

To the Mayor and Members of the City Council**March 1, 2022**

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**SUBJECT: HOTEL OCCUPANCY TAX COLLECTION**

In an Informal Report dated December 7, 2021, staff provided the Mayor and City Council with information relating to the current state of regulation and enforcement of short-term rentals (STRs) operating within the City of Fort Worth (City). This Informal Report outlines a phased approach to developing a comprehensive Hotel Occupancy Tax (HOT) collection process for STRs.

GENERAL INFORMATION ON HOTEL OCCUPANCY TAX

City Code of Ordinances (the Code), Chapter 32, Article II, grants authority to levy a 9% HOT on hotels. The Code does not include specific language regarding STRs; however, it broadly defines a hotel to include tourist homes, houses, lodging houses, and rooming houses used for sleeping accommodations where the cost of occupancy is at the rate of \$2 or more per day. In February 2018, City Council adopted Ordinance No. 23110-02-2018 which provided a definition for STRs as a dwelling unit where compensation is received for overnight lodging for 1 to 30 days.

The Treasury Division of the Financial Management Services Department (FMS) is responsible for managing the collection of HOT from hotels operating within the City. Traditional hotels are required to register for an account within the City's HOT Online Application (HOT App) and submit a monthly gross receipts report used to calculate HOT liability, interest, and penalty, if applicable. In contrast, STRs currently report and remit on a voluntary basis and are not actively monitored by FMS.

The HOT app is an internally developed, self-reporting tool, with limited functionality and reporting capability. Further, the HOT App does not currently support categorization of hotels by type (i.e. hotel, motel, bed and breakfast, STR, etc.). Suspected STRs are identified by registered name and manually tagged as an STR if it meets the definition.

In Fiscal Year 2021, a total of twenty (20) identified STRs reported approximately \$330,000.00 in gross receipts generating approximately \$28,000.00 in HOT revenue to the City. This represents a little over a tenth of a percent of the approximately \$23,750,000.00 in total HOT collected during the year.

PHASED APPROACH

City staff will proceed with a phased approach to developing a comprehensive recommendation relating to STR regulation, enforcement, and tax collection. The first step in this phased approach involves hiring an outside third party data mining firm to identify STR properties operating in the City, along with location, booking frequency, and other operating characteristics. This data will provide City staff from the appropriate departments with valuable insight necessary to support effective policy options for STR regulation. Staff will then explore procurement options for outsourcing collection of HOT from STRs, which may be scaled up to incorporate traditional hotels as well as other significant revenues.



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For questions concerning this report, please contact John Samford, City Treasurer, at (817) 392-2318 or by email at john.samford@fortworthtexas.gov.

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