

Memorandum

To: Hilary Hobbs, Neighborhood Services Director, Town of Truckee
Lynn Baumgartner, Program Analyst II, Housing Division, Town of Truckee

From: Aaron Nousaine, MCRP, Principal

Date: January 16, 2026

Re: Homegrown Housing Funding Sources Evaluation

To potentially provide funding to support implementation of the Truckee Homegrown Housing Program, this memorandum explores four possible sources of locally controlled funding, including a supplemental real estate transfer tax (RETT), a transient occupancy tax (TOT) increase, a short-term rental business license fee, and a sales and use tax increase.

Please note that the revenue generation estimates provided here are based on current conditions and represent estimated revenue potential in a single year versus the cumulative revenue potential over time. The estimates are based on specific assumptions regarding tax rates and economic conditions. Actual conditions may vary; thus, the revenue estimates contained herein should be taken as general indicators of revenue potential. In addition to providing estimates of potential revenue generation, this memo also outlines key considerations for establishing or increasing each funding source, such as voter approval requirements. The evaluation also identifies stakeholder groups likely to be impacted by implementation of each funding source, such as property owners, businesses, or visitors.

Targeted Revenue Generation

Although the final revenue generation goals will likely evolve based on additional updates to the Homegrown Housing Program guidelines and anticipated subsidy levels, the Town of Truckee currently anticipates a goal of raising between \$5.5 and \$7.9 million per year in supplemental dedicated revenue that can be applied to supporting the program.

Legal Framework for Special Taxes

Under existing state law, local jurisdictions and special districts may levy a variety of special taxes, either for general or special purposes. The following section reviews the basic structure and procedures for establishing and changing local special taxes and provides examples of how much revenue may be generated through implementation of supplemental tax measures in Truckee. Because it is assumed that the Town would reserve the proceeds of a new or increased tax specifically to support the Homegrown Housing Program, this analysis assumes that any such taxes would be considered “special taxes”.

Voter Approval of Tax Measures (Prop 13 and Prop 218)

Proposition (Prop) 218 was passed by voters in 1996, resulting in an amendment to the California Constitution that requires that new local property-related tax measures be approved by public vote.¹ A general tax, which generates revenues which are available for all general governmental purposes at the discretion of the governing body, must be approved by a simple majority vote of the electorate. Under Proposition 13, a special tax, which generates revenues that are reserved for a specified purpose, must be approved by a two-thirds vote. State law also requires that votes regarding new or increased general taxes must be "...consolidated with a regularly scheduled general election for members of the governing body of the local government, except in cases of emergency declared by a unanimous vote of the governing body."² These requirements apply to all of the local taxes discussed below. Additional requirements may also apply and are identified, as appropriate, in the relevant subsections.

Transient Occupancy Tax (TOT)

California Revenue and Taxation Code section 7280, authorizes cities and counties to levy a tax on the "privilege" of occupying a room, or rooms, in a hotel, inn, tourist home or house, motel, or other lodging establishment for 30 nights or less, excluding the right of an owner of a time-share or membership camping contract to occupy their respective unit or space.³

Establishing or Changing a TOT

Transient Occupancy Taxes (TOTs) are typically structured as a percentage of the gross nightly room rent collected by the lodging provider. The California Revenue and Taxation Code authorizes all general law cities to institute a TOT.⁴ The authority of a charter city (or town) to adopt a TOT is not preempted. While the Revenue and Taxation Code broadly defines the basic levy and exemption framework for a TOT, the specifics of the levy, any additional exemptions, and local administrative procedures are left to local governments to define in the ordinance adoption process. Voter approval is necessary to establish or increase a TOT.

Existing TOT in Truckee

The Town of Truckee levies a general TOT of 12.0 percent. In addition, the Town utilizes its taxing authority to collect a 1.25 percent Tourism Business Improvement District Assessment (TBID) on lodging stays. Ten percent of the general TOT proceeds accrue to the Town's

¹ California Legislative Analyst's Office. (December 1996). Understanding Proposition 218. Available at: https://lao.ca.gov/1996/120196_prop_218/understanding_prop218_1296.html

² California Constitution, Article XIII C, Section 2. Available at: https://leginfo.legislature.ca.gov/faces/codes_displayText.xhtml?lawCode=CONS&division=&title=&part=&chapter=&article=XIII%20C

³ State of California. (November, 2025). California Revenue and Taxation Code, Chapter 1, Section 7280. Available at: https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=RTC§ionNum=7280

⁴ *Ibid.*

General Fund and can be utilized at the Town Council’s discretion, with two percent being dedicated for housing pursuant to Measure K. The TBID assessment is collected on behalf of and passed through to Visit Truckee Tahoe, Truckee’s Destination Marketing Organization. These collections accrue to a special fund and may only be spent on prescribed activities that support local tourism. At a budgeted \$6.0 million in Fiscal Year 2025-2026, the general TOT revenues represent about 13 percent of the Town’s total General Fund revenues.

As shown in Table 1, the Town’s TOT revenues have fluctuated since 2023, when TOT collections were \$6.5 million. The current budget indicates that the Town is conservatively estimating \$6.0 million in TOT revenues for the current fiscal year. In the 2024-2025 Fiscal Year, the Town had budgeted for TOT revenues of just \$5,250,000; however the actual TOT collections for the year were \$6,220,000. This information illustrates the fact that TOT revenues can vary significantly from year to year due to fluctuating economic conditions and other factors that are difficult to predict.

