

**TOWN OF
APPLE VALLEY, CALIFORNIA**

AGENDA MATTER

Subject Item:

LETTER IN OPPOSITION TO POTENTIAL LEGISLATION THAT WOULD UNDERMINE LOCAL TOT (TRANSIENT OCCUPATION TAX) COLLECTION

SUMMARY STATEMENT:

It has come to staff's attention that online travel companies are proposing to gut and amend a bill and insert language that would undercut TOT collection. While the Town receives little revenue from this source (about \$11,000) we still recommending opposition. Our neighboring communities as well as many cities in the State rely on this source of revenue as a major income for their General Funds.

All cities and towns have already had to make significant cuts because of declining revenues. State budget takeaways and deferrals have only compounded the issue.

The Legal dispute over the duty of online companies to remit the full amount of TOT owed to local agencies is already in the courts. That is where the issue should remain until resolved – not in state over-riding legislation.

Recommended Action:

Authorize the Mayor to sign a letter of Opposition to Potential Legislation that would undermine Local TOT collection.

Proposed by: Kevin N. Smith, Interim Finance Director

Item Number _____

T.M. Approval: _____ **Budgeted Item:** Budgeted Item Yes No N/A

**Town of Apple Valley
14955 Dale Evans Parkway
Apple Valley, CA 92307**

July 27, 2010

Senator/ Assembly Member
State Capitol, Room _____
Sacramento, CA 95814

**RE: Opposition to Potential Legislation That Would Undermine Local TOT Collection
Notice of Opposition**

Dear Senator/Assembly Member:

On behalf of the Town of Apple Valley, we request your strong opposition to any legislation that would undermine the ability of our Town or any other city to fully collect local transient occupancy tax (TOT) from online sales.

It has come to our attention that online travel companies are proposing to gut and amend a bill and insert language that would undercut TOT collection. We understand that the identified vehicle for this legislation will be SB 625 (Wright), which will soon be amended in the Assembly. The proposal is intended to pre-empt the outcome of pending litigation in California and other states regarding whether online travel companies must remit the full TOT owed to the local agency. The industry has also repeatedly tried to seek similar legislation at the federal level and has been rebuffed.

Online travel companies such as Expedia, Hotels.com, Travelocity and others collect TOT on the price the customer pays for the room but only remit the tax to the city based on the discounted wholesale room rate the online travel company pays to the hotelier. These online travel companies retain a portion of the tax they collect, claiming that it's part of the fees they collect on their sale of the hotel room. In reality, the online hotel company is retaining tax dollars that are owed to the local agency.

Although the Town of Apple Valley receives 0.1% of its general fund revenue from TOT, these funds are very important to our neighboring communities and support vital local services to those and other Cities and Towns in the State.

All cities and towns have already had to make significant cuts because of declining revenues. State budget takeaways and deferrals have only compounded the issue.

We ask for your strong opposition to any effort to undermine any and all local revenues by legislative action. The legal dispute over the duty of online companies to remit the full amount of TOT owed to local agencies is already in the courts. That is where the issue should remain.

Thank you for your attention to this important matter.

Sincerely,

Peter Allan, Mayor
Town of Apple Valley

Cc:
Michael Prozio, Secretary & Deputy Chief of Staff, Governor's Office
Dan Carrigg, Legislative Director, League of California Cities