

HOTEL OCCUPANCY TAX USE GUIDELINES UNDER TEXAS STATE LAW

2023 Allocation Schedule

Press Release: The allocation of Gillespie County 2022 Hotel Occupancy Tax funds will be advertised in the local newspaper and/or other local media venues for the weeks of January 25 and February 1, 2023.

Application Due Date: March 3, 2023, at 5:00 p.m. **Must be hand delivered to the County Auditor's Office.**

Approval Date: Applications are reviewed and will be presented for Commissioners Court consideration during the second regular meeting in March 2023. The specific date is March 27, 2023.

The purpose of the Gillespie County Hotel Occupancy Tax funding is to assist and support qualified events/programs/projects, not to be the major patron or the majority funds provider for the event/program/project. It should be the intention of the applicant to become self-sustaining. If you are applying for multiple events/programs/projects, it is important you capture that information on the application form.

Approximately \$350,000.00 will be available for FY2023 from the Gillespie County Hotel Occupancy Tax fund for assistance with events/programs/projects to promote tourism in Gillespie County, however, Commissioners Court will determine the final amount of funds to be distributed. Some funds may be reserved to meet existing tourism-related activities which have been previously approved by the Gillespie County Commissioners Court, and the Court reserves the right to reduce or partially fund requests based on review of applications received and funds available.

Gillespie County reserves the right to independently survey hotels, motels, inns, and bed-and-breakfast establishments for any entity receiving Hotel Occupancy Tax revenues. If it appears there is little or no benefit from the applicant's event/program/project, it shall be noted for future funding requests.

State Law: By law of the State of Texas, Gillespie County collects a Hotel Occupancy Tax (hereinafter known as HOT) from hotels, motels, bed & breakfasts, and inns located in the unincorporated areas of the county outside of the Extraterritorial Jurisdiction (ETJ) of the City of Fredericksburg. Under state law, the revenue from the HOT may be used only for specific tourism-related purposes. Tax funds may only be used if **both parts** of the following two-part test are met. **Part One** requires that usage of the HOT funds directly enhances and promotes the tourism and/or convention and hotel industry by being expended to attract out-of-town visitors who will likely spend the night in a **Gillespie County** lodging venue; and **Part Two** states that every expenditure of the county hotel occupancy tax must clearly fit into one of seven statutorily provided categories for expenditure of local hotel occupancy tax revenues and are as follows:

- i) **Funding the establishment, improvement, or maintenance of a convention center or visitor information center.**
- ii) **Paying the administrative costs of facilitating convention registration.**
- iii) **Paying for advertising, solicitations, and promotions that attract tourists and convention delegates to the county or its vicinity.**
- iv) **Expenditures that promote arts:** that the encouragement, promotion, improvement, and application of the arts, including instrumental and vocal music, dance, drama, folk art, creative writing, architecture, design and allied fields, painting, sculpture photography, graphic and craft arts, motion picture, radio, television, tape and sound recording, and other arts related to the presentation, performance, execution, and exhibition of these major art forms. However, it is not enough that a facility or event promotes the arts; Texas law requires that the arts related expenditure also directly promotes tourism and the hotel and convention industry.

- v) **Funding historical restoration or preservation programs:** that a county may spend a portion of its HOT revenues to enhance historical restoration and preservation projects or activities, or advertising and conducting solicitations and promotional programs to encourage tourists and convention delegates to visit preserved historic sites or museums that are likely to attract tourists and hotel guests. Texas law does not limit such funding to structures that are owned by a public or nonprofit entity, or to whether the project is listed on a historic registry, but the county may choose to impose such limitations. It is not enough that a project or activity event merely be historical in nature; Texas law requires that the historical related expenditure also directly promote tourism and the hotel & convention industry which encourages the use of overnight venues in county.
- vi) **Funding certain expenses, including promotional expenses directly related to a sporting event within counties with a population of under 1 million.** To qualify under this authorization, the sporting event must be one that would “substantially increase economic activity at hotels and motels within the city/county or its vicinity.” The statutory authorization also requires that a majority of the participants in the sporting event also be tourists to the area.
- vii) **Signage directing tourists to sights and attractions that are visited frequently by hotel guests in the county.**

Summary of the Seven Uses for the Local Hotel Occupancy Tax

In summary, local hotel occupancy tax revenues only may be spent to establish or enhance a convention center or visitor information center, cover the administrative expenses for registering convention delegates, pay for tourism-related advertising and promotions, fund arts programs or facilities that will directly promote tourism and hotel and convention activity, fund historic restoration or preservation projects that will enhance tourism and hotel and convention activity, in certain cities/counties noted above fund certain costs for holding sporting events that substantially increase local hotel activity, and pay for signage directing tourists to sights and attractions frequently visited by hotel guests. If the county cannot fit an expenditure within one of these categories, hotel occupancy tax revenues cannot be used for that purpose, unless a special state statute was passed to allow such additional uses.

Regarding the use of local hotel occupancy taxes, there is no time limit for a county to expend all of its hotel occupancy tax funds. Additionally, state law requires that interest earned on hotel tax must be spent in the same way as other hotel tax revenues. State law does not address revenues that are earned from events funded by the local hotel occupancy tax.

For more details of the Hotel Occupancy Tax Code, please go to the State Comptrollers website at www.window.state.tx.us/taxinfo/hotel and click on the link “Chapter 351 or Chapter 352 of the Tax Code.”