For the current fiscal year, TOT is the Truckee General Fund’s third largest revenue source, slightly behind sales taxes, which are budgeted at \$6.8 million for the current fiscal year. Property tax, by far, is the most important General Fund revenue source, budgeted at \$18.5 million. Based on the 12.0 percent general TOT rate and the budgeted \$6.0 million in Fiscal Year 2025-2026 TOT revenues, the estimated annual taxable lodging activity for the current fiscal year is approximately \$50 million.

Table 1: Truckee Transient Occupancy Tax (TOT) Revenues, FY 22 to FY26

	FY 2022 Actual	FY 2023 Actual	FY 2024 Actual	FY 2025 Est. Actual	FY2026 Budget
Total General Fund Revenues	\$35,791,862	\$40,373,849	\$44,734,272	\$44,952,678	\$45,984,153
General Fund Transient Occupancy Tax Revenues	\$6,860,474	\$6,484,317	\$6,054,181	\$6,220,000	\$6,000,000
<i>Share of General Fund Revenues</i>	19.2%	16.1%	13.5%	13.8%	13.0%
Estimated Taxable Lodging Proceeds	\$57,170,617	\$54,035,975	\$50,451,508	\$51,833,333	\$50,000,000

Note:

a) Excludes revenues associated with the 1.25 percent Tourism Business Improvement Assessment, which do not accrue to the General Fund.

Sources: Town of Truckee, 2025-2026 Fiscal Year Budget, 2025.

Table 2 summarizes Town data regarding TOT collections, broken out by type of property. As shown in the table, Short-Term Rentals (STR) of private homes that are rented on a nightly basis have represented the majority of the Town taxable transient lodging receipts since Fiscal Year 2021-2022 (FY22), but STRs’ share of total lodging receipts has declined over the last several years, to 54 percent in FY25. This has occurred as STR rental receipts have fallen from about \$41 million to about \$34 million while standard hotel revenues have increased

from about \$21 million to about \$24 million. Lodging revenues for properties zoned for hotel use,⁵ and for hosted short term rentals, did not change significantly from the beginning to the end of the period, although receipts in properties zoned hotel fluctuated during the period.

Table 2: Composition of Taxable Transient Lodging Receipts, FY22 to FY25

Fiscal Year	Standard Hotels	Zoned Hotel	Hosted Rentals	Short-Term Rentals	Total
FY22	\$20,635,338	\$3,852,018	\$207,512	\$41,466,180	\$66,161,048
<i>% of Total</i>	31%	6%	0.3%	63%	100%
FY23	\$24,166,321	\$2,987,259	\$279,619	\$39,871,078	\$67,304,276
<i>% of Total</i>	36%	4%	0.4%	59%	100%
FY24	\$22,946,939	\$2,557,255	\$247,002	\$34,439,310	\$60,190,507
<i>% of Total</i>	38%	4%	0.4%	57%	100%
FY25	\$24,323,431	\$4,134,981	\$187,646	\$34,002,138	\$62,648,196
<i>% of Total</i>	39%	7%	0.3%	54%	100%

Sources: Town of Truckee, 2025; BAE, 2025.

Comparison with Nearby Jurisdictions

According to data compiled by the California State Controller, base TOT rates among jurisdictions in California in 2022-2023 Fiscal Year ranged from a minimum of only 4.0 percent to a maximum of 15.5 percent and an average of 10.3 percent.⁶ The Town of Truckee falls towards the upper end of this range with its general TOT rate of 12.0 percent. However, anecdotal information suggests that some local communities may have increased their TOT rates in recent years, such that the data from the State Controller may be somewhat dated.

The total assessment, including the base TOT rate, plus any special purpose TOT levies, range from eight percent in Nevada County, to 11 or 12 percent in Eastern Placer County (depending on proximity to Lake Tahoe) to 13 percent in Washoe County (e.g., Incline Village), meaning that Truckee already collects the highest total assessment compared to neighboring jurisdictions. A further one percentage point increase in Truckee’s TOT rate would give the Town the highest total assessment among neighboring jurisdictions by 1.25 percentage points. At a total of 14.25 percent, the total assessment in Truckee would be 2.25 to 3.25 percentage points higher than the rates collected in the nearby parts of Placer County.

⁵ Includes other transient lodging property types such as Donner Lake Village, Old Greenwood, campgrounds, etc.

⁶ California State Controller’s Office (November 2024). *California Cities Transient Occupancy Taxes Revenue, Tax Rate, and Effective Date Fiscal Year 2022-23*. Available at: https://www.sco.ca.gov/Files-ARD-Local/LocRep/2022-23_City_TOT.pdf

Estimated Revenue Potential

Based on the total taxable lodging receipts reported by the Town for FY2025 of approximately \$63 million, every additional one percent TOT levy would generate about \$630,000 in additional annual TOT revenue. If the additional TOT levy were only applied to a subset of lodging operations, the revenue generation would be less. For example, if a new one percent levy was only applied to STRs (excluding hosted STRs), the new revenue generation would be approximately \$340,000 for a year.

Assessment of Stakeholder Impact

Persons visiting from outside the area who are in need of short-term overnight accommodations bear the primary burden associated with an increase in the effective TOT rate. Local residents, businesses (other than transient lodging operations), and employees will not be directly impacted, unless they need temporary short-term overnight accommodations in a local hotel, motel, or short-term rental unit. Local lodging businesses may be impacted to the extent that an increase in the local TOT rate increases the combined cost of lodging in Truckee and to the extent that a dedicated TOT for the Homegrown Housing Program would require some additional efforts in collecting the new TOT, recordkeeping, and remitting the proceeds to the Town. To the extent that consumers set the price for lodging based on their willingness to pay (i.e., the intersection of pricing and elasticity of demand), lodging providers may, in some cases, need to reduce their nightly rates to compensate; however, in instances where vacancy is low, the cost imposed by the increased TOT rate would likely be borne by the consumer. Also, to the extent that the cost of overnight accommodations impacts visitors' willingness to select Truckee as a tourism destination, the increased TOT rate may also impact other businesses and employees that are reliant upon overnight visitor spending.

