

South Tahoe fighting to retain its fair share of TOT



Publisher's note: *The following is a letter South Lake Tahoe City Manager Dave Jinkens sent to Tahoe's congressman on July 2, 2010.*

Dear Representative (Tom) McClintock,

I am writing to express the concern of the mayor and council of South Lake Tahoe of any federal legislation that would undermine the ability of our city to fully collect local transient occupancy tax (TOT) from online sales. The City Council already has adopted policy to ensure that business operators are treated fairly and equitably in the collection of TOT and that all TOT owed the city is collected. We are seeking a level playing field in the application of this important local revenue source.

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 in the city's name, claiming that it's part of the fees they collect on their sale of the hotel room.

I am advised by the League of California Cities that in their latest attempt to avoid paying cities the full amount of TOT owed, the corporate association of online travel companies launched a misleading website www.travelersfirst.org, which encourages travelers to take action against proposed increases

on fees and taxes. The website misleads travelers into believing that local governments are attempting to levy additional taxes on travelers and encourages them to send a form to their senator. In reality, the online hotel companies are retaining tax dollars that are owed to local agencies, and are lobbying hard to get pre-emptive legislation to protect themselves against ongoing lawsuits.

The city of South Lake Tahoe receives approximately \$11 million annually from TOT with approximately \$5.6 million going to the general fund. The remainder of TOT revenue collected by the city is pledged revenue to debt retirement. These funds are very important to our community and support vital local services. In these challenging budget times, these revenues are even more critical.

Our city government is fiscally prudent, has strong financial policies in place, has a 25 percent general fund unallocated reserve, but it also has had to make indicant reductions in expenditures due to a poor economy and state takeaways. The city has successfully negotiated compensation and benefit reductions from employee groups and more reductions are underway. The city needs general fund revenues to support the provision of essential public safety services. I respectfully ask for your strong opposition to any effort by special interest groups to undermine our 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,

Dave Jinkens, South Lake Tahoe City Manager