8%		-3.3%	2.8%	3.1%	0.9%	2.3%
% Change from PY	1.4%	-4.7%		-4.2%	3.7%	3.9%	1.1%	2.8%

Average Daily Room Rates (ADRs)

MONTH	FY 1999-00	FY 2000-01	...	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13
July	\$ 154.98	\$ 175.56		\$ 188.17	\$ 152.44	\$ 159.61	\$ 190.51	\$ 210.65
August	\$ 150.06	\$ 165.89		\$ 181.69	\$ 151.06	\$ 166.60	\$ 187.96	\$ 211.56
September	\$ 158.09	\$ 180.33		\$ 206.06	\$ 175.64	\$ 188.89	\$ 207.91	\$ 236.66
October	\$ 153.22	\$ 191.46		\$ 208.04	\$ 198.93	\$ 196.57	\$ 234.39	\$ 254.10
November	\$ 148.02	\$ 169.40		\$ 178.61	\$ 153.89	\$ 156.58	\$ 194.28	\$ 191.15
December	\$ 146.22	\$ 162.24		\$ 167.17	\$ 135.16	\$ 153.85	\$ 161.54	\$ 173.31
January	\$ 153.17	\$ 174.24		\$ 167.20	\$ 154.08	\$ 175.58	\$ 197.53	\$ 208.74
February	\$ 156.25	\$ 181.78		\$ 154.23	\$ 147.03	\$ 177.64	\$ 208.42	\$ 197.23
March	\$ 164.96	\$ 179.18		\$ 160.35	\$ 151.49	\$ 173.89	\$ 188.58	\$ 203.89
April	\$ 164.39	\$ 168.79		\$ 154.53	\$ 147.85	\$ 162.31	\$ 183.14	\$ 219.63
May	\$ 168.41	\$ 191.63		\$ 152.68	\$ 162.10	\$ 194.71	\$ 199.37	\$ 214.55
June	\$ 175.50	\$ 173.72		\$ 149.98	\$ 152.27	\$ 180.30	\$ 213.05	\$ 227.02
AVERAGE ADR - ANNU \$	157.77	176.19		172.39	156.83	173.88	197.22	212.37
\$ Change from PY	\$ 10.25	\$ 18.41		\$ (15.21)	\$ (15.56)	\$ 17.05	\$ 23.35	\$ 15.15
% Change from PY	6.9%	11.7%		-8.1%	-9.0%	10.9%	13.4%	7.7%

Revenue per Available Room (RevPAR)

	FY 1999-00	FY 2000-01	...	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13
July	\$ 136	\$ 154		\$ 167	\$ 131	\$ 141	\$ 171	\$ 188
August	\$ 122	\$ 150		\$ 167	\$ 134	\$ 154	\$ 173	\$ 196
September	\$ 137	\$ 160		\$ 178	\$ 152	\$ 166	\$ 189	\$ 213
October	\$ 127	\$ 168		\$ 171	\$ 174	\$ 174	\$ 205	\$ 229
November	\$ 110	\$ 123		\$ 122	\$ 107	\$ 111	\$ 152	\$ 149
December	\$ 91	\$ 104		\$ 112	\$ 85	\$ 106	\$ 109	\$ 125
January	\$ 103	\$ 111		\$ 102	\$ 96	\$ 123	\$ 135	\$ 147
February	\$ 125	\$ 128		\$ 91	\$ 102	\$ 136	\$ 156	\$ 154
March	\$ 146	\$ 131		\$ 110	\$ 117	\$ 136	\$ 148	\$ 165
April	\$ 139	\$ 119		\$ 116	\$ 118	\$ 130	\$ 147	\$ 198
May	\$ 142	\$ 147		\$ 114	\$ 133	\$ 165	\$ 169	\$ 188
June	\$ 161	\$ 139		\$ 121	\$ 129	\$ 157	\$ 195	\$ 208
Average YTD	\$128	\$136		\$130.91	\$123.16	\$141.50	\$162.35	\$180.04
\$ Change from PY	\$128	\$8		\$ (17.22)	\$ (7.75)	\$ 18.34	\$ 20.85	\$ 17.68
% Change from PY		6.2%		-11.6%	-5.9%	14.9%	14.7%	10.9%