Real Estate Transfer Tax

The California Documentary Transfer Tax Act of 1967 authorized jurisdictions to impose an excise tax on the privilege of transferring ownership or leasehold rights to real property,⁷ which is also commonly known as a real estate or property transfer tax or a documentary transfer tax. The maximum real estate transfer tax that may be levied under General Law is \$1.10 per \$1,000 of assessed value.⁸ This is typically levied at the county level, though general law cities are entitled to share evenly in the proceeds resulting from transfers of real property located within their jurisdiction (i.e., cities and towns receive \$0.55 per \$1,000 of value). Charter cities in California have the ability to impose additional real estate transfer or conveyance taxes without special authorizing State legislation.

⁷ State of California. (November 2025). California Revenue and Taxation Code, Chapter 2, Section 11911-11930. Available at: https://leginfo.ca.gov/faces/codes_displayText.xhtml?lawCode=RTC&division=2.&title=&part=6.7.&chapter=2.&article=

⁸ The California Revenue and Taxation Code identifies the maximum real estate transfer tax as being equal to \$0.55 per \$500 of assessed value, which is equal to \$1.10 per \$1,000 of assessed value. The higher denominator is commonly used, presumably, to simplify calculation of tax liabilities.

Changing the Real Estate Transfer Tax

To impose a supplemental real estate transfer tax, an incorporated jurisdiction must be, or become, a charter city or town. The Town of Truckee has been a charter community since its incorporation in 1995. To modify an existing charter, the Council or an elected charter commission must draft and adopt amendments to the Town Charter, which must then be ratified by a majority vote of the electorate and approved by the California Secretary of State.⁹ Charters may also be modified through a citizens' initiative. Charter may be wide ranging in their scope, availing upon all of the rights afforded to cities to manage 'municipal affairs,'¹⁰ or may be more limited.¹¹ While charter cities/towns may enjoy broader taxation powers compared to general law cities, they are still subject to Proposition 218, Article XIIC of the California Constitution, and any limitations imposed by their charter. This means that a new or increased tax must receive voter approval.

Charter Cities Real Estate Transfer Taxes

According to data published by CaliforniaCityFinance.com, 21 of the 121 charter cities in California imposed supplemental (i.e., more than \$0.55/\$1,000 local share) real estate transfer taxes as of March 2022.¹² The method for calculating the tax varies by jurisdiction. A flat tax per \$1,000 of assessed value is most common, with tax rates ranging from \$1.10 (Riverside) to \$15.00 (Albany) per \$1,000 of value. Some jurisdictions alternatively structure the transfer tax on an ad valorem basis, often including a tiered structure, with rates increasing as the value of the property increases. For example, San Francisco applies the highest real estate transfer tax of \$60 per \$1,000 of valuation (~6.0 percent); however, it is only applied to properties valued over \$25 million. Properties under \$250,000 in assessed value pay a tax of \$5.00 per \$1,000 of valuation (~0.5 percent).

⁹ State of California. (2025). California Constitution, Article XI, Section 1-15. Available at: [https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=CONS§ionNum=SEC.%203.&article=XI](https://leginfo.ca.gov/faces/codes_displaySection.xhtml?lawCode=CONS§ionNum=SEC.%203.&article=XI)

¹⁰ The home rule provision of the California Constitution authorizes a charter Town to exercise plenary authority over municipal affairs over which a Town has sovereignty, free from any constraint imposed by general law and subject only to constitutional limitations. Whether a given activity is a municipal affair or a statewide concern is not clearly defined in law and is therefore a legal determination that is settled by the courts on a case-by-case basis.

¹¹ For example, the City of San Bruno considered placement of a new Town charter on the November 2022 ballot. The charter was specifically intended to allow the Town the right to impose a real estate transfer tax on residential properties with five units or more, and on all non-residential property (e.g., commercial, industrial, etc.), at a rate of one percent of assessed value. The draft charter was narrowly written using the following language:

"...Limitation on Powers. (a) The Town shall exercise only the rights, powers and authority granted to a Town under the general laws of the State of California, unless otherwise provided in this Charter..."

¹² CaliforniaCityFinance.com. [Property Transfer Tax / Documentary Transfer Tax Rates \(March, 2022\)](http://CaliforniaCityFinance.com/PropTransfTaxRates.pdf). Available at: <http://CaliforniaCityFinance.com/PropTransfTaxRates.pdf>

It is worth noting that the Howard Jarvis Taxpayers Association is currently promoting a potential 2026 statewide ballot measure that would, if approved by California voters, cap the real estate transfer tax at \$1.10 per \$1,000 in valuation. It would also eliminate the potential for simple majority approval of special taxes when approved via citizen’s initiative.¹³ The group is currently working to qualify the measure for a statewide vote in 2026.

Existing Transfer Tax in Truckee

As presented on Table 3, the Town’s real estate transfer tax revenues can fluctuate from year to year, ranging from a low of \$342,337 in FY 2023 to an estimated high of just under \$450,000 in FY2025, representing just under one percent of total Town General Fund revenues. The Town is conservatively budgeting for \$400,000 in real estate transfer tax revenues in FY 2026. The lower part of the table estimates the total taxable real estate transactions in Truckee, based on the Town’s current local real estate transfer tax share of \$0.55 per \$1,000 in value. On average for the most recent four fiscal years, this amounts to about \$727 million in annual taxable real estate transactions.

