



# Transient Occupancy Tax

## Frequently Asked Questions

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**PLEASE NOTE** that the City is currently considering changes to its regulations that may limit short-term rentals. Obtaining a TOT certificate does not guarantee continued short-term rental use.

### 1. What is Transient Occupancy Tax?

Transient Occupancy Tax (TOT), also known as "hotel tax" or "bed tax," is authorized under the State Revenue and Taxation Code 7280 as an additional source of non-property tax revenue to local government.

Effective January 1, 2023, two new tax rates went into effect and Santa Cruz Municipal Code 3.28 will be amended as follows:

- For commercial properties like hotels, motels, inns, and B&Bs, the rate increased from 11% to 12%.
- For residential properties like single-family homes and apartments, which require a short-term rental permit, the rate increased from 11% to 14%.

### 2. Who pays the tax?

The tax must be charged to the guest and separately stated from the amount of rent charged. However, if the lodging owner/operator does not collect the tax from the customer the owner/operator is responsible for payment of the tax. (Santa Cruz Municipal Code Section 3.28.050)

### 3. How do I calculate the amount of Transient Occupancy Tax due?

The amount of the Transient Occupancy Tax (TOT) due on the room rents received in the applicable reporting period, **includes all mandatory fees** such as cleaning fees, pet fees, extra person fees, resort fees, management fees, linen fees, etc. (Santa Cruz Municipal Code Section 3.28.030)

### 4. When is the tax due?

TOT tax returns are due on or before the last business day of the month following the close of the preceding calendar month. For example, the tax collected in April is due by May 31<sup>st</sup>; if May 31<sup>st</sup> falls on a Saturday or Sunday, the TOT return is due the previous Friday. (Santa Cruz Municipal Code Section 3.28.070)

### 5. Do I have to file a return if I have no rental revenue or don't owe any taxes for this period?

**Yes.** Regardless of whether any rents are received for the reporting period, a return is required to be filed. If no rent was received for the period, enter zeros. If rental income that is exempt or not subject to the tax was received, enter that amount and show the same amount as not subject to the tax or exempt. Missing returns can lead to estimates of taxes, penalties, and interest being generated. (Santa Cruz Municipal Code Sections 3.28.080 and 3.28.090)



**NOTE: IF YOU EXPECT NO SHORT-TERM RENTAL REVENUE FOR A PERIOD OF THREE CONSECUTIVE MONTHS OR LONGER** you may file an “Extended” TOT return for the entire period, indicating that you will have no taxable receipts during that period, and including any nontaxable (long-term) rental income anticipated. Please contact our office for a copy of this form – (831) 450-5070 or via E-mail at [Revenue@cityofsantacruz.com](mailto:Revenue@cityofsantacruz.com).

## 6. What if a person stays longer than thirty (30) days?

Guests who stay for up to thirty (30) consecutive days are considered transient for that time and subject to TOT. After the 31<sup>st</sup> day and consecutive days following, they will no longer be considered transient for the duration of the stay, and are not subject to the tax after the 31<sup>st</sup> day.

**Exception:** If a person has a written agreement with the operator, entered into prior to the stay, which is paid in advance and states that the person will stay for more than thirty (30) consecutive calendar days, then that person is not considered transient and therefore not subject to the tax. Please note that these amounts are included in the monthly room rental receipts reported on the TOT Return form, and then deducted as they are non-transient occupancy and not subject to the tax. If the agreement is cancelled before thirty (30) days, the tax is due for the days stayed. (Santa Cruz Municipal Code Section 3.28.030(4)(a) and (b))

Note: Detailed records should be kept in order to verify non-transient stays in case of audit. For more information, see Questions # 11 and # 12.

## 7. Are cleaning fees, pet fees or other miscellaneous fees taxable?

If the fee is non-refundable, it is considered part of what the guest pays for occupancy (i.e. rent) and is subject to TOT. Conversely, if the fee is fully refundable, with funds withheld only for specific damages, it is not subject to TOT. (Santa Cruz Municipal Code Section 3.28.020(5))

Please visit our website at <http://cityofsantacruz.com/departments/finance/licenses-fees-and-taxes/transient-occupancy-tax>, [List of Items Subject/Not Subject to TOT](#) for additional information about charges subject to the Transient Occupancy Tax.

## 8. Should I include the tax in my stated room rate?

**No**, Transient Occupancy Tax must be advertised, charged and tracked separately from the stated room rate. (Santa Cruz Municipal Code Section 3.28.050)

## 9. Are any guests exempt from Transient Occupancy Tax?

Yes, there are certain exemptions. They must be documented on a TOT Certificate of Tax Exemption. They include:

- a. Any federal or state officer or employee when on official business.
- b. Any officer or employee of a foreign government who is exempt by reason of express provision of federal law or international treaty.

In addition, the TOT does not apply to any other case where the City does not have the power to impose the tax.

The claim for the exemption must be made at the time rent is collected, using the TOT Certificate of Tax Exemption form. (Santa Cruz Municipal Code Section 3.28.040)



The TOT Certificate of Tax Exemption form can be found online at [http://cityofsantacruz.com/departments/finance/licenses-fees-and-taxes/transient-occupancy-tax / TOT Certificate of Tax Exemption](http://cityofsantacruz.com/departments/finance/licenses-fees-and-taxes/transient-occupancy-tax/TOT%20Certificate%20of%20Tax%20Exemption) form. It must be completed in full at the time rent is collected. All exemption forms should be kept on record for at least four years in case of audit.

## 10. Will my returns be checked?

**Yes.** The city will audit records to determine if the proper amount of tax has been calculated and remitted. Your records are to be open to inspection by the director of finance, or designated representative, at all reasonable times. Please note, nontaxable rent received from non-transients must also be reported on the return filed with the City.

## 11. What records am I required to keep?

Each operator is required to keep all records as may be necessary to determine the amount of the tax the operator was required to collect and pay to the City. All records related to the TOT are subject to audit. Records that should be kept include but are not limited to:

- A register of guests showing the length of stay in terms of consecutive days, for each guest;
- Guest or rent invoices, statements, contracts or bills, rent payments and/or refunds -- these records should clearly show the length of stay;
- Room rate sheets or cards of prices per day of each room;
- Income tax returns, transient occupancy tax returns along with exemption certificates, and worksheets used to prepare tax returns;
- Bank statements, deposit receipts, and day books (note: it is recommended that you maintain a separate bank account for each rental property);
- Journals, general ledgers, or any other records, plus the detailed records from which the data was accumulated.

(Santa Cruz Municipal Code Section 3.28.110)

## 12. How long should I keep my records?

In most cases records are required to be kept for at least **four (4) years** from the date the return was due or filed, whichever is later. However, if a return was not filed for a period when it was required or if any fraudulent return was filed, records are required to be kept indefinitely. The Director of Finance has the right to inspect records at all reasonable times. (Santa Cruz Municipal Code Section 3.28.110)

## 13. Do I need a Transient Occupancy Tax Certificate?

If you are renting to anyone staying for thirty (30) consecutive days or less at a time, you are required to obtain a Transient Occupancy Registration Certificate and to post it at all times in a conspicuous place in your rental unit. You must register with the director of finance within thirty (30) days after commencing business. (Santa Cruz Municipal Code Section 3.28.060)



**14. I rent a room out in my home via an internet website; is my rental subject to TOT?**

**Yes**, if you are renting the room out for thirty (30) consecutive days or less the rental is subject to TOT. Any structure or portion of any structure that is rented out is subject to TOT. The method used to advertise and/or book rentals, whether through a property management company, an online service (such as VRBO, AirBNB, Homeaway or FlipKey), is not a determining factor. (Santa Cruz Municipal Code Section 3.28.020(2))

**15. I have a neighbor that is renting his/her residence as a short-term rental. I don't think they are collecting/remitting TOT. What can I do?**

Contact the Revenue Division of the City of Santa Cruz at (831) 420-5070 or via Email at [Revenue@cityofsantacruz.com](mailto:Revenue@cityofsantacruz.com) and provide us as much information as possible (e.g., the address of rental, owner's name and contact information).

**16. We plan to sell, or close, the business. What do we need to do about our Transient Occupancy Tax Certificate?**

In either event, contact our office – (831) 450-5070 or by Email at [Revenue@cityofsantacruz.com](mailto:Revenue@cityofsantacruz.com) – so that we can assist you. If you plan on closing your business, you must notify us. If necessary, our staff will assist you in preparing a final report. If you are selling the business, we will assist the seller with obtaining a new Transient Occupancy Certificate.

**17. There has been a change in ownership or a change to other information contained on my registration form, what should I do?**

Contact the Revenue office and request a new registration form or download the Registration form from this website. Complete the form with the new information and return it to the City of Santa Cruz Finance Department.

**18. I misplaced my Transient Occupancy Tax reporting form and need a replacement, what should I do?**

You may download a blank reporting form from the City's website:  
<http://www.cityofsantacruz.com/departments/finance/licenses-fees-and-taxes/transient-occupancy-tax>

**19. Where do I mail my Transient Occupancy Tax return?**

Revenue Division  
City of Santa Cruz Finance Department  
809 Center St, Room 101  
Santa Cruz, CA 95060

**20. Whom do I contact if I have additional questions?**

For further questions or assistance, contact Revenue Division of the Finance Department at (831) 450-5070 or by E-mail at [Revenue@cityofsantacruz.com](mailto:Revenue@cityofsantacruz.com).



**Disclaimer**

This information is presented for general guidance only. It does not provide specific advice about a particular set of facts and may not be relied upon as a defense to a complaint alleging any violation of the TOT ordinance. Please refer to Chapter 3.28 of the City of Santa Cruz Municipal Code/Transient Occupancy Tax, for applicable law.