



California Outdoor
HOSPITALITY ASSOCIATION

TOT – the Good, the Bad, the Ugly and the Reality

"Published for the benefit
of CalOHA Members"

This White Paper Series is generated for the benefit of CalOHA member parks.

© Copyright 2022 California Outdoor Hospitality Association

The Definition:

Transient Occupancy Tax (TOT) is defined by California's Taxation Code Section 7280:

7280. (a) The legislative body of any city, county, or city and county may levy a tax on the privilege of occupying a room or rooms, or other living space, in a hotel, inn, tourist home or house, motel, or other lodging unless the occupancy is for a period of more than 30 days.....for purposes of this section, "other lodging" includes, but is not limited to, a camping site or a space at a campground or recreational vehicle park.

The code continues to state that public agency campgrounds or time-share/ membership type lodging facilities are excluded and cannot be assessed.

How TOTs Are Assessed:

Individual jurisdictions pass local ordinances to assess TOTs. Prior to 1984, it was not legal to include RV parks or campgrounds. With the passage of legislation, some jurisdictions began to include them, but it has been randomly applied. If your county or city has passed a TOT ordinance and it specifically states that RV parks are included, then your park is required to collect and pay the tax. However, if RV parks and campgrounds are not specifically listed within the ordinance, then it does not apply to you. As a result, TOT taxes are not levied consistently on RV parks throughout California.

With decreasing local government funds, many jurisdictions have slashed their tourism marketing budgets. To address this challenge, many cities, counties or even cross regional groups have formed what are known as Business Improvement Districts or Areas or Tourism Improvement Districts (BIDs, BIAs or TBIDs). The marketing funds are usually managed by the local convention & visitor bureau. Some jurisdictions have chosen to form a new non-profit corporation to manage the funds. However, when a BID or TBID is formed, its marketing is much more singularly focused on the specific businesses that are assessed. So while the funds promote the region, they specifically focus on those businesses that participate by collecting the TOT.

At the same time that TBIDs or BIDs are being developed, many jurisdictions are increasing the percent of TOT and/ or expanding its scope to include RV parks and campgrounds. It is easier for politicians to increase taxes on visitors rather than their own constituents. The challenge is that not all cities or counties are familiar with the correct process to increase TOTs and do so incorrectly. Many simply have hearings and hold a vote to change the ordinance. However, with the passage of Proposition 218, the only way to pass a local tax is with a 2/3 approval of the voters. In other words, it must appear on a ballot and be voted on in an election.

Throughout the years, CampCalNOW has been able to assist campgrounds in educating their local elected officials on how to increase or expand TOT taxes. Most recently, in the town of Red Bluff, Durango RV Resort was successful in fighting an unlawful "expansion" of the tax. Red Bluff was then forced to put the TOT expansion before the voters in November. It too was defeated.

Other jurisdictions CampCalNOW has assisted include Imperial, Tuolumne, Alpine, Amador and Mendocino Counties.

