Hotel Occupancy Tax (HOT)

Under the Tax Code, every event, program, or facility funded with hotel occupancy tax revenues must be likely to do two things:
1) directly promote tourism; and
2) directly promote the convention and hotel industry.

"Tourism" is defined under Texas law as guiding or managing individuals who are traveling to a different, city, county, state, or country. A "direct" promotion of the convention and hotel industry has been consistently interpreted by the Texas Attorney General as a program, event, or facility likely to cause increased hotel or convention activity. This activity may result from hotel or convention guests that are already in town and choose to attend the hotel tax funded facility or arts or historical event, or it may result from individuals who come from another city or county to stay in an area lodging property at least in part to attend the event or facility.

There is no statutory formula for determining the level of impact an event must have to satisfy the requirement to directly promote tourism and hotel and convention activity. A community picnic, local parade, educational class, or other similar type of event is not likely to attract tourists and hotel guests and would likely not be eligible for hotel occupancy tax funding.

The nine categories for expenditure of the hotel occupancy tax are:
1) Funding the establishment, improvement, or maintenance of a convention center or visitor information center.
2) Paying the administrative costs for facilitating convention registration
3) Paying for advertising, solicitations, and promotions that attract tourists and convention delegates to the city or its vicinity.
4) Expenditures that promote the arts.
5) Funding historical restoration or preservation programs.
6) Funding certain expenses, including promotional expenses, directly related to a sporting event within counties with a population of under 1 million.
7) Funding the enhancement or upgrading of existing sports facilities or sports fields for certain municipalities (*Plano does not qualify*).
8) Funding transportation systems for tourists
9) Signage directing tourists to sights and attractions visited frequently by hotel guests.

Cities with a population of 200,000 or greater (except Houston): In addition to the general two part test for all expenditures of the hotel occupancy tax revenue, these cities have certain specific expenditure limitations that apply to their handling of the local hotel occupancy tax.

- A city with a population of at least 200,000 may not expend more than the greater of either 15 percent of the hotel occupancy tax revenue collected or the amount of tax received by the city at the rate of 1 percent of the cost of a room on promotion of the arts.
- A city with a population of more than 125,000 may not spend more than 15 percent of its hotel occupancy tax revenue on historical restoration and preservation programs.

HOT revenue	15% for Arts	15% for Heritage	