



September 22<sup>nd</sup>, 2026

Chairman Paxton and Members  
Senate Committee on Economic Development  
Texas Senate

**RE:** Written Testimony on Ensuring Local Hotel Occupancy Tax Accountability

Chairman Paxton and Members of the Committee,

Thank you for the opportunity to provide comments regarding the collection, reporting, and use of state and local Hotel Occupancy Tax (HOT) revenues.

Texas Policy Research believes taxpayers deserve transparency and accountability whenever government collects and spends tax dollars. That principle is especially important with Hotel Occupancy Taxes, which represent a targeted tax justified by claims of promoting tourism and economic development rather than funding core governmental responsibilities. Taxes should exist to fund legitimate governmental functions, not to provide perpetual financing for activities that should compete in the marketplace.

While Texas law limits the permissible uses of HOT revenues, policymakers should periodically evaluate whether those expenditures continue to serve the public interest or have instead become permanent funding mechanisms for projects and organizations that increasingly rely on government subsidies rather than market demand. Too often, taxes enacted for a specific purpose become viewed as a permanent source of revenue with little scrutiny of whether the original justification still exists or whether the promised economic benefits have materialized.

Texas Policy Research also encourages the Committee to consider Hotel Occupancy Taxes within the broader context of economic development policy. In the Texas Liberty Compact, we call for ending corporate welfare because government should not pick winners and losers with taxpayer dollars. Whether through direct appropriations, tax incentives, grants, or dedicated revenue streams such as Hotel Occupancy Taxes, the underlying concern is the same. Government should not substitute political decision-making for market decision-making.

Businesses, attractions, convention facilities, and tourism initiatives that create genuine value should attract customers, investors, and private capital on their own merits. When government continually collects taxes to finance projects that would not otherwise be supported voluntarily, it distorts market incentives, encourages political favoritism, and creates ongoing expectations for public subsidy. Economic growth is strongest when driven by entrepreneurs, consumers, and private investment rather than by government directing resources toward favored projects.

At a minimum, the Legislature should strengthen accountability for the taxes that are already collected. Texans should be able to easily determine how much HOT revenue is collected, exactly how every dollar is spent, the measurable outcomes associated with those expenditures, and whether funded projects continue to satisfy the statutory purpose for which the tax was authorized. Reporting should prioritize objective performance metrics rather than simply documenting expenditures.

The Legislature should also consider requiring periodic legislative review or sunset provisions for local HOT authorizations and major projects funded through those revenues. Taxes should not continue indefinitely simply because they have always existed. Local governments should periodically demonstrate that the tax remains necessary, that funded projects continue to satisfy statutory requirements, and that measurable public benefits justify the continued collection of the tax.

Strengthening oversight of Hotel Occupancy Taxes is an appropriate step, but accountability should extend beyond improved reporting. Lawmakers should periodically evaluate whether these taxes continue to serve a legitimate public purpose or whether they have instead become another form of corporate welfare that substitutes taxpayer-funded investment for private capital. Texas has earned its reputation as a leader in economic freedom because it has generally trusted markets over government planning. That principle should remain at the forefront of any discussion regarding the future of Hotel Occupancy Taxes.

Thank you for your consideration of these comments and for your commitment to promoting greater fiscal accountability and transparency in Texas.

For Liberty, For Texas!

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