

# HOTEL OCCUPANCY TAX

## Who is responsible for this tax?

Hotel owners, operators or managers must collect *state* hotel occupancy tax from their guests who rent a room or space in a hotel costing \$15 or more each day. The tax applies not only to hotels and motels, but also to bed and breakfasts, condominiums, apartments and houses. *Local hotel taxes apply to sleeping rooms costing \$2 or more each day.*

With the numerous sporting and entertainment events around the state, many homeowners rent their homes or rooms in their house to people attending these events. Persons leasing their houses must collect hotel occupancy tax from their customers in the same way a hotel or motel collects the tax from its guests. Property management companies, online travel companies and other third-party rental companies may also be responsible for collecting the tax.

## Rates

The state hotel occupancy tax rate is 6 percent (.06) of the cost of a room.

*Cities* and certain *counties* and special purpose districts are authorized to impose an additional local hotel tax that the local taxing authority collects.

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## Due Date

Monthly: 20th day of the month following the end of each calendar month (for example, April 20 for March activity). Quarterly (if qualified): 20th day of the month following end of the calendar quarter (for example, April 20 for first quarter activity).

## Discounts

When this tax is filed and paid by the due date, taxpayers may apply a 1 percent discount of the tax due on a monthly or quarterly return.

## Local HOT Uses

Under Texas law, local HOT revenue can be used only to directly promote tourism and the convention/hotel industry. This means the proceeds should be spent on projects or events that result in visitors or attendees staying overnight in the community, generating more hotel occupancy tax. The Texas Municipal League describes this as the first part of a two-part test it calls the  hotel tax "two-step."

Provided the first test of directly promoting tourism and hotel activity is met, the expenditure then must fit into one of the categories authorized by statute. According to the Comptroller's Data Analysis & Transparency Division, these categories include:

- the construction, maintenance and operation of a convention or visitor center;
- facilities and personnel for the registration of convention delegates;
- advertising and promotional programs to attract tourists;
- encouragement and promotion of the arts;
- historical restoration and preservation projects;
- advertising to encourage tourists to visit historic sites and museums;
- signage directing the public to sights and attractions frequently visited by tourists;
- certain transportation systems serving tourists and hotel guests;
- and, for certain cities,
- sporting events for which the majority of participants come from out of town;
- qualifying sports facilities that routinely host regional or national tournaments; and
- coliseums or multiuse facilities.

# Hotel Occupancy Tax Statutes

**STATE:** Tax Code Chapter  
156

**LOCAL HOT TAX:** Tax  
Code Chapter 351  
(Municipal);

Tax Code Chapter 352  
(County)

**LOCAL SPORTS &  
COMMUNITY VENUE:**  
Local Government Code  
Chapters 334 and 335

## Wimberley's Hotel Occupancy Tax rate for reference

### **Sec. 2.10.043**    **Tax rate**

A tax of seven percent (7%) of the consideration paid for a hotel room located within the corporate and extraterritorial limits of the city is levied on a person who, under a lease, concession, permit, right of access, license, contract, or agreement, pays the consideration for the use or possession or for the right to the use or possession of a hotel room that costs \$2.00 or more each day and is ordinarily used for sleeping. (Ordinance 2021-33, sec. 2, adopted 12/2/21)