Table 3: Historical and Budgeted Real Estate Transfer Tax Revenues

	<u>FY 2023 Actual</u>	<u>FY 2024 Actual</u>	<u>FY 2025 Est. Actual</u>	<u>FY2026 Budget</u>
Total General Fund Revenues	\$40,373,849	\$44,734,272	\$44,952,678	\$45,984,153
General Fund Real Estate				
Transfer Taxes	\$342,337	\$401,731	\$449,841	\$400,000
<i>Share of General Fund Revenues</i>	<i>0.8%</i>	<i>0.9%</i>	<i>1.0%</i>	<i>0.9%</i>
Estimated Taxable Real Estate Transactions (a)	\$622,430,909	\$730,420,000	\$817,892,727	\$727,272,727

Note:

(a) Based on the current Town share of real estate transfer tax, which is \$0.55 per \$1,000 in value.

Sources: Listsource, 2025; BAE, 2025.

Table 4, below, presents a breakdown of real estate transactions in the Town of Truckee as reported by Listsource. It is notable that Listsource reports total transactions and values that are less than the estimated value of transactions estimated based on the Town’s actual real estate transfer tax revenues reported on Table 3; nevertheless, the data in Table 4 are useful to gain a better understanding of the composition of real estate sales in Truckee. This information can help to understand who is likely to be impacted by changes in the local real estate transfer tax. As shown on Table 4, Listsource identified an average of 577 real estate sales in Truckee per year between 2020 and 2024. Transaction activity was highest in 2020, corresponding with the rapid movement of people to rural areas, such as the Lake Tahoe

¹³ Howard Jarvis Taxpayers Association. (2025). Available at: <https://www.hjta.org/california-commentary/support-the-save-proposition-13-act-of-2026/>

Table 4: Truckee Real Estate Sales Activity, 2020 to 2025 YTD

	2020	2021	2022	2023	2024	2025 YTD (a)	2020 to 2024 Average	Total 2020 to 2025 YTD
Residential								
Single-Family Residential	\$518,924,500	\$569,069,336	\$487,903,000	\$409,918,435	\$503,800,182	\$416,752,000	\$497,923,091	\$2,906,367,453
Townhouse/Row house	\$0	\$450,000	\$0	\$0	\$0	\$0	\$90,000	\$450,000
Condominium	\$33,378,000	\$62,557,000	\$45,829,500	\$44,419,000	\$56,073,000	\$42,488,000	\$48,451,300	\$284,744,500
Duplex	\$0	\$2,150,000	\$1,755,000	\$0	\$1,165,000	\$850,000	\$1,014,000	\$5,920,000
Residential Not Elsewhere Classified	\$3,698,000	\$0	\$1,205,000	\$45,000	\$2,055,500	\$1,420,000	\$1,400,700	\$8,423,500
Residential Lot	\$0	\$95,000	\$0	\$0	\$0	\$0	\$19,000	\$95,000
Sub-Total Residential	\$556,000,500	\$634,321,336	\$536,692,500	\$454,382,435	\$563,093,682	\$461,510,000	\$548,898,091	\$3,206,000,453
Number of Sales	688	623	474	410	472	382	508	3,049
Non-Residential								
Agricultural	\$3,610,000	\$750,000	\$0	\$0	\$4,400,000	\$0	\$1,752,000	\$8,760,000
Commercial Building	\$0	\$0	\$0	\$0	\$0	\$2,050,000	\$0	\$2,050,000
Commercial Condominium	\$0	\$0	\$0	\$0	\$0	\$1,600,000	\$0	\$1,600,000
Gas Production	\$0	\$0	\$0	\$0	\$0	\$459,000	\$0	\$459,000
Industrial Condominium	\$0	\$0	\$0	\$0	\$0	\$650,000	\$0	\$650,000
Office Condo	\$0	\$0	\$0	\$0	\$0	\$500,000	\$0	\$500,000
Public	\$0	\$12,000,000	\$0	\$0	\$0	\$0	\$2,400,000	\$12,000,000
Restaurant Building	\$0	\$1,700,000	\$450,000	\$0	\$0	\$0	\$430,000	\$2,150,000
Miscellaneous	\$0	\$0	\$0	\$28,000	\$3,100,000	\$1,420,000	\$625,600	\$4,548,000
Sub-Total Non Residential	\$3,610,000	\$14,450,000	\$450,000	\$28,000	\$7,500,000	\$6,679,000	\$5,207,600	\$32,717,000
Number of Sales	2	4	2	2	3	7	3	20
Vacant Land Not Elsewhere Classified	\$19,808,000	\$30,404,000	\$45,220,000	\$14,934,500	\$19,035,000	\$23,644,000	\$25,880,300	\$153,045,500
Number of Sales	90	84	64	43	66	48	66	395
GRAND TOTAL	\$579,418,500	\$691,175,336	\$582,362,500	\$469,344,935	\$589,628,682	\$491,833,000	\$582,385,991	\$3,403,762,953
Number of Sales	780	711	540	455	541	437	577	3,464

Note: (a) As of October 30, 2025.

Sources: ListSource, 2025; BAE, 2025.

region, during the COVID-19 pandemic, spurred also by historic low mortgage interest rates that fell below three percent. Since then, transaction volumes declined in line with “return to office” orders and increasing mortgage rates. The number of transactions identified by Listsource appears to have stabilized around 500 per year.

