

I. EXECUTIVE SUMMARY

The City of New Orleans (City) collects a Hotel/Motel Sales Tax of 4% on Gross Rentals less any allowable deductions¹ rented to a transient guest² on Form 8010. The City retains 1.5% of the 4% hotel tax in its general fund and distributes 1.5% to the New Orleans School Board and 1% to the Regional Transit Authority. The City also collects a Hotel Occupancy Privilege Tax. The revenue from the Occupancy Tax is placed in the New Orleans Tourist and Convention Promotion and Support Fund, and can only be used to pay the New Orleans Tourism Marketing Corporation for services rendered under a contract with the City.³

Hotels with six or more sleeping rooms are required to pay an annual Occupational License Tax.⁴ Hotels with five or fewer sleeping rooms are required to obtain an annual Mayoralty Permit⁵ in order to operate within the City limits. Each year all hotels with six or more rooms are required to file Form 8030 with the City and renew their Occupational Licenses. The cost of an Occupational License is \$2.00 per room.⁶ Mayoralty Permit renewals for hotels with five rooms or less are required to pay a flat fee based on the size of the hotel.⁷

This review sampled 24 hotels at random from a population of 277 hotels from the City's Bureau of Revenue's list of hotels.

The objectives of our review were the following:

- Determine whether hotels collected the hotel room rental tax for the City in accordance with the City Code;
- Determine whether hotels remitted the hotel room rental tax to the City in accordance with the City Code;
- Determine whether tax forms were completed timely and accurately;
- Determine whether revenue was recorded properly and interest and penalties were being assessed as per the City Code and custom; and
- Determine whether proper Occupational Licenses or Mayoralty Permits were being maintained.

¹ Deductions are permitted for rentals to the U.S., State of Louisiana and its political subdivisions' employees.

² City Code 150-874 defines a transient guest as one who pays for the room by the day or by the week.

³ City Code 150-1004.

⁴ City Code 150-952 & 969.

⁵ City Code 30-70(28) & 30-70(29).

⁶ City Code 150-969 (i) - Businesses where licenses are based on flat fees – Hotels with six or more sleeping rooms shall pay an annual license of \$2.00/sleeping room.

⁷ City Code 30-70 (28) & (29) - Hotels with less than six rooms are required to obtain a Mayoralty Permit. A flat annual fee of \$200 is due to the City for hotels with 1-2 sleeping rooms and \$600 for hotels with 3-5 sleeping rooms.

The review revealed:

1. Three hotels, 13% of the sample, collected hotel taxes and did not remit the taxes to the City. According to Louisiana Revised Statute 47:337.82, it is a criminal act to knowingly collect and not remit taxes under a local ordinance.
2. Five hotels, 21% of the sample, did not file the Occupancy section of Form 8010 accurately.
3. Six hotels, 25% of the sample, failed to file Form 8010 in a timely manner.
4. Seven hotels, 29% of the sample, under-reported Gross Rentals and/or Occupancy on Form 8010.
5. Nine hotels, 37% of the sample, did not have an accurate Mayoralty Permit or Occupational License for 2010. Four of the nine hotels, 16% of the sample, were operating without a current Mayoralty Permit or Occupational License for a portion of 2010.

The results of the review revealed that 10 hotels, 42% of the sampled hotels, did not file Form 8010 and were under-reporting Gross Rentals and/or Occupancy on Form 8010. See Figure 1 below: Summary of Findings Related to Form 8010.

It also revealed that 15 hotels (62% of the sample) were not compliant with the City Code. The noncompliance consisted of erroneous reporting of room rental revenue and occupancy on Form 8010 and/or under-reporting the number of rooms on its Mayoralty Permit or Occupational License for the first quarter of 2010.