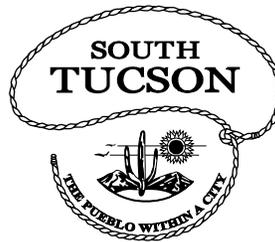


MAYOR
PAUL DIAZ
VICE MAYOR
ANITA ROMERO

COUNCIL MEMBERS
ILDEFONSO GREEN
VANESSA MENDOZA
OSCAR PATINO
MIGUEL E. ROJAS
MARY H. SOLTERO



1601 SOUTH SIXTH AVENUE
SOUTH TUCSON, AZ 85713
(520) 792-2424
FAX (520) 628-9619

CITY MANAGER
LUIS GONZALES

October 1, 2014

Business Name

Attention: Business/Property Owner or Agent
Address, City, State & Zip

Dear Business/Property Owner or Agent,

A recent and close review of City Code Chapter 11 on Licenses, Taxation and Miscellaneous Business Regulations, revealed that not all areas pertaining to taxation and fees on Transient Lodging had been properly enforced by the City. Clarification of such taxation and fees can be read on the reverse side of this letter.

Records show the City collected a 2% Occupational License Tax via the form titled "Monthly Computation of Occupational License Tax", when in fact the correct rate is 4% as delineated in Chapter 11, Section 11-77. The City will not charge the 2% difference retroactively, but will collect the correct rate of 4% per month from this point forward. Please be advised these sections of the code have been in place for more than twenty five years.

The tax rate split between privilege tax and additional transient lodging is explained and supported by City Code on the reverse side of this page. Additional information on collection and reporting is to follow by the Arizona Department of Revenue.

Should you have any questions, feel free to contact us at (520) 792-2424.

Sincerely,

City of South Tucson Finance Department

City of South Tucson

Clarification of Charges Affecting Transient Activity

Occupational License Fees:

The occupational license tax (fee) remains unchanged. As per City Code Chapter 11, Sec. 11-77, the rate to be collected by the City of South Tucson has always been 4%.

Sec. 11-77. Tax imposed; amount.

Every person who operates or causes to be operated a hotel within the city shall pay an **occupational license tax** in an amount equal to **four (4) percent** of the rent charged by the operator to a transient. The tax, when due, constitutes a debt owed by the operator to the city which is extinguished only by payment thereof to the city. If the rent is charged by the operator to the transient in installments, the tax thereon shall be due as provided herein for the calendar month in which the installment was charged. Upon the transient ceasing to occupy space in the hotel, the tax on any uncharged rent shall then be due for that calendar month.
(Code 1976, § 9.128(2))

Privilege Tax Rates:

TRANSACTION PRIVILEGE TAX

This rate remains the same at 2.5% as per City Code Chapter 11, Sec. 11-195.3.

Sec. 11-195.3. Hotels.

The tax rate shall be at an amount equal to two and one-half (2.5) percent of the gross income from the business activity upon every person engaging or continuing in the business of operating a hotel charging for lodging and/or lodging space furnished to any:

- (1) Person.
- (2) Reserved.

(Ord. No. 90-02, § 1, 8-13-90; Ord. No. 95-07, § 1, 8-14-95)

ADDITIONAL TRANSIENT TAX

This rate decreased from 2% to 1.5% as per City Code Chapter 11, Sec. 11-197

Sec. 11-197. Additional tax upon transient lodging.

In addition to the taxes levied as provided in section 11-195.3, there is hereby levied and shall be collected an additional tax in an amount equal to ~~two (2)~~ **one and one half (1.5)** percent of the gross income from the business activity of any hotel engaging or continuing within the city in the business of charging for lodging and/or lodging space furnished to any transient. "Transient" means any person who, for any period of not more than thirty (30) consecutive days, either at his own expenses or at the expense of another, obtains lodging or the use of any lodging space in any hotel for which lodging or use of lodging space a charge is made. (Ord. No. 87-02, § 1(9A-447), 7-13-87; Ord. No. 90-02, § 1, 8-13-90; Ord. No. 14-04, 9-4-14)

Secondary Property Tax:

Eliminated through the Fiscal 2015 Budgetary process.