



Hotel Occupancy Tax Revenue City Auditor Executive Summary

BACKGROUND

The City of Galveston levies a Hotel Occupancy Tax (HOT) of nine percent (9%) on qualified room stays costing more than two dollars per night. Hotels are defined in Article III Section 33-86 of the City of Galveston Code of Ordinances as any building or buildings in which the public may, for consideration, obtain sleeping accommodations. The term shall include hotels, motels, tourist homes, houses or courts, lodging houses, inns, rooming houses, or other buildings where rooms are furnished for consideration but shall not be defined so as to include hospitals, sanitariums, or nursing homes.

The City of Galveston Code of Ordinances, Chapter 19, Article VI regulations for the use of residential dwelling units as short-term rental and ensure the collection and payment of hotel/motel occupancy taxes. A short-term rental (STR) is defined as the use of a residential dwelling unit or accessory building on a temporary or transient basis. A short-term rental shall include a residential dwelling unit or accessory building used as a short-term vacation rental for any period of less than thirty (30) consecutive days. The Park Board of Trustees is the administrative agency for the registration of short-term rentals and collection of rental registration fees. All owners/operators of a short-term rental must register the rental with the Park Board of Trustees.

The City of Galveston's Legal Department plays a supporting role in offering advice and filing City of Galveston claims against delinquent establishments.

The Hotel Occupancy Tax Revenue Recognition Audits were conducted as part of the Office of the City Auditor's Fiscal Year 2025 Strategic Audit Plan approved by the Mayor and City Council.

OBJECTIVES

The objective of the audits was to get Short-Terms Rentals and Hotels in compliance with applicable city and state laws.

SCOPE

The audit scope includes a random selection done by the Park Board.



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METHODOLOGY

To accomplish our Audit Objectives, we performed the following steps:

- Reviewed applicable laws and regulations.
- Looked for advertisements on platforms.
- Sent out letters to homeowners.
- Reviewed financial documentation received from homeowners.
- Reconciled tax due.
- Worked with the Park Board accountant to register and pay back taxes due.

AUDIT RESULTS

The City Auditor's Office has identified forty-five (45) new short-term properties not registered or paying taxes to the Park Board. These forty-five (45) new short-term rentals are now registered with the Park Board, and a total estimated hot tax revenue, penalties, and interest in the amount of \$248,103 is to be collected.

The City Auditor's Office also identified six (6) hotels that owed additional taxes. For these six (6) hotels, a total estimated hot tax revenue, penalties, and interest in the amount of \$115,446 are to be collected.

This report accomplishes the full amount of \$363,549 in HOT Tax Audits required to be performed by the City Auditor's Office for the 2025 Fiscal Year City Auditor's Audit Plan.