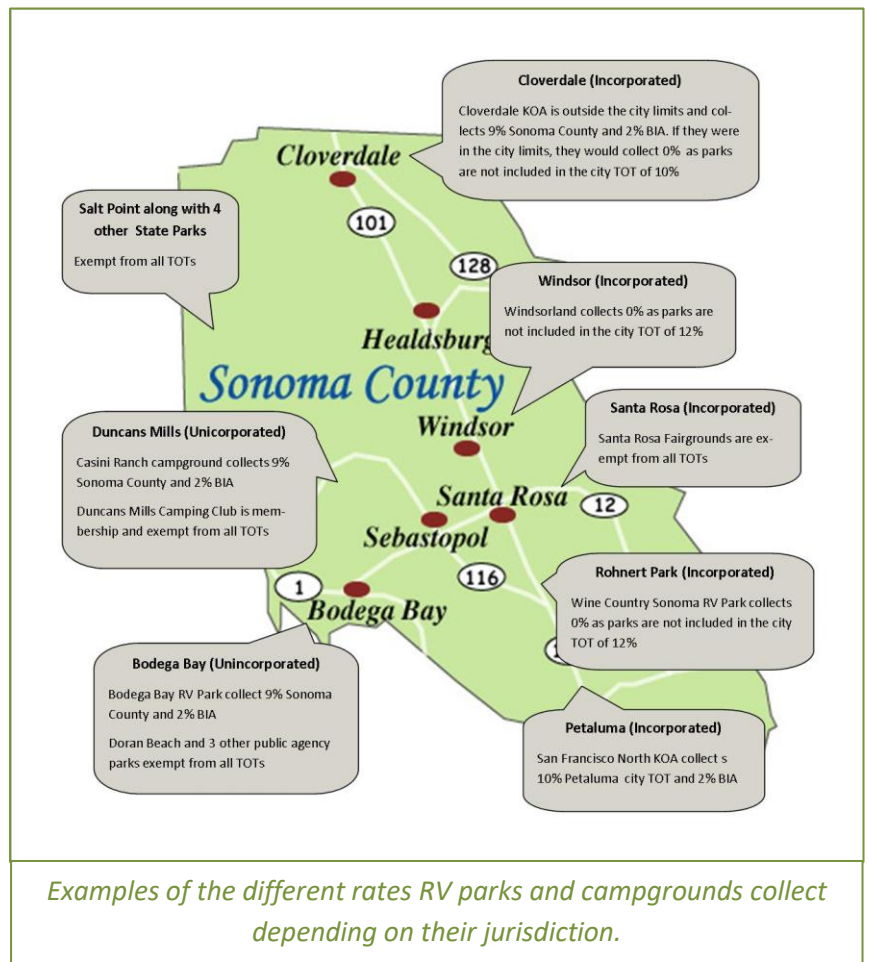
The Good:

Tourism marketing funds—either generated by TOTs or general fund revenues—are a good thing. All things being equal, RV parks and campgrounds should support tourism funding. It is well documented that for every dollar invested into tourism marketing, a minimum of \$7 is returned to the local economy by visitors.

When TOTs are used to fund tourism marketing, then they can be a powerful tool to increase business. If your park is being assessed TOTs that fund more than just local fire and police budgets, you need to make sure that your park is being included in all marketing efforts. Does your visitor bureau include camping and RVing in its lodging options? Does your visitor bureau promote outdoor recreation, including camping? When they do so, you are part of the local visitor landscape. Staying at your campground/park becomes an option to consider.

The Bad & the Ugly:

As I stated earlier, TOTs are not levied equally across California. This is true for hotels in that TOT rates vary by jurisdiction. While those same rates vary for campgrounds, the actual inclusion of RV parks in the ordinances vary as well. Parks located in Sonoma County are a perfect example. Sonoma County has a 9% TOT assessed on lodging and camp sites in unincorporated sections of the county. Additionally, a Business Improvement Area (BIA) was formed to fund marketing and tourism. This is charged at 2% in unincorporated areas of Sonoma County and in seven cities that have agreed to participate. Several cities have their own TOT. Some include RV parks. Some do not. See the Sonoma County TOT chart on page 7 to view the differences. Understand that Sonoma County is only 35 miles wide by 60 miles long.



And as we know, RVers are mobile and price conscious. Here is a list of different parks and the TOT rate charged to the consumer:

- San Francisco North/Petaluma KOA, Petaluma – 12% TOT (10% city and 2% BIA)
- Bodega Bay RV Park, Bodega Bay – 11% TOT (9% county & 2% BIA)
- Doran Beach County Park, Bodega Bay – 0% (public agency parks exempt)
- Windsorland RV Park, Windsor – 0% (city TOT of 12% does not include RV parks)
- Cloverdale KOA, Cloverdale – 11% (park is outside the city limits – the city TOT of 10% does not include RV parks)
- Casini Ranch Campground, Duncans Mills – 11% (9% county & 2% BIA)
- Duncans Mills Camping Club, Duncans Mills – 0% (membership parks are exempt)
- Salt Point State Park and four other state parks – 0% (public agency parks are exempt)