Most of the transactions identified by Listsource between 2020 and October 30, 2025 involve residential properties (88 percent), with 85 percent being for single-family residential units. Among non-residential sales, almost all transactions (66) were for vacant land not classified as either residential or non-residential, and only a few sales involved properties developed or designated for specific non-residential uses. As shown in Table 4 the average annual value of property sales transactions identified by Listsource in Truckee from 2020 through 2024 was approximately \$582 million, of which 94 percent was residential properties. The average price of single-family homes sold in 2024 was approximately \$1.3 million.

Comparison with Nearby Jurisdictions

In Nevada County, including the unincorporated area and the cities of Nevada City and Grass Valley, the property transfer tax rate is \$1.10 per \$1,000 in value. It is notable that Grass Valley is a charter city, but it has not elected to increase its property transfer tax rate. Within unincorporated Placer County, the property transfer tax rate is \$1.10 per \$1,000 in value. In Washoe County (including locations in Incline Village) the property transfer tax rate is \$2.05 per \$500 in value, or the equivalent of \$4.10 per \$1,000 in value. This includes a Nevada statewide rate of \$1.95 per \$500 plus a Washoe County rate of \$0.10 per \$500.

Estimated Revenue Potential

Revenue generation associated with imposition of a local real estate transfer tax, above and beyond that authorized under State law for general law cities, is highly dependent on three key factors. These include the applicable tax rate(s), as well as the number and pricing of sales or transfers that occur within the jurisdiction, which can vary significantly from year to year. Table 7, on the following page, reports the estimated revenue that may be generated through imposition of an increased local real estate transfer tax, under specific sales volumes and average transaction values as noted at the top of the table. The table assumes the real estate transfer tax is structured as a flat rate per \$1,000 of value, or as a percent of the sale value.

The middle part of the table calculates the additional property transfer tax revenues that would accrue to the Town of Truckee for a given increase in the local real estate transfer tax level for residential transactions and non-residential transactions. The “Add-On” columns show the amount of new real estate transfer tax revenues that would accrue to the Town, compared to retaining the existing \$0.55 per \$1,000 local tax amount. For example, if the local tax amount is increased from \$0.55/\$1,000 to \$1.00/\$1,000, the Town would generate an additional \$308,700 in annual revenues from residential transactions, and \$17,550 in new revenues from non-residential transaction.

Table 5 also calculates the impact of potential local real estate transfer tax rate increases on the average property sale for residential and non-residential transactions. The “% of Value” columns show the local real estate transfer tax burden columns show the additional property transfer tax paid as a result of a specified potential local real estate transfer tax increase. For example, the table shows that if the Town were to raise the local real estate transfer tax rate to \$1.00 per \$1,000 in value, the tax on an average residential transaction, valued at \$1,080,200, would be \$1,080, which would represent 0.1 percent of the transaction amount, generating an additional \$486 per transaction, on average, for the Town.

Table 5: Estimated Revenue Generation from Increased Real Estate Transfer Tax, Flat Rate Per \$1,000 of Value

	Residential		Non-Residential	
Avg. Transaction Value (a)	\$1,080,154		\$449,464	(c)
Gross Sales Value (b)	\$686,000,000		\$39,000,000	(c)

Potential Total Annual Town of Truckee Transfer Tax Revenues, by Tax Rate

Local Rate per \$1,000 of Value (d)	Estimated Residential Tax Revenue		Estimated Non-Residential Tax Revenue	
	Gross	Add-On (e)	Gross	Add-On (e)
	0.55 (Existing)	\$377,300	\$0	\$21,450
\$1.00	\$686,000	\$308,700	\$39,000	\$17,550
\$2.00	\$1,372,000	\$994,700	\$78,000	\$56,550
\$3.00	\$2,058,000	\$1,680,700	\$117,000	\$95,550
\$4.00	\$2,744,000	\$2,366,700	\$156,000	\$134,550
\$5.00	\$3,430,000	\$3,052,700	\$195,000	\$173,550
\$10.00	\$6,860,000	\$6,482,700	\$390,000	\$368,550
\$15.00	\$10,290,000	\$9,912,700	\$585,000	\$563,550

Potential Transfer Tax Amounts Paid Per Transaction, by Tax Rate (f)

Local Rate per \$1,000 of Value (d)	Tax Revenue			Tax Revenue		
	Gross (g)	% of Value	Add-On (e)	Gross (g)	% of Value	Add-On (e)
0.55 (Existing)	\$594	0.06%	\$0	\$247	0.06%	\$0
\$1.00	\$1,080	0.10%	\$486	\$449	0.10%	\$202
\$2.00	\$2,160	0.20%	\$1,566	\$899	0.20%	\$652
\$3.00	\$3,240	0.30%	\$2,646	\$1,348	0.30%	\$1,101
\$4.00	\$4,321	0.40%	\$3,727	\$1,798	0.40%	\$1,551
\$5.00	\$5,401	0.50%	\$4,807	\$2,247	0.50%	\$2,000
\$10.00	\$10,802	1.00%	\$10,207	\$4,495	1.00%	\$4,247
\$15.00	\$16,202	1.50%	\$15,608	\$6,742	1.50%	\$6,495

Notes:
 (a) Based on Truckee 2020 to 2024 averages for transactions reported by Listsource on Table 4.
 (b) Estimated based on estimated taxable real estate transactions in Truckee from Table 3, and percentage split of residential and non-residential transactions reported by Listsource from Table 4.
 (c) Includes sales of land not elsewhere classified.
 (d) The amount levied and retained by the Town of Truckee. Does not include the portion of property transfer tax retained by Nevada County.
 (e) The additional amount transfer tax levied and retained by the Town of Truckee as a result of a potential increase in the local base rate from the current \$0.55/\$1,000 in value.
 (f) Based on average transaction values reported by Listsource on Table 4. Reflects only Town share of real estate transfer tax.

