Wood County Economic Development Commission

HOTEL OCCUPANCY TAX

-Grant Funding Guidelines-

PURPOSE:

BY LAWS OF THE STATE OF TEXAS, WOOD COUNTY COLLECTS A HOTEL OCCUPANCY TAX (HOT) FROM HOTELS, MOTELS, LODGING FACILITIES, ACCOMMODATIONS, MARINAS, BED & BREAKFAST AND INNS. UNDER STATE LAW, THE REVENUE FROM THE HOT MAY BE USED ONLY TO DIRECTLY PROMOTE TOURISM AND THE CONVENTION AND HOTEL INDUSTRY. CHAPTER 351-352 OF THE TAX CODE STATES THAT THE USE OF HOT FUNDS IS LIMITED TO THE FOLLOWING: ADVERTISING & PROMOTIONS THAT DIRECTLY PROMOTE TOURISM AND THE HOTEL AND CONVENTION INDUSTRY, SPORTING EVENTS, CERTAIN PORTIONS OF SPORTING FACILITIES, CONVENTION CENTERS AND VISITOR INFORMATION CENTERS, HISTORICAL RESTORATION AND PRESERVATION ACTIVITIES AND THE PROMOTIONS OF THE ARTS.

PRIORITIES & REQUIREMENTS:

_____ PLEASE READ THE GUIDELINES BEFORE COMPLETING THE APPLICATION.

_____ PLEASE INCLUDE THE FOLLOWING INFORMATION WITH YOUR APPLICATION:

1. A BRIEF MARKETING PLAN FOR YOUR PROJECT
2. A PROPOSED BUDGET FOR YOUR PROJECT
3. A SCHEDULE OF ACTIVITIES OR EVENTS RELATING TO THE FUNDED PROJECT (ONLY FOR EVENT-BASED PROJECTS)

_____ MAKE SURE THE APPLICATION IS COMPLETE AND SIGNED ON BOTH PAGES.

_____PLEASE NOTE: GRANT MONIES AWARDED TO THE APPLICANT/GRANT RECIPIENT MUST BE USED TO SUPPORT THE BUDGETED PROJECT COSTS DURING THE GRANT PERIOD OF THE SPECIFIED FISCAL YEAR.

_____ NO POST-DATED APPLICATION REQUESTS FOR FUNDING WILL BE ACCEPTED.

_____ THE PROMOTIONS COMMITTEE WILL REVIEW ALL GRANT REQUESTS AND PROVIDE EACH APPLICANT WITH THE OPPORTUNITY TO GIVE A PRESENTATION (APPROXIMATELY 15 MINUTES) ABOUT THEIR EVENT/PROJECT. APPLICANTS WILL BE NOTIFIED BY THE EXECUTIVE DIRECTOR WITH THE RESULTS FROM THE BOARD OF DIRECTORS' ACTION WITH REGARD TO THEIR GRANT APPLICATION.

_____ SUBMIT APPLICATION BY EMAIL TO: WCEDC@MYWOODCOUNTY.COM

FOR ADDITIONAL INFORMATION, COMMENTS OR QUESTIONS, PLEASE CONTACT CHRISTINE THOMAS AT 903-768-2402.

HOTEL OCCUPANCY TAX FUND GUIDELINES FOR EXPENDITURE

FY 2026-2027 GRANT CYCLE TIMELINE:

1. Applications open June 1, 2026.

2. All applications due by close of business on June 30, 2026.

3. HOT Grant committee convenes in August to review submissions, hear presentations, and make recommendations to WCEDC Board of Directors.

4. WCEDC Board of Directors convenes on August 26th to make final grant recommendations to Commissioners Court.

5. All grant applicants are notified via email of the status of their respective applications following the board's decision.

Coupled with this application for a funding request, the Wood County Economic Development Commission is providing some details on how the funds may be used to provide some assistance with this process. We appreciate you promoting tourism in Wood County, Texas!

