



## Staff Report

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**File #:** 17-407

**Version:** 1

**Date:** 8/14/2017

**Item #:** 7.2a.

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**TO:** Mayor and City Council

**THROUGH:** Steve Powers, City Manager

**FROM:** Kacey Duncan, Deputy City Manager

**SUBJECT:**

Amendments to Salem Revised Code (SRC) Chapter 37 relating to the collection of Transient Occupancy Tax

Ward(s): All Wards

Councilor(s): All Councilors

Neighborhood(s): All Neighborhoods

**ISSUE:**

Shall the City Council conduct second reading of Ordinance Bill No. 19-17 which amends SRC Chapter 37 relating to Transient Occupancy Tax and declares an emergency?

**RECOMMENDATION:**

Conduct second reading of Ordinance Bill No. 19-17 which amends SRC Chapter 37 relating to Transient Occupancy Tax and declares an emergency.

**SUMMARY AND BACKGROUND:**

SRC Chapter 37 governs the collection, remittance, and administration of taxes imposed on the occupants of transient lodging located in the City of Salem. On June 12, 2017, Council adopted Ordinance Bill No. 5-17 amending the SRC to allow for short term rentals and accessory short term rentals in certain zones within the City. This Council action, coupled with industry changes to how transient lodging accommodations are transacted, made it necessary for staff to undertake a holistic review of SRC Chapter 37 and recommend modifications needed to capture these changes and to supplement the City's ability to ensure compliance. On July 24, 2017, Council voted to advance Ordinance Bill No. 19-17 to second reading.

**FACTS AND FINDINGS:**

The way in which transient lodging is reserved and the service is delivered has changed dramatically over the last several years. In addition, the City has recently adopted new SRC provisions that allow for both short term rentals and accessory short term rentals within Salem. The City's finance division has also been reorganized, and certain positions listed in SRC Chapter 37 no longer exist. A revision to SRC Chapter 37 as a whole is needed to address the many changes to the administration of

transient occupancy taxes that have occurred. The following is a summary of the proposed changes to SRC Chapter 37:

**Requirements of Operators:**

- Allowing operators additional time to compile reports by moving the due date for filing the return and payment of taxes from the 15<sup>th</sup> of the month to the last day of the month immediately following the month in which taxes were paid.
- Updating requirements regarding the registration and certificate display for Operators who have no physical address within the City.

**Penalties for Non-Compliance:**

- Increasing the penalty for continued delinquency (failure to remit payment within thirty (30) days of first becoming delinquent) from fifteen percent (15%) to twenty-five percent (25%).
- Including civil penalties to ensure compliance with the requirements of SRC Chapter 37.
- Adding a provision allowing the City to place a lien against real property when tax collection efforts have been unsuccessful.
- Allowing appeal to the Hearings Officer of any order or decision of the City's finance officer, rather than City Council.

**Definitions:**

- Including definitions of Host, Booking Agent, and Hosting Platform to help clarify who is responsible for the collection and remittance of the tax.
- Updating the definitions of Operator, Transient Lodging, and Transient to make them inclusive of the new short-term rentals in the City and current industry practices.

On July 6, 2017, a letter and a copy of the draft ordinance bill were emailed to all registered transient lodging contacts, Travel Salem, and representatives of Airbnb. The letter invited interested parties to provide comments or seek clarification regarding the proposed amendments in advance of the first reading of the ordinance on July 24, 2017. Staff received several inquiries from affected parties seeking clarification of the ordinance, but no formal comments were received.

Ordinance Bill No. 19-17 contains an emergency clause and will become effective immediately upon adoption.

Anthony Turley  
Financial Reporting Manager

**Attachments:**

1. Ordinance Bill No. 19-17 amending Salem Revised Code Chapter 37.