

HOTEL OCCUPANCY TAX

DISTRIBUTION PROGRAM

After review of the submission of your application for event/budget funding you will be notified as to whether or not you will receive funding for this budget year.

When your application is approved you will not actually receive the funds requested but rather your event will receive a "credit" against which all advertising bills and other related expenses are paid. Therefore you will need to have all invoices sent to or brought to the City offices (City of Alpine, Attention: Megan Antrim, 100 N. 13th St., Alpine, Texas 79830) for payment. It is your responsibility to keep track of all expenses so that you do not exceed the amount awarded and you can include those expenses on next year's request for funding.

I have also attached an article that summarizes the Hotel Occupancy Tax and the tests that distribution of funds must meet. Also there are special rules for the City of Alpine that must also be met and I have attached a copy of those rules.

Attached you will find a sample of the narrative that you can use to promote your project and a sample questionnaire that can be used to gather information.

Reimbursement of event advertising is dependent on the event promoting beyond the immediate area (advertising needs to promote tourism and overnight stays in Alpine). Therefore, reimbursement will be considered based on each media outlet's audience. Specific eligibility of media outlets will be addressed at the annual events meeting conducted by Chris Ruggia and Stewart Ramser in the October/November timeframe.

The time line for this year is as follows:

Application due date is August 31, 2016 (no applications will be accepted after this date). Your application will be reviewed after submission.

We realize that you may not have all of the information requested for this fiscal year's funding so we ask that you do the best you can with what you have for information. However, next year we will expect you to have the necessary information available. The City of Alpine has to have accountability of funds awarded to meet the guidelines of the Comptroller's Office, State of Texas.

Your cooperation is appreciated and we look forward to funding your event.

Should you have any questions, please contact:

Erik Zimmer, City Manager 432-837-3301

Molly Taylor, City Secretary 432-837-3301

Megan Antrim, Finance Director 432-837-3301

APPLICATION PROCEDURE
For Requesting Hotel Occupancy Tax Funding of Events

Proposals should include a response to each of the items listed below. The funding cycle is October 1 through September 30.

I. Proposal Table of Contents

II. Proposal Detail

A. Organization Identity

1. Name, address, telephone number of organization
2. Name, address, telephone number of contact person
3. Copy of Articles of Incorporation and or Bylaws (if available)

B. Organization Overview

1. Brief history and description of organization
2. Primary purpose and programs
3. Geographic area and age group served by organization

C. Nature of Request

1. Amount requested
2. Description of project
3. Description of target populations served by project
4. Work plan or time line for project
5. Evaluation plan for project outcome
6. Plan for on going funding of the project

D. Financial Information

1. Total project budget including income and expenses
2. Amount proposed to be funded by Hotel Occupancy Taxes
3. Latest annual financial statement of last years event (income & expenses)
4. Funding received from other sources
5. Projected hotel/motel occupancy from out of town visitors to event
6. Summary of advertising funds spent last year. Radio \$_____, TV \$_____,
Print \$_____, Banner/Signs \$_____, Brochures \$_____, Other \$_____.
7. Summary of advertising funds spent this year. Radio \$_____, TV \$_____,
Print \$_____, Banner/Signs \$_____, Brochures \$_____, Other \$_____.
8. Summary of funding that was not spent on advertising

E. Supporting Documentation

1. A copy of organization's IRS tax exempt status letter
2. A list of organizations Board of Directors and/or members
3. Copies of completed visitor questionnaires (sample attached)

**CITY OF ALPINE
HOTEL OCCUPANCY TAX APPLICATION
PROJECT NARRATIVE**

1. Briefly describe the tourism event you would like to promote. What type of event is it? How long has it been held? How many visitors does it/or will it attract?
2. Date of the event.
3. Location of the event.
4. What do you hope to accomplish by promoting this event?
5. How do you plan to use the funds to promote this event? Please provide a detailed budget.
6. How will the funds improve the promotion of your event?
7. How will you promote the City of Alpine as a part of your promotional campaign? How will you incorporate the City of Alpine logo or tag line in your advertising/promotional campaign?
8. What is the impact you expect from this event? What is your projected increase in terms of hotel/motel sales tax revenue, new visitors, longer visits, etc.?
9. How will you collect the necessary data to measure the impact of your event? Approved projects will need to provide this information before receiving funding.

SAMPLE BUDGET

Amount awarded	\$
EXPENSES	
Radio	\$
Television	\$
Print	\$
Banner/Signs	\$
Brochures	\$
Other (itemize)	\$
TOTAL EXPENSES	

SPECIAL RULES FOR THE CITY OF ALPINE

Minimum Expenditure for Advertising and Promotion: The minimum amount that must be spent on advertising and promotion to attract tourist and convention delegates or registrants to the city or its vicinity by the City of Alpine is 50 percent.

Maximum Expenditure for Arts: Alpine's maximum percentage for the promotion of art is 15 percent of its hotel occupancy tax revenues.

Maximum Expenditure for Historical Restoration and Promotion: Alpine's maximum percentage for historical restoration and promotion of historical projects is 15 percent of its hotel occupancy tax revenues.

Source: Tax Code Section 351.1035.

The Hotel Tax

"TWO-STEP"

By Bennett Sandlin
TML General Counsel

In the grand scheme of things, city hotel occupancy taxes account for just a small amount of city revenue. Property taxes and sales taxes are far more important to most cities. Why does it seem, then, that hotel taxes generate so much confusion and controversy?