Criteria #1: First, every expenditure must DIRECTLY enhance and promote tourism AND the convention and hotel industry. In other words, a funded event or facility must be likely to do two things: I) directly promote tourism; and 2) directly promote the convention and hotel industry (Heads in Beds). Under Texas State law tourism is defined as bringing visitors from outside of the county (from a different county) into the county or its vicinity. State law also does not specifically define what constitutes a "direct" promotion of the convention and hotel industry. However, this requirement has been consistently interpreted by the Attorney General's Municipal Affairs Section and by the Texas Municipal League. They have historically indicated that to directly promote the convention and hotel industry, the event or facility must be likely to cause increased hotel or convention activity. This activity may result from hotel or convention guests that are already in town and choose to attend the funded arts or historical event or facility. Alternatively, it may result from individuals that come from another county to stay in an area lodging property, at least in part, to attend the funded event or facility.

If the funded event or facility is not reasonably likely to have such an effect, local hotel occupancy tax revenues cannot legally fund it. It is important to note, however, that events and facilities that do not qualify for hotel occupancy tax funding are often still legally eligible for county funding from most of the other funding sources available to the county (general property tax revenues, general sales tax revenues, etc.). State law is simply stricter in terms of how the local hotel occupancy tax monies can be spent.

There is no set formula for determining whether an event will directly promote tourism and hotel and convention activity. Of course, the first time an event is held it can only be hypothesized as to whether it is likely to be frequented by tourists and hotel guests. An applying entity should be asked to indicate in its county funding application how it would market the event to attract tourists and hotel guests. If an entity does not market its events outside of the county or in some other way provide notice of the events to guests of hotels, it is difficult to argue that the events or facility will promote tourism and hotel activity. It is also worth considering whether a funded event will be held in a venue that will likely attract tourists and hotel guests. For example, if an event is held in a local school or community center, it may be less likely to attract tourists than if it is held at a local performing arts venue, museum or civic center. Each community will need to assess whether the facility that is hosting the function is likely to attract tourists. Similarly, if an event is labeled and implemented to be a community picnic, local parade, educational class, or other similar type of event, it is often not likely to attract tourists and hotel guests and may likely be ineligible for hotel occupancy tax funding.

HOTEL OCCUPANCY TAX FUND GUIDELINES FOR EXPENDITURE

After an event has been offered for several years, funded entities will likely have a reasonable idea as to whether the facility or event's attendance includes a number of tourists and hotel guests. Some entities keep a guest register at funded events to quantify the number of out-of-towners in attendance. Some entities have added a box on such registers to check if the attendee is staying at a local hotel. A good question to ask on a funding application for the local hotel occupancy tax is whether the entity is reserving a hotel block or special hotel price for attendees of their funded event. If the entity does not find the need to reserve a hotel block or negotiate a special hotel rate, it is not likely that they anticipate the event will have any reasonable impact on hotel activity. Funded entities can also visit with area hoteliers who in many cases can provide feedback on whether any of their hotel guests had expressed an interest in attending such events in the past. Hotel front desk and management staff usually know what local events were of interest to their guests by requests for directions, information and transportation to such events by hotel patrons. Some entities measure potential out-of-town attendance from their ticket sales records or other gathered information.

It is important to note that state law also provides that the hotel occupancy tax may not in any circumstance be used for purposes that the county usually expends its general revenues. It also may not be used to pay for governmental expenses that are not directly related to increasing tourism and hotel and convention activity. For example, consider a request to use the hotel occupancy tax to pay for construction of additional lighting, bathrooms, roads, or landscaping in a particular area. These are expenditures for which the county would traditionally use its general revenues. It is difficult to argue that such improvements would "directly" promote tourism and hotel activity. At best, one could argue the improvements would "indirectly" enhance tourism and hotel activity - which is not sufficient under the Tax Code to qualify for funding from the hotel occupancy tax.

Criteria #2: All expenditures of the hotel occupancy tax must clearly fit into one of six statutorily provided categories for expenditure of local hotel occupancy tax revenues.

The six categories for expenditure of the hotel occupancy tax are as follows:

1) **Funding the establishment, improvement, or maintenance of a convention center or visitor information center:** This category allows expenditures for the creation, improvement, or upkeep of a convention center or a visitor information center. State law specifies that for a facility to be funded as a convention center it must be one that is primarily used to host conventions and meetings. "Primarily used" in this context would arguably mean that at least 51 percent of the bookings for the facility are to host conventions or meetings that directly promote tourism and the hotel and convention industry. In other words, holding local resident meetings in a facility would not count toward qualifying the facility as a convention center, but meetings of individuals from out-of-town that may stay at hotels would likely qualify.

