Transient Occupancy Tax (Hotel Tax)

Definition and Examples

This is a tax on the rental of accommodations for stays of less than 30 days.

The transient occupancy tax is also known as the hotel tax. Currently the City imposes a 14% hotel tax, which is collected by hotel operators and short-term rental hosts/sites, and remitted to the City.

Establishment and Administration

This tax can be proposed as either a general tax or a dedicated tax. Upon majority approval by the Board of Supervisors, a general tax version of this proposal would require a 50% majority of San Francisco voters, while a dedicated version of this proposal would require a 2/3rds majority of San Francisco voters.

The tax is collected by hotel operators from guests and remitted to the Treasurer Tax Collector. Increasing the tax rate would not impose any additional administrative burden on the City.

Expenditures

Revenue generated by a transient occupancy tax could be used for any City purposes. The tax could also be dedicated for specific City transportation purposes.

Revenues

Revenue estimates are based on current hotel tax collections. Increasing the hotel tax rate by 0.5 - 1% would generate approximately:

- First year (2018/19): $13 - $26 million
- 25-year total (in $2017): $325 - $650 million

Hotel tax revenue is dependent on the number of occupied rooms and room rates. This revenue tends to rise and fall with the business cycle. A lot of hotel business in San Francisco is driven by large conferences, so event venue closures, such as the current Moscone Center closer, can have significant demand effects and reduce levels of revenue.

Policy and Equity Considerations

A transient occupancy tax would not influence transportation behavior in the way other revenue mechanisms such as direct parking or fuel charges can.

San Francisco currently imposes a 14% hotel tax, which is the second highest rate in California. Increasing the tax rate to 15% would set San Francisco's hotel tax rate equal to Anaheim, which currently has the highest hotel tax rate. In addition to the 14% hotel tax, San Francisco has two tax districts that include the majority of hotels in the City: the Moscone Expansion District, and the Tourism Improvement District. These districts include the majority of hotels in the City and would increase the effective hotel tax rate by another 1.0625% to 2.25% depending on the hotel's geographic location. These district tax are collected as hotel taxes, and go back to fund projects in those specific districts.

This is a tax that directly impact visitors and business travelers. As a user-fee, it is a regressive tax. However, it would not be expected to have a disproportionate impact on low income households as it is levied on visitors and business travelers staying in San Francisco hotels and other short-term rentals.