Sources: Town of Truckee, 2025; Listsource, 2025; BAE, 2025.

Assessment of Stakeholder Impact

The burden associated with an increase in the local real estate transfer tax rate would fall on the buyers and sellers of real property. Most transactions that trigger payment of real estate property transfer taxes in Truckee involve residential property, of which most are single-family home sales. Real estate transfer taxes are collected as part of the escrow process for sale of a property and the payment of transfer taxes and other incidental costs is subject to negotiation between the buyer and the seller. The costs borne by the seller and the buyer are dictated by prevailing market dynamics (e.g., demand outstripping supply can result in buyers agreeing to cover more costs), as well as the particular circumstances of an individual property transaction.

To the extent that the buyer must pay a portion, if not all, of the real estate transfer tax for a residential property, a significant increase in the local real estate transfer tax rate may function to make home ownership less affordable (i.e., higher up-front cost to the buyer). However, this concern may be mitigated to some extent through the use of a tiered rate structure, like that in use in communities like Oakland, Richmond, and San Francisco, where higher rates apply only to more expensive homes.

For owner-lessors of non-residential properties or rental housing properties, an increased real estate transfer tax may increase the cost of acquiring property for their operations and they, in turn, may try to recoup their increased capital investment by charging tenants increased rents, if market dynamics allow. For owner-users of non-residential properties, this could increase their cost of doing business, which they may try to pass on to customers. For owner-users, this may factor into decisions about the affordability of Truckee as a business location, versus other suitable locations.

Alternative Business Taxes

Local jurisdictions in California apply various approaches to generating revenue through taxation of local business activity. Some local governments shy away from taxes that expressly penalize revenue generation and/or jobs creation, others more openly recognize the relationship between business activity, employment generation, and local efforts to address workforce housing and related infrastructure needs. As a result, some local governments levy minimal business license fees intended to offset administrative costs associated with license issuance and compliance monitoring, while others levy other supplemental business taxes. The Town of Truckee does not currently have a general business license requirement, but is considering adoption of an additional business license tax on short-term rental certificates. Recognizing that short-term rental uses are already subject to TOT, this analysis primarily assumes that a short-term rental business license tax would be administered as a flat rate, either one-time or with an annual renewal requirement.

Business License Fees in Nearby Jurisdictions

Neither the Town of Truckee or Nevada County currently require a business license and/or associated fee. The Town however, does currently require payment of a \$426 annual fee for renewal of short-term rental registrations. BAE is not aware of a jurisdiction that applies a business license tax on short-term rental operations only in the way that is currently being considered; although the examples below provide precedent for differentiating business license and fee requirements by business type and gross revenue receipts value.

Grass Valley and Nevada City require business licenses and charge fees based on the size of the business as measured by the number of employees. In Nevada City, the annual fee rates range from \$138 per year for businesses with less than ten employees, to \$202 for businesses with ten or more employees. In Grass Valley, the annual fee ranges from \$63 for businesses with one to five employees, to \$378 for businesses with 26 to 30 employees, or \$12.60 per employee for businesses with 31 or more employees.

Placer County requires any resident or non-resident doing business in the unincorporated areas of Placer County to obtain a business license. A general business license is required for 1) businesses operating commercial locations, and 2) home-based businesses, while a special business license is required for 3) businesses that require additional regulation and review by the County Sheriff's Department, certification of compliance by other county departments, and/or state and federal regulation. Business license fees in unincorporated Placer County range from \$111 to \$131, with an annual renewal fee of \$20.

The City of Reno, by comparison, requires a business license for any business activity that is physically conducted within the City limits. Business license applications in Reno are reviewed by a variety of City departments, as well as Northern Nevada Public Health. Business license fees are tiered based on gross receipts, with fees ranging from \$70 to \$150 for the first \$100,000 of gross revenue. For business with gross receipts over \$100,000, the City of Reno applies a tax rate of 0.00085 for gross receipts up to \$5.0 million, and 0.00065 for gross receipts over \$5.0 million, plus a base fee. The City of South Lake Tahoe currently levies business license fees based on gross receipts using a graduated rate scale ranging from \$1.07 to \$2.69 per \$1,000 of gross receipts.¹⁴ Washoe County uses a similar model.

Other jurisdictions utilize still other taxation models. The City of Santa Clara, for example, levies a tax of \$45 per employee, and \$15 per rental unit for landlords. Until recently, San Francisco levied both a gross receipts tax and what is known as a payroll expense tax.

Establishing an Administrative Business License Tax

Business license fees levied by local jurisdictions with the express goal of offsetting the cost of providing services to businesses in the form of license issuance and compliance monitoring

¹⁴ City of South Lake Tahoe. (FY 2022-2023). *City of South Lake Tahoe Business and Professions Tax: New Application Form*. Available at: <https://www.cityofslt.us/DocumentCenter/View/16968/BLN-Packet-22-23-PDF?bidId=>

are considered administrative fees, rather than taxes, and may be instituted by ordinance without a public vote. Supplemental business taxes intended to generate general or special purpose revenue for a jurisdiction beyond regulatory cost recovery, whether structured as flat taxes, gross receipts taxes, payroll taxes, or employee headcount taxes, are subject to the same voter approval requirements as other local taxes.