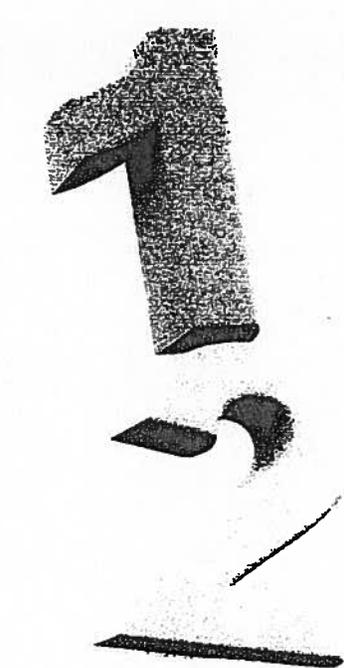
The answer is this: Hotel taxes, unlike most other taxes, are levied on a specific category of businesses—hotels. As a result, these businesses tend to pay close attention to how cities expend these funds. Spend city sales taxes in a controversial way, and no particular category of business feels singled out enough to raise a fuss. Perceived misuses of hotel taxes, on the other hand, are a different story.

Fortunately, it's very easy for a city official to remember how to legally spend hotel taxes. A city simply needs to remind itself to always follow the "two-part test." The key element of a two-part test is, surprise, that it has two parts! Cities frequently remember to meet one element of the test, but then forget the other part entirely. This article will succinctly describe the two-part test, and then describe some common situations to which we can apply the test.

Part 1: Heads in Beds

The first element of the two-part test is this: Every expenditure of hotel taxes must put "heads in beds." What this means is that every funded project must attract overnight tourists to the city's hotels and motels, thus promoting the city's hotel industry.

For example, how about a week-end-long arts and crafts show? There's a very good chance that out-of-town guests might come to visit such an event, so expenditure of hotel tax



money on that event would likely qualify.

On the other hand, how about a quilting bee at a local nursing home? While a worthy cause, the quilting bee is unlikely to attract overnight tourists and, therefore, probably wouldn't qualify to receive hotel tax funds.

Part 2: The Seven Categories

Once a project has cleared the first part of the test, it's time for—you guessed it—the second part of the test. Here it is: Every expenditure of hotel taxes must also fit into one of seven statutorily-authorized categories. These are the seven categories: (1) convention and visitor centers;

(2) convention registration; (3) advertising the city; (4) promotion of the arts; (5) historical restoration and preservation; (6) sporting events in a county under one million in population; and (7) tourist transportation systems.

Thus, even if an event puts heads in beds, it cannot receive hotel tax money unless it also fits into one of the seven categories. For instance, what about a livestock auction that will attract attendees from surrounding counties? While that event is likely to attract overnight tourists, it doesn't fit neatly into one of the seven categories. Therefore, it's likely not a valid recipient of hotel tax money.

It's not enough to meet one of the two prongs of the two-part test. A city must meet both! The following are some real-life examples that have been the focus of inquiries received by the TML legal department.

Fireworks, Anyone?

The prototype hotel tax controversy is an event like a fireworks show or a parade. Cities frequently ask if they can fund a fireworks show with hotel tax money.

Let's subject a fireworks show to the two-part test. Does a fireworks show put heads in beds? The answer is "probably not," unless it is a truly spectacular event. But let's give it the benefit of the doubt. Suppose the town of Pyrotechnic, Texas, truly does put on a fireworks extravaganza that attracts tourists from around the state. So far so good.

But what about the second part of the test—the seven categories? Do fireworks shows fit neatly into any of the seven? Not really. Some may argue that such shows “advertise” the city, but this is likely not what that category means. Advertising the city literally means some sort of print or other media that explicitly promote the city. Otherwise, a city could simply say that any popular event “advertises” the city that holds it. Direct funding of fireworks displays and the like are, usually, not a very good fit.

Sign of the Times?

Another frequent question concerns highway signs promoting the city. May a city fund a billboard touting the city’s attractions, restaurants, and hotels? Let’s put it to the two-part test. Heads in beds? Well, why not? If a billboard encourages motorists to stop in town, those motorists might stay the night, whereas without the sign they would have driven on to the next city. This is exactly what the statute intends. The seven categories? How about advertising? A billboard literally advertises the city it refers to. Conclusion—travel signs are a perfect fit for hotel occupancy tax expenditures.

Chambers of Commerce?

Cities frequently wonder if they can fund the local chamber of commerce using hotel tax money. Do chambers put heads in beds? Maybe, maybe not. Chambers of commerce are typically charged with promoting economic development, not tourism. Even assuming a chamber does promote tourism, though, how about the seven categories? Funding a chamber doesn’t, in itself, fall into any of the seven categories.

Fortunately there is an easy solution. The laws governing hotel tax expenditures permit the city to delegate expenditure of hotel tax money to another entity, typically a chamber

or convention and visitors bureau. As long as the chamber spends the money on projects that otherwise meet the two-part test mentioned above, it’s fine to delegate some funds to them. There must be a written contract laying out the duties of the chamber, though. Also, the chamber must keep the hotel funds in an account separate from its general operating fund.

Arts Organizations

City arts organizations are a common trouble area. It seems that every arts council in the state knows that promotion of the arts is one of the seven categories on which city hotel taxes may be expended. Cities know this because these arts groups frequently come asking for the money.

The thing to remember about arts groups is this—direct funding of the organization’s operations does nothing in and of itself to put “heads in

beds.” Put another way, funding the operating budget of an arts council meets the second part of the test (promotion of the arts) but not necessarily the first.

The solution? The city should encourage the group to seek funding only for its festivals and shows that do, in fact, attract tourists to the city. By limiting the expenditure to such events, the city meets both parts of the test.

What Else?

There are numerous other technical details about how to legally expend hotel tax funds. In truth, by simply learning and remembering the two-part test, city officials are 99 percent of the way toward full compliance with hotel tax laws. City officials with questions about the hotel occupancy tax should call the TML Legal Department at 512-231-7400. ★

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