

Lipscomb County Backs Legislation to End “Tax Churn” on Hotel Stays

At the January 12th regular meeting, the Lipscomb County Commissioners Court unanimously approved a resolution supporting new legislation that would exempt Texas counties from paying the state’s hotel occupancy tax.

The state hotel occupancy tax is charged to anyone paying for a hotel room costing \$15 or more per day. When the tax was first enacted in 1972 at a rate of 3 percent, collections totaled just \$8.5 million. Legislative changes in 1984 and 1987 raised the rate to the current 6 percent, in addition to local-option hotel taxes imposed by many cities and counties.

Since then, state collections have grown significantly. By 2018, the tax generated \$601.2 million (excluding allocations to trusts). Revenue dipped to \$470.7 million in 2020 during the pandemic but rebounded strongly to nearly \$700 million in 2022. Collections climbed again to \$777.9 million in 2023 before a modest 2.8 percent decrease in fiscal year 2024 due to higher project finance zone payments. In 2025, revenues rose to \$812.9 million. Overall, since 1972, the hotel occupancy tax has averaged 9 percent annual growth and in FY 2024 accounted for 0.9 percent of all state funds, excluding trusts.

Several groups are already exempt from the state hotel occupancy tax—including federal agencies, foreign diplomats, the State of Texas and its employees, and certain charitable, educational, and religious organizations. However, Texas counties and their officials are *not* exempt. Because counties rely heavily on ad valorem property taxes, paying a state sales tax with property-tax dollars creates what officials describe as “tax churn”—one governmental entity taxing another, ultimately funded by the same taxpayers.

The proposed legislation would fix that. It would exempt counties, along with their officials and employees traveling on official business, from paying the state’s 6 percent hotel occupancy tax. Counties could present a Texas Hotel Occupancy Tax Exemption Certificate at check-in or seek reimbursement through the State Comptroller’s Office for taxes already paid.

Lipscomb County joins several other counties across Texas in urging lawmakers to introduce and pass this legislation during the 90th Texas Legislature, which convenes in January 2027. Counties successfully reduced tax churn during the 89th Legislature with passage of a bill exempting county governments from paying the state motor fuels tax—saving counties, and ultimately taxpayers, money. The Commissioners Court hopes to build on that momentum.