Existing Payroll and Headcount Taxes

San Francisco, CA - As noted above, prior to 2020 the City and County of San Francisco levied both a gross receipts and a payroll expense tax. Under the Business and Tax Regulations Code, 'payroll expense' was defined to include all salaries, wages, bonuses, commissions, stock options, and other compensation for services to owners of pass-through entities.¹⁵ There were a variety of business categories that were exempt based on applicable state and federal law, including for non-profits, skilled nursing facilities, and certain banks, insurance companies, and financial corporations, among other categories. There were also local exclusions and incentives aimed at facilitating economic development and job creation, including for businesses active in clean technology and film production, as well as for businesses located in the Central Market Street and Tenderloin area. The applicable payroll expense rate as of 2018 was 0.38 percent. With passage of Proposition F in November 2020, voters repealed the payroll expense tax and increased the gross receipts tax rate across most industries, while providing more relief to small businesses.

Santa Clara, CA – The City of Santa Clara hosts offices for a variety of large tech companies, including Applied Materials, Intel, Advanced Micro Devices, and Nvidia, among others. Prior to voter approval of new business tax reforms in late 2022, the City's business license structures had not been updated since 1992. The existing tax structure charged between \$15 and \$500 based on a business's industry sector and number of employees. With the maximum payment for businesses with 500 or more employees capped at \$500, local tax reform advocates argued that the existing tax structure did not require the city's largest companies to pay their fair share for City services and infrastructure. With voter approval of Measure H in November 2022, the business license tax was increased to \$45 per employee and \$15 per rental unit for landlords. The revised tax structure is projected to generate around six million dollars per year until ended by voters, with periodic independent financial audits.

Estimated Revenue Potential

The upper part of Table 6 calculates the amount of revenue that would be generated based on the imposition of a flat STR business license tax of \$50, \$100, or \$200 per year, per STR unit. The table estimates the potential revenue generation from a possible STR license tax in the Town of Truckee. The tax base is assumed as the maximum 1,255 STR units that are

¹⁵ For more information on the San Francisco payroll expense tax prior to its repeal in 2020, please visit: <https://sftreasurer.org/media/513/download?attachment> and https://sftreasurer.org/files/2019-08/BT_Payroll%20Expense%20Tax%20Rate%20Memeo_07.01.19.pdf

permitted within Truckee under current regulations. As shown in the table, the potential annual revenue could range from just under \$63,000 per year to just over \$251,000 per year.

The lower part of Table 6 estimates the potential generation of revenue from the imposition of a gross receipts-based STR business license tax at rates of 1.0 percent, 2.0 percent, or 3.0 percent of gross receipts, similar to a TOT. The tax base for the purpose of this calculation is the STR gross receipts associated with the Town of Truckee’s Fiscal Year 2024-2025 TOT revenues from STR units (not including hosted rentals). As shown in the table, the potential revenue generation at the tested levels would range from approximately \$340,000 per year to approximately \$1,020,000 per year.

Table 6: Potential STR License Tax Revenue

Flat-Rate Per Unit-Based Fee	
Total Permitted STR Units in Truckee	1,255
	Potential Annual Revenues
Flat Licensing Fee Per Unit (Annual)	
\$50	\$62,750
\$100	\$125,500
\$200	\$251,000
Gross Receipts-Based Fee	
STR Gross Receipts in Truckee (2025)	\$34,002,138
	Potential Annual Revenues
Gross Receipts Fee (Annual)	
1.00%	\$340,021
2.00%	\$680,043
3.00%	\$1,020,064

Sources: Town of Truckee, 2025; BAE, 2025.

Assessment of Stakeholder Impact

The burden associated with imposition of a business license tax or gross receipts tax would fall to business owners and operators. A flat tax would impact short-term rental operators equally, while a per unit flat fee would scale the burden base on the operation size. A gross receipts tax would also scale based on the size of the short-term rental operation; but would also function similar to a TOT. To the extent that demand for STR stays is strong, it is likely that STR operators would be able to pass on the additional cost of a special STR business license tax to their guests via increased nightly rates, meaning that the burden would primarily fall on visitors from outside the area. However, if demand for STR softens, operators may feel the

need to maintain pricing levels and the operators themselves would need to absorb the cost, therefore reducing their net income. The cap on the number of STRs allowed to operate in the Town is likely to help maintain a strong supply-demand dynamic for STR stays, increasing the likelihood that the cost could be passed on to consumers. Imposition of a business license tax could also encourage turnover of unused or infrequently used STR permits by increasing the holders carrying cost. Similar to a TOT, to the extent that the cost of overnight accommodations impacts visitors' willingness to select Truckee as a tourism destination, imposition of an additional business license tax on STRs may also impact other businesses and employees that are reliant upon overnight visitor spending.

Sales and Use Tax

The Bradley-Burns Uniform Local Sales and Use Tax Law of 1955 formally authorized local jurisdictions to impose local sales and use taxes on the privilege of selling tangible property at retail, as well as on the storage, use, or other consumption of tangible personal property purchased from a retailer.¹⁶ This authority was subsequently augmented by Senate Bill (SB) 566 in 2003.¹⁷ While sales tax is imposed on retailers, and then typically passed through to consumers, the use tax is imposed directly on the purchaser. The State of California imposes a sales and use tax rate of six percent and a supplemental uniform local tax of 1.25 percent that is split between the Town and county, for a combined rate of 7.25 percent. SB 566 legally authorized all cities in California to levy additional local sales taxes, also known as district taxes, but established a cap on the combined value at two percent over the statutory 7.25 percent. While passage of SB 566 theoretically caps the combined sales and use tax rate at 9.25 percent, the California legislature has routinely allowed local governments to petition for special legislation authorizing local sales taxes above that authorized by SB 566.¹⁸

Changing the Sales and Use Tax

Passage of a new local sales and use tax measure is subject to the same voter approval requirements as other local tax measures. Increasing the local sales tax rate beyond the statutory two percent requires the passage of special state legislation.