All Gillespie County Hotel Occupancy Tax application policies and procedures are intended to strictly support statutes and guidelines set forth by the State of Texas.

County Policy: Gillespie County accepts applications from groups and businesses whose program fits into one or more of the above categories. All requests for funds should be submitted in writing accompanied by the official application. The applicant may be asked to be present when their paperwork is reviewed to answer any additional questions regarding the application. The final decision of your request will be determined by Commissioners Court at the second regular meeting in March.

Application Submission Deadlines: Application packets, along with any required supporting documentation must be fully completed and submitted to the Gillespie County Auditor’s Office, 101 W. Main St., Unit #4, Fredericksburg, Texas 78624 by the close of business (5:00 p.m.) on March 3, 2023. Applications may not be faxed or emailed. **All applications must be hand delivered to the Auditor’s Office, Room 203, Gillespie County Courthouse. Late submissions will not be accepted.** A copy of all completed applications will be available for public viewing in the Gillespie County Auditor’s office.

All applications submitted by deadline will be reviewed by Commissioners Court. The Gillespie County Auditor's Office will send notification letters to applicants informing them of the decision by the Gillespie County Commissioners Court. Correspondence may include requirements of other materials due and deadlines for submission of same. The decision of the Gillespie County Commissioners Court, both as to the grant or denial of funding and as to the amount of funding will be final. Applicants receiving funding are in effect entering into an agreement with Gillespie County and are required to execute all subsequent documentation as described. Failure to receive funding in one budget year does not prevent a re-submission in the next budget year. Primarily, events/programs/projects will be evaluated on the overall quality of the plan, the visitor appeal, and the administrative ability of those making the request. Among the criteria evaluated, but not limited to, will be:

QUALITY

High artistic and/or programmatic quality as perceived by peers, critics, or others.
Innovative and creative originality.
Effective use of community resources.
Quality of marketing materials, marketing plan, and reach of marketing effort.

VISITOR APPEAL

Organizations commitment to attract visitors from outside the area to encourage overnight stays.
Verifiable information regarding past success (prior attendance figures, demographics, etc.)
Days and hours of operation and relation to potential off-peak seasons.
Number of programs, events, and opportunities for visitor participation.

ADMINISTRATIVE ABILITY

History of organizational growth and stability
Long-range and short-range planning.
Governing or oversight board which meets regularly.
Budgets and financial accountability.
Community involvement, use of community resources including cooperation with other entities.
Diverse funding sources.

Eligibility and Priority for Hotel Tax Funds: Priority will be given to those events/programs/projects based on their ability to generate overnight visitors to Gillespie County. If an event will not generate any meaningful hotel night activity, it is not eligible for receipt of hotel occupancy tax funds. Events can prove this potential to generate overnight visitors by:

- a) Historic information on the number of room nights used during previous years of the same events/programs/projects;
- b) Current information on the size of a room block that has been reserved at area hotels to accommodate anticipated overnight guests attending the event/program/project requesting hotel tax funds;
- c) Historical information on the number of guests at hotel or other lodging facilities that attended the funded event/program/project; and/or
- d) Examples of marketing of the events/programs/projects that are likely to generate and encourage overnight visitors to local lodging properties.

Use of Local Vendors: Gillespie County encourages all event/program/project organizers to patronize Gillespie County businesses for food, supplies, materials, printing, etc.

Use of Revenues from Event: A portion of the revenues from any event/program/project receiving any type of funding assistance from the HOT funds should be channeled back into the future costs of operating that same event or the continued operation of the project. No other outside event(s), project, charity, etc., sponsored by the host

organization may profit from the Gillespie County's funding of a particular event/program/project unless outlined in the proposed budget.

Post Event Report, Invoices, and Proofs of Payment: These materials must be submitted not later than sixty (60) days following the event/program/project and should be submitted to the Gillespie County Auditor. The post event report should mirror the budget presented in the applicant's original application. Copies of invoices and proofs of payment must accompany the report. **Proofs of payment must be receipts marked "PAID" by the vendor, copies of cancelled checks (front & back), credit card receipts, or other documents that verify monies expended.** If applicant did not spend the total amount of funding received or were unlawfully used, then that amount must be returned or repaid to Gillespie County. Gillespie County Commissioners Court may also request a verbal follow-up report during a regular scheduled meeting if deemed necessary.

Contract/agreement Responsibilities: Once an application for HOT funds is approved by Gillespie County, a contract exists between the county and the successful applicant. This contract/agreement may be terminated by the County of Gillespie upon thirty (30) days notice of noncompliance with the terms of the contract/agreement or noncompliance with state statutes. Any expended HOT funds under these circumstances shall be re-funded to Gillespie County.

All reports, questions, or correspondence related to the expenditure of Hotel Occupancy Tax must be submitted to the Gillespie County Auditor's Office, 101 W. Main St. – Unit #4, Fredericksburg, Texas 78624. The phone number is 830/997-6777.

Thank you for your interest in promoting the tourism industry in Gillespie County. Remember, the Gillespie County Hotel Occupancy Tax is very limited to its use as outlined in State Law. These statutes are the basis on which decisions will be made as to the use of this tax. Please do not hesitate to call if you need assistance. Again, that number is 830/997-6777.