

To the Mayor and Members of the City Council**October 23, 2012**

Page 1 of 1

**SUBJECT: PROPOSED CHANGES TO CITY CODE REGARDING HOTEL OCCUPANCY TAX SUBMISSION**

The purpose of this Informal Report is to brief the City Council about recommended amendments to the City Code related to the collection of Hotel Occupancy Tax (HOT). The proposed changes will cause the City's requirements to better align with the State's to benefit both the hotel operators and the City. They will also mirror provisions allowed under state law, and implemented in other cities, that enhance cost recovery for delinquencies and collections.

Under state and local law, hotel operators within the City are required to collect City and State HOT from guests. Currently, the hotels are required to file a report and submit the collected taxes on a quarterly basis to the City and on a monthly basis to the State. Attempting to comply with two different sets of submission and reporting requirements has caused hotel operators to experience issues ranging from simple confusion to actual errors and delinquencies that result in the assessment of penalties. Revising the City Code so that operators are subject to a single, consistent set of deadlines would help eliminate many such issues for the hotels, as well as provide a more consistent flow of revenue for the City.

In addition to revising the reporting and remittance schedule, staff recommends changes related to deadlines, penalties, collections, and interest to provide clarity for the hotel operators and additional cost-recovery mechanisms for the City.

The language in the current ordinance is somewhat ambiguous with respect to when reports and remittances become delinquent and subject to a lateness penalty. In addition, the current ordinance does not take full advantage of cost-recovery mechanisms such as interest, collections penalties, and tax-recovery suits, all of which are allowed under state law and generally used by other Texas cities. Staff recommends revising the City Code to provide a definitive delinquency date at which point late penalties will attach, to impose a collection penalty for older cases that require judicial collection efforts, and to require payment of interests for taxes that are not timely remitted. Staff believes that making these changes will reduce the likelihood of delinquencies occurring and will allow the City to come closer to recovering the costs that arise when operators are delinquent in meeting their legal responsibilities and remitting the taxes that they have collected on the City's behalf.

Staff plans to bring forward an M&C at the November 6 meeting for the City Council to consider adoption of an ordinance to make the described changes to the City Code.

If you have any questions, please call James Mauldin, Acting Assistant Director of Financial Management Services, at 817-392-2438.

**Tom Higgins
City Manager**