¹⁶ State of California. (November, 2025). [California Revenue and Taxation Code, Chapter 1, Section 7200-7212](#). Available at: https://leginfo.ca.gov/faces/codes_displayText.xhtml?lawCode=RTC&division=2.&title%20=&part=1.5.&chapter=1.&article=

¹⁷ State of California. (November, 2025). Revenue and Taxation Code, Chapter 1, Sections 7251.1-7251.4. Available at: <https://cdtfa.ca.gov/lawguides/vol1/tutl/transactions-and-use-tax-law-ch1-all.html#7251-1>

¹⁸ According to the California Department of Tax and Fee Administration (CDTFA), there are 159 jurisdictions, out of 541 reported, or around 29 percent, that have combined sales tax rates of more than 9.25 percent with a maximum of 11.25 percent in the Los Angeles County cities of Palmdale and Lancaster. Outside of the greater San Francisco Bay Area and Los Angeles County, the only jurisdictions with total sales tax rates of more than 9.5 percent are Arcata, Blue Lake, and Eureka, in Humboldt County; Santa Cruz, Scotts Valley, and Watsonville in Santa Cruz County. Available at: <https://cdtfa.ca.gov/taxes-and-fees/sales-use-tax-rates.htm>

Existing Sales Tax in Truckee

The sales tax rate within the Town of Truckee is 9.0 percent the Town of Truckee could increase the local sales tax by up to 0.25 percent before reaching the statutory limit of 9.25 percent. For increases that would take the total sales tax rate beyond 9.25 percent, the Town would have to seek special legislation allowing the increase, along with seeking local voter approval.

Comparison with Nearby Jurisdictions

According to data published by the California Department of Tax and Fee Administration (CDTFA), the City of South Lake Tahoe and the Town of Truckee are the only jurisdictions in the Lake Tahoe region to levy supplemental sales taxes.¹⁹ At 8.75 percent, South Lake Tahoe's sales tax rate is just below Truckee's current rate. The sales tax rates in unincorporated Placer County and unincorporated El Dorado County are both at the statewide base rate of 7.25 percent, while the rate in unincorporated Nevada County is slightly higher, at 7.50 percent. In Colfax, the rate is 7.25 percent, and in both Nevada City and Grass Valley, the rate is 8.875 percent.

The applicable rates in nearby parts of Nevada range from 7.1 percent in Douglas County to 7.6 percent in Carson City, and 8.265 percent in Washoe County, including Reno, Sparks, and Incline Village.

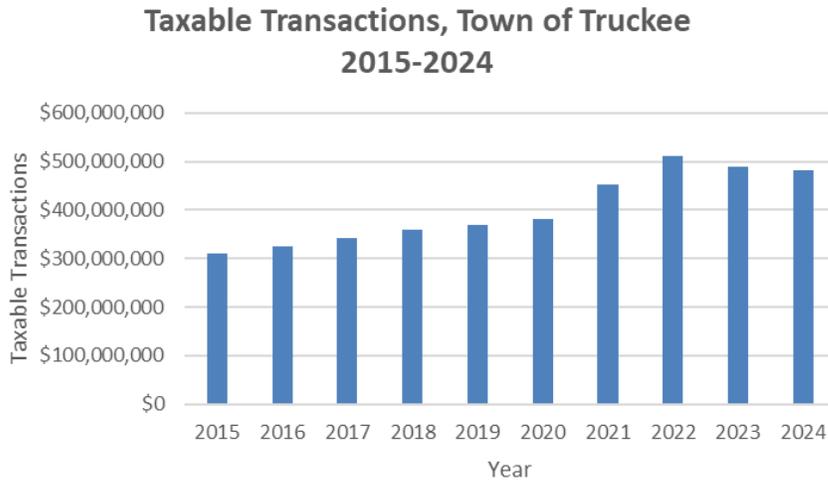
Estimated Revenue Potential

According to the CDTFA, taxable sales originating with outlets located in the Town of Truckee totaled \$483 million in 2024. Figure 1, on the following page, illustrates the overall trend in taxable sales in Truckee from 2015 to 2024. The figure shows slow growth in taxable sales through 2020, followed by substantial growth in 2021 and 2022 during the pandemic recovery. Sales levels decreased slightly in 2023 and 2024. This pattern may correlate with the large influx of residents and visitors immediately following the relaxation of COVID restrictions and the trend towards remote work, followed by some loss of population after "return to office" orders started to take effect for many workplaces.

Based on a taxable base of \$483 million in local sales, each 0.25 percent increase in the local sales tax rate could potentially raise an additional \$1.2 million in revenues each year, assuming that consumers do not respond to the tax increase by reducing consumption or shifting their purchases to other jurisdictions with lower sales tax rates.

¹⁹ <https://cdtfa.ca.gov/taxes-and-fees/rates.aspx>

Figure 1: Total Taxable Sales, Town of Truckee 2015-2024



Source: California Department of Taxation and Fee Administration (CDTFA), Taxable Sales – Cities by Type of Business (Taxable Table 4), 2025.

Assessment of Stakeholder Impact

Sales tax measures are generally considered regressive in that they proportionately impact lower-income households to a greater extent than higher income households. This is because lower-income households spend a greater proportion of their total income each year on taxable goods and consequently spend a greater proportion of their income on sales taxes. In the case of an increased sales and use tax in a visitor-oriented market like Truckee, a significant portion of the increased tax burden would fall on out of town visitors (both overnight and day-trippers) who contribute to the local taxable sales. However, to the extent that full-time residents and local workforce households purchase retail goods and services within the community, versus conducting their shopping in other nearby consumer markets like Reno or Grass Valley, these households would be impacted by increased taxation.