
MEMORANDUM

DATE: JANUARY 5, 2010

SUBJECT: Ordinance Amendment – Innkeeper License Tax
Salt Lake City Code - 5.04.160

STAFF REPORT BY: Karen Halladay, Budget and Public Policy Analyst

AFFECTED COUNCIL DISTRICTS: ALL

BUDGET IMPACT: The goal of the ordinance amendment is to encourage on-time filing and payment of innkeeper license tax. However, there is a potential to collect \$54,000 in late fees and interest payments within the general fund.

NOTICE REQUIREMENTS: Public Hearing Date – January 5, 2010

POTENTIAL MOTIONS:

1. ["I move that the Council"] Amend Section 5.04.160, Salt Lake City Code, "Innkeeper License Tax", by changing the description of the accommodations covered by the innkeeper license tax to more closely match the description provided in the state tax code; by providing for the innkeeper license tax to be assessed quarterly rather than annually; and by providing for the imposition of penalties and interest as provided by Sections 59.4.101 and 59.4.102 of the Utah Code.

OR

2. ["I move that the Council"] Not amend Section 5.04.160, Salt Lake City Code, "Innkeeper License Tax", by changing the description of the accommodations covered by the innkeeper license tax to more closely match the description provided in the state tax code; by providing for the innkeeper license tax to be assessed quarterly rather than annually; and by providing for the imposition of penalties and interest as provided by Sections 59.4.101 and 59.4.102 of the Utah Code.

Recommendation from Administration

The Administration is asking the Council to amend the Innkeeper License Tax ordinance, 5.04.160 of Salt Lake City Code. Amendments to the ordinance include the following:

- Changing the description of accommodations covered by the innkeeper license tax to more closely match the descriptions provided by the state tax code. This change to the ordinance will pick up nightly rentals of trailer court sites, provided that they are regularly rented for less than thirty (30) consecutive days.
- Assessing the innkeeper license tax on a quarterly basis, rather than annually.
- Charging late fees and interest for 1) failure to file tax return and information, 2) failure to pay any tax due, and 3) failure to make timely payments as provided for in Utah Code Annotated Sections 59-1-401 and 59-1-402. Late filing or late payment penalties are as follows:

- For purposes of Subsection (2)(b), the penalty is an amount equal to the greater of:
 - \$20; or
 - 2% of the unpaid activated tax, fee, or charge due on the return if the return is filed 1-5 days late;
 - 5% of the unpaid activated tax, fee, or charge due on the return if the return is filed 6-15 days late;or
 - 10% of the unpaid activated tax, fee, or charge due on the return if the return is filed more than 15 days late.

Interest penalty is as follows:

- A 10% interest penalty to be charged on the unpaid or underpaid portion of the tax due.

According to information provided by the Administration, there are 87 Salt Lake City businesses with about eleven thousand (11,000) room units that are subject to the innkeeper license tax. Innkeeper license tax collections for 2008 were approximately \$2.4 million. The 2009 year-to-date innkeeper license tax collections are just under \$1.0 million. Most of the businesses do pay their tax timely. However, based on tax payments from the past six quarters roughly 10% of Salt Lake City Innkeepers may have been subject to the late filing and payment penalties, and interest charges. This could result in approximately \$54,000 in revenue to the General Fund.

SALT LAKE CITY CORPORATION

DEPARTMENT OF MANAGEMENT SERVICES
FINANCE DIVISION

CITY COUNCIL TRANSMITTAL




David Everitt, Chief of Staff

Date Received: 10/6/2009
Date sent to Council: 10/14/2009

TO: Salt Lake City Council
Carlton Christensen, Chair

DATE: Oct 1, 2009

FROM: Gordon Hoskins 
Deputy Director/Finance Director
Administrative Services

SUBJECT: Amending Ordinance 5.04.160, Salt Lake City Code, Innkeeper License Tax

STAFF CONTACT: Lisa McCarver
535-7926

DOCUMENT TYPE: Ordinance

RECOMMENDATION: That the City Council set a public hearing date to discuss the amendment of Ordinance 5.04.160.

BUDGET IMPACT: General Fund – potential impact of \$54,632 annually based on current list of late filing and unpaid Innkeepers Tax payments. The goal of the penalty would be to encourage on-time filing and payments.

