

City of Galveston
HOT2021-1 / HOT2021-2 / HOT2021-3 / HOT2021-4
Short Term Rental Hotel Occupancy Tax Revenue
City Auditor Executive Summary

December 30, 2020

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.

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) 2021 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 ten (10) new short term properties not registered or paying taxes to the Park Board. These ten (10) new short term rentals are now registered with the Park Board and a total estimated hot tax revenue in the amount of \$8,634 is to be collected. This report accomplishes the full amount of HOT Tax Audits required to be performed by the City Auditor's Office for the 2021 Fiscal Year City Auditor's Audit Plan.