As I've stated previously, only commercial parks are assessed. City, county, state, federal and other government run parks are exempt from collecting TOT taxes. This puts commercial RV parks at a competitive disadvantage, and no place more so than in the small town of Bodega Bay. Two commercial RV parks offer 151 camp sites in Bodega Bay and collect the 9% Sonoma County TOT and the 2% BIA. However, Doran Beach & Westside campgrounds are both county regional parks and are exempt. Bodega Dunes and Wright's Beach campgrounds are both state parks and are exempt. These four campgrounds have a total of 288 TOT-exempt campsites, while there are 151 commercial campsites that must charge and collect the TOT. If you were an RVer, where would you stay?

To confuse matters more, there is one public agency exemption. If a public agency campground is contracted to be managed by a concession company, then those sites are subject to any and all TOTs specific to that jurisdiction. Shasta Cascade Trinity Recreation Area is a good example. California Park Company has the contract to manage all the National Forest Service Campgrounds within the Shasta Cascade Recreation Area. Shasta County has a 10% TOT and specifically includes RV parks and campgrounds. California Parks Company has collected TOT on all their managed Forest Service campgrounds since the beginning of their contract in 1994.

One more example of the "bad and the ugly," is when a commercial campground is competing against an Indian Casino campground. Far Horizon 49er Village RV Resort with more than 300 sites in the town of Plymouth exemplifies this challenge. There is only one other lodging facility in town, a motel with 46 rooms. Far Horizons provides the bulk of TOT revenues for this small town. Not in Plymouth, but located nearby is Jackson Rancheria Casino which provides an upscale hotel and nice RV park to make it easier for casino visitors to extend their stay. We know that profits in a casino come from gambling, and all other casino offerings are subsidized by the gambling income. In other words, the rates at the campground are lower than they would be at a non-casino commercial campground. So, not only is Far Horizons competing against a business that can charge artificial rates, it is competing against one that does not have to collect a TOT. One more injustice for Far Horizons: it is located adjacent to the local fairgrounds, which allows RVs to stay overnight when the grounds are not in use.

A final challenge for the inequity of TOTs is how it might affect club or group business. If you cater to clubs and have a robust market, TOTs could impact that business. If there is another park close by that is not affected by TOTs, they would have the advantage for this niche market. This would have a larger impact on the community as a whole with the loss of additional revenues spent at local businesses. Their rates are low and no TOT is collected.

Now the Reality:

If you are faced with a pending TOT increase or expansion, first make sure that it has been approved to be a ballot measure. If your city council or board of supervisors simply “changed or clarified” a definition or added RV parks to the ordinance without voter approval, it has not been legally done. CampCalNOW can provide resources regarding Proposition 218 and the requirements to increase or expand local taxes.

CampCalNOW can also help determine what other parks in your local area collect TOTs. We can also help provide letters to the editor and other strategies to help fight a TOT ballot measure, IF that is what you decide is best. However, you need to consider what is “best.”

If your park is faced with a TOT increase, you must assess your own situation. Will the taxes go for tourism funding? Will your park benefit from this tourism effort? What other nearby parks are required to collect TOTs? Just as important, which parks are not required to collect TOTs? How much club business do you do that would be affected by the TOT?

Each park must make the decision to support or fight increased or expanded TOTs. And not every park within the same jurisdiction will agree. Those that have bigger and better amenities might not feel the effect of new TOTs. However, do you want to get into a public political battle with a colleague? That has its own challenges and lasting effects. You must weigh the pros and cons and decide what is best for your business.



Provided for the benefit of CalOHA Members

California Outdoor Hospitality Association

PO Box 5648, Auburn, CA 95604 | (530) 885-1624 | www.CalOHA.org