

City of Galveston
HOT2020-1 Short Term Rental 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 as any building or buildings, in which the public may, for a 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 a 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 is 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 less than thirty (30) consecutive days. The Park Board of Trustees is the administrative agency for the registration of short term rental and collection of rental registration fees. All owner/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.

OBJECTIVES, SCOPE AND METHODOLOGY

The Short Term Rental Hotel Occupancy Tax Revenue Recognition Audit was conducted as part of the Office of the City Auditor's Fiscal Year (FY) 2019-2020 Strategic Audit Plan approved by the Mayor and City Council.

OBJECTIVES

The objective of the audit was to collect on Short Term Rental properties that were not registered or paying taxes to the Park Board in accordance with applicable city and state laws.

SCOPE

The audit scope include complaints to the City Marshall's Office and Park Board.

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.

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AUDIT RESULTS

Overall, the City Auditor's Office has identified sixty-eight (68) short term properties not registered or paying taxes to the Park Board. Out of the identified properties forty-seven (47) are complete with a total revenue received of seventy-two thousand two hundred and thirty dollars (\$70,613). Refer to Appendix 1.

The Park Board had ninety-four (94) new short term rental register in the month of July.

The City Auditor's Office is working on registering and collecting the twenty-one (21) remaining properties.

PARK BOARD MANAGER'S COMMENTS

This was the first opportunity we had to cooperatively work with the City on collections from non-compliant properties. While the Park Board can help to identify non-compliant businesses, we have no enforcement capacity, whereas the City Auditor's authority is derived directly from City Council.

As demonstrated, a cooperative approach can result in a productive effort for the wider community. These additional resources came at a critical time for our industry.

Our staff enjoyed working with Ms. Sumrall, finding her to be very professional and easy to work with. We encourage and look forward to continued collaborations of this type with the City of Galveston.

Appendix 1

Short Term Rental HOT2020-1

Number	Address	Back tax and current paid
1	612-44th street	2,101.00
2	3911 Antascosa Key	744.00
3	4501 Ave K	423.81
4	3230 Carthegena Way	0.00
5	13680 Mutiny Ln.	9,268.00
6	22106 Pecos Dr	851.28
7	3907 Pirates Beach Cir	0.00
8	3912 Reeves Dr	3,117.09
9	4026 Reeves Dr	5,646.51
10	4039 Reeves Dr	9,701.40
11	3926 San Jacinto Dr	0.00
12	12622 W. Buena Vista	0.00
13	18811 W. Devaca	0.00
14	3110 Road Less Traveled	0.00
15	3506 Cove View Unit 607	795.00
16	3506 Cove view unit 512	342.72
17	7310 Seawall Blvd #605	0.00
18	7310 Seawall Blvd #609	3,514.00
19	7310 Seawall Blvd #1004	5,655.00
20	7310 Seawall Blvd #1006	9,800.00
21	21607 Zachary	1,399.00
22	11610 Beachside	1,792.35
23	3323 Beall Ln	605.43
24	4219 Buccaneer	651.69
25	22901 Buena	1,061.82
26	23006 Buena	506.70
27	23002 Camino	377.01
28	4147 Defender Ln	586.08
29	18228 E De Vaca	1,436.13
30	18217 E De Vaca	581.04
31	20607 E Sandhill Dr	180.45
32	21704 Frio Dr	809.64
33	14005 Grambo Blvd	256.59
34	4135 Jackson Dr	751.77
35	21922 Lampasas Dr	925.38
36	22911 Lunes	404.01
37	13822 Mutiny Ln	693.09
38	4002 Panola Dr	632.79
39	3719 Sabrina	1,005.21
40	4206 San Jacinto Dr	139.68
41	23927 San Luis Pass	818.19
42	11606 Sea Butterfly	1,163.79
43	4243 Spoonbill Ln	360.36
44	4402 Tampico Way	878.58
45	1120 Winne	646.20
46	21603 Zachary	719.55
47	21623 Zachary	888.48
	Total:	72,230.82