

CITY OF GALENA, ILLINOIS

101 Green Street, Galena, Illinois 61036



Hotel Occupancy Tax – Frequently Asked Questions

Q. When is my Hotel Occupancy Tax Return and payment due?

A. Your Hotel Occupancy Tax Return and accompanying payment must be received the last day of the month following the month the taxes were collected. If you collected the taxes in March, the return is due by April 30th.

If a guest arrives on a Friday at the end of a month but checks out and pays their bill on the first of the next month, that Hotel Tax should be included on the return for the month in which the guest paid their bill. For instance, if they stayed the nights of June 30th and July 1st and checked out on July 2nd, that Hotel Tax should be included on your July Hotel Tax Return in its entirety. It is based on when the tax was collected, not when the guest stayed.

Q. What if no one stayed in my vacation rental during the month or my lodging property was temporarily closed?

A. Even if you did not have any guests during the month, you must still file a Hotel Occupancy Tax Return with zeros on it. This information is important to us in generating reports that monitor the health of our tourism economy.

Q. What does the City of Galena spend Hotel Occupancy Tax on?

A. The City of Galena turns over 100% of the taxes collected to the Greater Galena Marketing Inc. (GGMI), the official tourism marketing entity for Galena and Jo Daviess County, less 8% to cover the actual costs of the administration and enforcement of the Hotel Occupancy Tax.

Q. What happens if your return is late?

A. Any return that is not received by the due date is subject to a penalty of 5% and interest of 1% per month of the taxes owed. The penalty and interest are retained by the City of Galena.

Q. Why is it important that Hotel Tax Returns be submitted on time?

A. The City of Galena cannot transfer the collected Hotel Tax revenue to GGMI until all of the returns have been received for that month. In addition, we produce monthly reports that give us a fact-based look at how our lodging properties are performing monthly, as compared to previous years. This information is vital in assessing the effectiveness of the marketing efforts that GGMI is undertaking.

Q. What is Number of Rooms?

A. If you are a hotel or guest house, it is the total number of guest rooms you have. If you are a vacation rental, it is the number of units you rent out. For example, if you have a house or apartment that you rent out as a whole, it will be 1 unit. If you have a duplex and rent each side individually, that would be two units. It is not the number of rooms in each apartment, house or unit.

Q. What are room nights?

- A.** In order to accurately determine what the occupancy rate and average room rate is for Galena hotels, guest houses, and vacation rentals, we need to know what your gross revenue was for the month and the number of room nights your property booked. Room nights are not the number of rooms/units you have. It is the number of rooms/units you filled during the month.

Examples: Each time you fill a room/unit for a night that is considered a room night. If those guests stay 2 nights in that room/unit, that would be 2 room nights. If you have 5 guest rooms/units and you fill all of them on Friday and Saturday night, that would equal to 10 room nights. If there were 4 weekends in the month and all five of your rooms/units were filled for 2 nights each on every weekend in that month, that would be equal to 40 room nights.

Why it is important: Having this number accurately reported allows us to divide the gross revenue you report by the number of room nights you report to determine your average room/unit rate per night. Without this number, we must look at your web site to determine your rates and in some cases average them if they differ room to room. Likewise, rates may differ for mid-week bookings versus weekend bookings. So, it is difficult to get an accurate average room rate if we don't have the actual room night figure reported to us monthly.

It also allows us to determine your occupancy rate. If there were 30 days in the month and you have 5 rooms, you have 150 room nights possible in that month. If we know how many room nights you filled, we can calculate the percentage occupancy rate you had.

These reports help us understand whether Galena lodging facilities are doing better or worse than previous years, and we report this to our marketing entity so they can adjust marketing efforts accordingly.

Q. What is the tax rate?

A. The Hotel Occupancy Tax rate is 5 percent (.05) of gross receipts.

Q. How do I determine gross receipts from room rental? (Line 1 on Hotel Occupancy Tax Return)

A. This number is based strictly on room rate revenue. It is not the total amount your guest paid. This number should not include Galena or State of Illinois Hotel Tax the guest paid upon check out.

For instance, if you charged \$100 per night and they stayed 2 nights, your gross receipts for that guest would be \$200. If you rented your unit out at \$100 per night four weekends in a month, your total gross receipts for that month would be \$800.

Q. What is excluded from Hotel Tax?

A. Additional fees and enhancements are not subject to Hotel Occupancy Tax. If you charge a separate cleaning fee, that would not be subject to tax. For instance, if your website listing states that your room or unit rate is \$150 per night and there is an additional \$50 cleaning charge, Hotel Tax would only be paid on the \$150. This only applies to separate cleaning fees or cleaning deposits. If you do not charge for cleaning separately, you cannot deduct what it costs you to clean the room from your gross receipts.

If you offer any amenity upgrades, such as flowers, chocolates etc. at an additional cost, those costs are not subject to Hotel Tax.

You cannot deduct any costs of doing business, such as mortgage, electric, gas, water and sewer, Wi Fi, Cable TV, or included amenities such as soap, shampoo or other such amenities. Those costs should be factored in when you determine your room rate.

Q. What if someone rents my room or unit for a month or more?

A. If a guest stays more than 29 days in a row, you cannot charge Hotel Tax. It then becomes a month-to-month rental which is not subject to Hotel Tax. This applies to hotel rooms, guest rooms and vacation rental units alike.

Q. Where can I get the Hotel Occupancy Tax Return forms?

A. There is no hardcopy form. You file the monthly Hotel Occupancy Tax Return online through Localgov. See the www.cityofgalena.org website for links under Forms/Applications – Business Forms – Hotel Occupancy Tax Registration and Return.

Please contact the City of Galena at 815-777-1050 with any questions.