THE CITY OF SAN DIEGO
OFFICE OF THE CITY TREASURER
TRANSIENT OCCUPANCY TAX REGULATION

REGULATION CLARIFYING OPERATORS’ RECORDS AND INSPECTION OF SUCH RECORDS

REFERENCE: San Diego Municipal Code (SDMC) Chapter 3, Article 5, Division 1

AUTHORITY: SDMC § 35.0136

PURPOSE
This regulation provides clarification on Operators’ records and the City’s right to inspect such records to determine the amount of Transient Occupancy Tax (TOT) due to the City.

BACKGROUND
The Office of the City Treasurer is responsible for the administration of TOT in accordance with the SDMC, Chapter 3, Article 5, Division 1. It is the duty of each Operator to keep and preserve records and make them available to the City Treasurer for inspection as provided in SDMC § 35.0121; Records. The SDMC provides:

> It shall be the duty of every operator liable for the collection and payment to the city of any tax imposed by this Article to keep and preserve, for a period of three years within the boundaries of this City, all business records as may be necessary to determine the amount of such tax for which the operator is liable for collection and payment to the City. The City Treasurer and authorized deputies or agents in the exercise of duties imposed by this Article shall have the right to inspect such records at all reasonable times and to apply auditing procedures necessary to determine the amount of tax due to the City. It Shall be unlawful to refuse to allow or to permit such audit to be conducted after a lawful demand therefore by the City Treasurer, or the City Auditor when so requested by the City Treasurer.

CITY TREASURER REGULATION
1. In accordance with SDMC § 35.0121; the records necessary to determine Rent and TOT due are subject to audit and include, but are not limited to:

   - Summary of Gross Rent, Deductions, Taxable Rent and TOT collected by Month for the audit period
• Chart of Accounts
• General Ledger
• Month-end summary reports, such as property management system reports or Profit and Loss statements
• Daily summary reports
• Adjustment reports
• Detail support for transactions
• Backup for exempt revenue claimed
• Information on packages and package adjustments
• Group reservation and cancellation agreements
• Third party online travel company agreements
• Backup for Rent generated through third-party online travel companies
• Monthly tax worksheets used to calculate TOT/Tourism Marketing District (TMD) Assessments due to the City
• Annual Financial Statements and/or Tax Returns

2. Upon request, Operator shall provide all records within two (2) weeks. A one (1) week extension may be granted by the Auditor.

3. Operator is to provide records in the format requested by the Office of the City Treasurer. Records must include the data fields and date parameters (i.e. monthly or annually) requested. If records are requested in an electronic format, the files must be provided in the file type (e.g. Excel or PDF) specified in the request.

4. If records are not provided timely or made available for audit, the City Treasurer and authorized deputies or other agents may apply auditing procedures to estimate taxable Rent and TOT due. In the case of an audit, Operators shall make records available for City review and adhere to deadlines (see item 2 above) set by the City Treasurer and authorized deputies or other agents. Failure to do so may result in the City’s use of estimates of Rent and TOT due.

5. Audits will not be reopened once completed. If additional records supporting a reduction in the amount of TOT due are found after the completion of the audit, the operator may take a credit on future TOT returns and maintain documentation for review during the next audit.

6. Records must be preserved for a minimum of three (3) years. However, the scope of an audit may include a period exceeding three (3) years to ensure tax compliance for any unaudited period. If records for any period are not available and it is determined that TOT has been underreported, estimates of Rent and TOT due may be used.

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