The term "convention center" is defined to include civic centers, auditoriums, exhibition halls, and coliseums that are owned by the city or another governmental entity or that are managed in whole or in part by the city. It also includes parking areas in the immediate vicinity of other convention center facilities, and certain hotels that are owned by the city or another governmental entity, or that are managed in whole or in part by the city. It does not include facilities that are not of the same general characteristics as the structures listed above.

Simply naming a facility a convention center or visitor information center does not bring it under this section. The use of the hotel occupancy tax for facilities is limited. For example, the Attorney General has specifically ruled against the expenditure of local hotel occupancy taxes for a recreational facility such as

a golf course or a tennis court.

2) **Paying the administrative costs for facilitating convention registration**: This provision allows expenditures for administrative costs that are actually incurred for assisting in the registration of convention delegates or attendees. It may include covering the personnel costs and costs of materials for the registration of convention delegates or attendees. Paying for advertising, solicitations, and promotions that attract tourists and convention delegates to the county or its vicinity

3) **Paying for advertising, solicitations, and promotions that attract tourists and convention delegates to the county or its vicinity:** This provision allows expenditures for solicitations or promotional programs/advertising that is directly related to attracting tourists and convention delegates to the county or its vicinity. Such expenditures are traditionally in the form of newspaper, mail, television, or radio ads or solicitations to promote an event or facility. The advertising or promotion must have the impact of directly promoting the hotel and convention industry. For example, the Attorney General has ruled that the local hotel occupancy tax may not be used for advertising or other economic development initiatives or improvements to attract new businesses or permanent residents to a city.

In certain cases, a county may be able to use the advertising and promotion category to justify covering the costs of advertising an event that will attract tourists and hotel guests, even though the administrative or facility costs for the underlying event would not qualify for hotel tax funding.

4) **Expenditures That Promote the Arts:** This section authorizes the expenditure of local hotel occupancy tax for a variety of art-related programs that also would promote tourism and local hotel and convention activity. Specifically, it allows funding 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 pictures, 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; state law requires that the arts related expenditure also must be likely to directly promote tourism and the hotel and convention industry. Section 351.101 (a) of the Tax code specifically states that "the municipal hotel occupancy tax may be used only to promote tourism and the convention and hotel industry." The Attorney General in Opinion GA0124 (2003) recently reaffirmed this standard when it held: "Under section 351.101 of the Tax Code, a municipality may expend its municipal hotel occupancy tax revenue "only to promote tourism and the convention and hotel industry" and only for the specific uses listed in the statute."

5) **Funding Historical Restoration or Preservation Programs:** This section anticipates that a county may spend a portion of its hotel occupancy tax revenues to enhance historical restoration and preservation projects within the county or its vicinity that are likely to attract tourists and hotel guests. This funding can include the costs for rehabilitation or preservation of existing historic structures. State law does not limit such funding to structures that are owned by a public or nonprofit entity, but the county may choose to impose such a limitation. This category could also include the costs of advertising and conducting solicitations and promotional programs to encourage tourists and convention delegates to visit such preserved historic structures or museums. However, it is not enough that a facility or event promotes historical restoration and preservation; state law requires that the historical related expenditure also must be likely to directly promote tourism and the hotel and convention industry. Section 351.101 (a) of the Tax code specifically states that "the municipal hotel occupancy tax may be used only to promote tourism and the convention and hotel industry." The Attorney General in Opinion GA-0124 (2003) recently reaffirmed this standard when it held: "Under section 351.101 of the Tax Code, a municipality may expend its municipal hotel occupancy tax revenue "only to promote tourism and the convention and hotel

industry" and only for the specific uses listed in the statute."

6) **Funding Costs in Certain Counties to Hold Sporting Events that Substantially Increase Hotel Activity:** There is relatively new statutory authorization for the local hotel occupancy tax to be used to fund certain expenses, including promotional expenses that are directly related to a sporting event in counties of under 290,000 population. To qualify under this authorization, the sporting event must be one that would "substantially increase economic activity at hotels and motels within the county or its vicinity." The statutory authorization also requires that a majority of the participants in the sporting event must also be tourists to the area. This new provision was intended to allow communities to fund the event costs for sporting tournaments that result in substantial hotel activity. For example, if a county had to pay an application fee to seek a particular sporting event or tournament, if could use this authority if the event would substantially increase economic activity at hotels and the city was within a county of under 290,000 population.