



Hotel Occupancy Tax 101

The Texas Tax Code provides a set of rules that state how the revenue from the HOT may be used. According to the Texas Tax Code, the use of HOT revenue is limited to expenditures that meet the following two-part test:

✓ First, every hotel occupancy tax revenue expenditure must directly enhance and promote tourism and the hotel and convention industry. See Tex. Tax Code § 351.101(b). In other words, the expenditure must be likely to attract visitors from outside Buda into the city or its vicinity. If the expenditure is not reasonably likely to accomplish this result, it is not eligible for funding by HOT revenues.

✓ Second, each hotel occupancy tax revenue expenditure must fit into one of nine categories shown below:

Expenditure Categories. See Texas Tax Code §§ 351.101(a) and 351.110.

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 county or its vicinity
4. Expenditures that promote the arts. Please note that it is not enough that a facility or event promotes the arts; state law requires that the expenditure also must be likely to directly promote tourism and the hotel and convention industry.
5. Funding historical restoration or preservation programs
6. Certain sporting event related expenses
7. Certain sporting related structures
8. Certain tourist shuttles
9. Signage directing tourists to attractions frequently visited by hotel guests.