



June 12, 2023

The Honorable Monique Limón  
Member, California State Senate  
1021 O Street, Room 6510  
Sacramento, CA 95814

**RE: SB 584 (Limón) Laborforce housing: Short-Term Rental Tax Law.**  
**Notice of OPPOSE UNLESS AMENDED (05/18/2023)**

Dear Senator Limón,

The League of California Cities (Cal Cities) regrettably must take a position of **oppose unless amended** on your measure **SB 584**, which would impose a 15% tax on the occupancy of short-term rentals. Proceeds of the tax would be used to provide grants for the creation of "laborforce housing."

**While Cal Cities finds the intent of SB 584 laudable and appreciates the author's desire to provide cities with funding for housing development, the ends do not always justify the means.** Cal Cities supports continuing efforts to reduce the cost of developing affordable housing and supports the expansion of affordable housing statewide. However, this measure takes a flawed approach by creating a statewide 15% tax on the occupancy of short-term rentals, paid for by the renter of the property. Currently, more than 400 cities and 55 counties impose a local Transient Occupancy Tax (TOT), with the most common rate being 10%. It should be noted that current TOT rates have taken a long time to reach their current levels, often being increased incrementally over many years.

For many cities, tourism and hospitality are essential economic drivers, resulting in cities relying on their local TOT as a primary source of General Fund revenue. In fact, in some instances TOT can represent over two-thirds of General Fund revenues, funding fire, police, and other essential services. Imposing a 15% statewide tax on top of existing local rates averaging 10% would cripple this critical local revenue source for these communities by making the cumulative TOT a prohibitive fiscal burden for tourism and hospitality.

This cost burden would effectively put extreme downward pressure on these communities by making it unlikely these cities will be able to raise their local TOTs in the future to appropriately fund the services that their citizens need.

Rather than directly saddling Californians and tourists with an additional tax and restricting local government's ability to meet the needs of their citizens, Cal Cities recommends levying a tax or fee on the activity identified in the bill as contributing to the housing crisis, the "commercial use of residential homes and apartments for



transient occupancies." The person/entity engaged in that activity is the home/apartment owner, not the transient lodger. Cal Cities appreciates your and your staff's willingness to engage in numerous conversations around our concerns of a statewide TOT, and we look forward to continuing negotiations as the bill progresses.

For these reasons, Cal Cities respectfully **opposes unless amended SB 584**. If you have any questions, do not hesitate to contact me at (916) 738-9062 or [btriffo@calcities.org](mailto:btriffo@calcities.org).

Sincerely,

A handwritten signature in blue ink, appearing to read "B. Triffo", with a long horizontal line extending to the right.

Ben Triffo  
Legislative Affairs, Lobbyist