

CITY OF OAKLAND

OFFICE OF FINANCE

REVENUE DIVISION

DIRECTOR OF FINANCE RULING NO. 2

CLASSIFICATION FOR TAXATION FOR
HOTEL OR MOTEL BUSINESSES

Reference: Section 5-1.37 and 5-1.49 of the Oakland Municipal Code

Purpose

Specifies the measure of the tax and the applicable tax rate(s) to be utilized for the taxation of operator(s) of hotel or motel facilities.

BACKGROUND

An audit of the hotels and motels showed that certain hotels “non transient” trade accounted for a substantial (in excess of 20% of total revenues) portion of an operator’s “Gross Receipts”. The ruling provides guidelines to be used by staff and/or the taxpayer in determining the tax liability.

RULING OF THE DIRECTOR OF FINANCE

Taxpayers engaged in the business of renting or leasing rooms for dwelling, sleeping or lodging shall be classified based upon the following criteria:

1. Gross receipts attributed to short-term transient trade shall be classified as “Rental of Hotel and Motel”, and shall be taxed at the rate of \$1.80 per thousand dollars of gross receipts. For purposes of this ruling, “short-term transient trade” is defined as “trade of less than a 30 day duration”.
2. Gross receipts attributed to long-term trade shall be classified as “Rental of Residential Property”, and shall be taxed at the rate of \$13.95 per thousand dollars of gross receipts. For purposes of this ruling, long-term trade shall mean that the same person remains in the hotel/motel for thirty (30) consecutive days or more, regardless of whether the room is changed during that period.

If one activity accounts for at least 80% of the total gross receipts generated at one location, the taxpayer may use the optional method of determining tax by applying the tax applicable to that business activity producing the greatest amount of gross receipts (Sec. 5-149).