BACKGROUND/DISCUSSION:

Innkeeper License Tax ordinance 5.04.160 is being amended to change the description of the accommodations covered to more closely match Utah State Code. A provision for interest and penalties is being added as allowed for in Section 59-1-401 of the Utah State Code.

SCANNED TO: Holly, David & Mayra
SCANNED BY: Paul
DATE: 10/6/09

RECEIVED
OCT 06 2009

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SALT LAKE CITY CORPORATION

DEPARTMENT OF MANAGEMENT SERVICES
FINANCE DIVISION

Currently no interest or penalties are charged for late filing or payments. Adopting this provision would allow the City to charge a late filing penalty in the amount of:

\$20 or:

- a. 2% of the unpaid tax for returns filed no later than 5 days after the due date
- b. 5% of the unpaid tax for returns filed no later than 15 days after the due date
- c. 10% of the unpaid tax for returns filed more than 15 days after the due date.

In addition, the provision allows for a 10% interest penalty to be charged on the unpaid or underpaid portion of the tax due.

PUBLIC PROCESS: Public Hearing

Ordinance No. _____ of 2009

(Amendment to Section 5.04.160, *Salt Lake City Code*, making technical corrections and authorizing imposition of penalties and interest as provided by state law.)

An ordinance amending Section 5.04.160, *Salt Lake City Code*, "Innkeeper License Tax", by changing the description of the accommodations covered by the innkeeper license tax to more closely match the description provided in the state tax code; by providing for the innkeeper license tax to be assessed quarterly rather than annually; and by providing for the imposition of penalties and interest as provided by Sections 59-4-101 and 59-4-102 of the Utah Code.

Be it ordained by the City Council of Salt Lake City, Utah:

SECTION 1. That Section 5.04.160, *Salt Lake City Code*, entitled "Innkeeper License Tax," is amended to read as follows:

5.04.160: INNKEEPER LICENSE TAX:

A. There is levied upon the business of every person, company, corporation, or other like and similar persons, groups or organizations, doing business in the city as motels, hotels, inns, trailer courts or like and similar public accommodations, a quarterly license tax equal to one percent (1%) of the gross revenue derived from the rent for each and every paid or charged site, suite, room or rooms, that are regularly rented for less than thirty (30) consecutive days.

B. For purposes of this section, gross receipts shall be computed upon the base room rental rate.

There shall be excluded from the gross revenue, by which this tax is measured:

1. The amount of any sales or use tax imposed by the state or by any other governmental agency upon a retailer or consumer;
2. The amount of any transient room tax levied under authority of title 17, chapter 31, Utah Code Annotated, 1953, as amended, or its successor;

3. Receipts from the sale or service charge for any food, beverage or room service charges in conjunction with the occupancy of the suite, room or rooms, not included in the base room rate; and

4. Charges made for supplying telephone service, gas or electrical energy service, not included in the base room rate.

C. The tax imposed by this section shall be due and payable to the city treasurer quarterly on or before the thirtieth day of the month next succeeding each calendar quarterly period, the first of such quarterly periods being the period commencing with July 1, 1982. Every person or business taxed hereunder shall on or before the thirtieth day of the month next succeeding each calendar quarterly period, file with the license office a report of its gross revenue for the preceding quarterly period. The report shall be accompanied by a remittance of the amount of tax due for the period covered by the report.

D. Any person who fails to file any tax return or information required by this section, who fails to pay any tax due hereunder, or who fails to timely pay such tax shall be subject to the imposition of penalties and interest by the city in accordance with Utah Code Annotated Sections 59-1-401 and 59-1-402, and their successor provisions.

SECTION 2. This ordinance shall take effect on the date of its first publication.

Passed by the City Council of Salt Lake City, Utah this _____ day of _____, 2009.

CHAIRPERSON

ATTEST:

CHIEF DEPUTY CITY RECORDER

Transmitted to Mayor on _____.

Mayor's Action: _____ Approved. _____ Vetoed.

MAYOR

ATTEST:

CHIEF DEPUTY CITY RECORDER

(SEAL)

Bill No. _____ of 2009.

Published: _____.

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APPROVED AS TO FORM
Salt Lake City Attorney's Office
Date 9/29/09
By [Signature]