

Measure P - Transient Occupancy Tax – Fiscal Impact Statement

Should Measure P be approved by the voters, the additional 1% transient occupancy tax (TOT) charged to commercial lodging facilities and the additional 3% TOT charged to guests at short-term residential vacation rental properties would result in an estimated \$1.4 million in General Fund revenue annually which would be available to pay for general City services and programs. The proposed tax would begin January 1, 2023, and would remain in place until changed by voters. Actual taxes collected may vary from year to year depending upon economic conditions and the number of available lodging locations.

Measure P applies to persons who pay to stay at lodging facilities in the City of Santa Cruz. Since the tax is imposed primarily upon visitors, it generally does not impose a local tax burden on the residents of the City of Santa Cruz.

The transient occupancy tax in the City generated an average of \$9.0 million per year since the fiscal year ended June 30, 2014, for the City General Fund. TOT revenue for the fiscal year that ended June 30, 2022 is expected to be \$10.8 million. Revenue from the transient occupancy tax is the City's third largest source of discretionary tax, following retail sales tax, with the largest revenue source being property tax.