


SUBJECT: Ordinance approving amendments to Ch. 44 of the Code of Ordinance related to Hotel Occupancy Tax		Category #	Page 1 of 2	Agenda Item #
FROM (Department or other point of origin): Finance Department		Origination Date: April 25, 2017	Agenda Date	
DIRECTOR'S SIGNATURE: 		Council District Affected: All		
For additional information contact: David Benson Phone: 832-393-9110 Jonathan Newport Phone: 713-853-8245		Date and identification of prior authorizing Council action:		
RECOMMENDATION: Ordinance approving amendments to Ch. 44 of the Code of Ordinance related to Hotel Occupancy Tax				
Amount of Funding: No funding is required; it is expected that passage of the ordinance will yield a slight increase in collections of HOT, although a specific amount has not been determined.			Finance Dept Budget:	
Source of Funding: <input checked="" type="checkbox"/> General Fund <input type="checkbox"/> Grant Fund <input type="checkbox"/> Enterprise Fund <input type="checkbox"/> Other (Specify)				
SPECIFIC EXPLANATION: Approval of this item will adjust local law to enhance the City's ability to collect hotel occupancy tax based on the full price paid by consumers booking hotel rooms through online travel agencies (OTAs). These changes seek to respond to the deficiency cited in an opinion of the 14th Court of Appeals on a suit between the City of Houston and OTAs (Travelocity, Orbitz, Expedia, etc.) The suit focused on the amount on which hotel occupancy tax (HOT) is owed. The City argued HOT is owed on the total amount paid by the consumer who uses one of these sites to book a room while the OTAs argued the HOT is only owed on the amount paid by the OTA to the hotel for the right to sell that room on their site. The Court sided with the OTAs and cited ambiguity related to the cost of occupancy in the City's ordinance as the primary reason. City Legal staff and Houston First representatives have developed new language that the City considers responsive to the Court's ruling. These proposed changes have no effect on the rate of HOT, which is set in Sec. 351.003 of the Texas Tax Code. Additionally, these proposed changes have no effect on the disbursement of HOT funds to the various arts organizations, which are set by contract between the City and the arts organizations. A summary of the substantive changes are as follows: <ul style="list-style-type: none"> • Sec. 44-101: refines several definitions, including the definition of Consideration, which was identified as deficient by the 14th Court of Appeals • Sec. 44-109: revised to include a reference to the Texas Tax Code, which articulates the allowable expenditures of HOT funds. The Code currently replicates the list of allowable expenditures in the Texas Tax Code, which can become obsolete upon action by future legislatures. This change will allow the code to remain accurate and up-to-date in the event the Texas Tax Code is revised during future Legislative sessions. 				

· Sec. 44-110: new section to reflect the simplified, online registration process for payment of HOT for hotels (this codifies a process already established and operated by Houston First, to which the City has delegated responsibility for HOT collection and administration).

REQUIRED AUTHORIZATION

Finance Director:

Other Authorization:

Other Authorization: