

By: Clardy, Shine, Bell of Kaufman, Anderson,
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H.B. No. 5012

A BILL TO BE ENTITLED

1 AN ACT
2 relating to the authority of certain municipalities to use certain
3 tax revenue for hotel and convention center projects and other
4 qualified projects.

5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

6 SECTION 1. Section 351.1015(a)(2), Tax Code, is amended to
7 read as follows:

8 (2) "Hotel-associated revenue" means the sum of:

9 (A) state tax revenue collected in a project
10 financing zone from all hotels located in the zone that would be
11 available to the owners of qualified hotel projects under Section
12 151.429(h) if the hotels were qualified hotel projects, excluding
13 the amount of that revenue received by a municipality:

14 (i) under Section 351.156 or 351.157 in
15 connection with a qualified hotel located in the zone that exists on
16 the date the municipality designates the zone, except as provided
17 by Paragraph (B); or

18 (ii) under Section 351.102(c) for a hotel
19 project described by Section 351.102(b) and located in the zone
20 that exists on the date the municipality designates the zone; and

21 (B) tax revenue collected from all permittees
22 under Chapter 183 at hotels located in the zone, excluding revenue
23 disbursed by the comptroller under Section 183.051(b).

24 SECTION 2. Section 351.1015, Tax Code, is amended by

1 amending Subsections (b) and (e) and adding Subsections (j) and (k)
2 to read as follows:

3 (b) This section applies only to a qualified project located
4 in:

5 (1) a municipality with a population of at least
6 650,000 but less than 750,000 according to the most recent federal
7 decennial census;

8 (2) a municipality described by Section
9 351.001(7)(B); or

10 (3) a municipality described by Section 351.152(5).

11 (e) A municipality may pledge for the payment of bonds or
12 other obligations described by Subsection (d) the local revenue
13 from eligible tax proceeds as defined by Section 2303.5055(e),
14 Government Code, from hotels located in a project financing zone
15 that would be available to the owners of qualified hotel projects
16 under that section if the hotels were qualified hotel projects,
17 excluding any amount received by the municipality:

18 (1) in connection with a qualified hotel, as defined
19 by Section 351.151, located in the zone that exists on the date the
20 municipality designates the zone; or

21 (2) for a hotel project described by Section
22 351.102(b) and located in the zone that exists on the date the
23 municipality designates the zone.

24 (j) Notwithstanding Subsection (a)(4)(D) and except as
25 otherwise provided by this subsection, the designation of a project
26 financing zone by a municipality described by Subsection (b)(2)
27 must expire not later than the 10th anniversary of the date of

1 designation. The legislature by adoption of a concurrent
2 resolution approved by a record vote of a majority of the members of
3 each house of the legislature may authorize a municipality
4 described by Subsection (b)(2) to extend, in 10-year increments, a
5 project financing zone designated by the municipality, provided
6 that the zone may not be extended beyond the 30th anniversary of the
7 date of designation.

8 (k) Notwithstanding any other provision of this section, a
9 municipality described by Subsection (b)(2) may not designate a
10 project financing zone under this section before January 1, 2025.
11 This subsection expires September 1, 2025.

12 SECTION 3. Section 351.152, Tax Code, is amended to read as
13 follows:

14 Sec. 351.152. APPLICABILITY. This subchapter applies only
15 to:

16 (1) a municipality described by Section
17 351.001(7)(B);

18 (2) a municipality described by Section
19 351.001(7)(D);

20 (3) a municipality described by Section
21 351.001(7)(E);

22 (4) a municipality described by Section
23 351.102(e)(3);

24 (5) a municipality that contains more than 70 [~~75~~]
25 percent of the population of a county with a population of 1.5
26 million or more;

27 (6) a municipality with a population of 175,000

1 [150,000] or more but less than 200,000 that is partially located in
2 at least one county with a population of 125,000 or more;

3 (7) a municipality with a population of 250,000
4 [~~150,000~~] or more but less than one million that is located in one
5 county with a population of 2.5 [~~2.3~~] million or more;

6 (8) a municipality with a population of 180,000 or
7 more that:

8 (A) is located in two counties, each with a
9 population of 100,000 or more; and

10 (B) contains an American Quarter Horse Hall of
11 Fame and Museum;

12 (9) a municipality with a population of 96,000 or more
13 that is located in a county that borders Lake Palestine;

14 (10) a municipality with a population of 96,000 or
15 more that is located in a county that contains the headwaters of the
16 San Gabriel River;

17 (11) a municipality with a population of at least
18 95,000 [~~99,900 or more but less than 111,000~~] that is located in a
19 county that is bisected by United States Highway 385 and has [~~with~~]
20 a population of not more than 170,000 [~~135,000 or more~~];

21 (12) a municipality with a population of 110,000 or
22 more but less than 135,000 at least part of which is located in a
23 county with a population of less than 135,000;

24 (13) a municipality with a population of 28,000
25 [~~9,000~~] or more but less than 31,000 [~~10,000~~] that is located in two
26 counties, each of which has a population of 900,000 [~~662,000~~] or
27 more and a southern border with a county with a population of 2.5

1 [2.3] million or more;

2 (14) a municipality with a population of 200,000 or
3 more but less than 300,000 that contains a component institution of
4 the Texas Tech University System;

5 (15) a municipality with a population of 95,000 or
6 more that:

7 (A) is located in more than one county; and

8 (B) borders Lake Lewisville;

9 (16) a municipality with a population of 45,000 or
10 more that:

11 (A) contains a portion of Cedar Hill State Park;

12 (B) is located in two counties, one of which has a
13 population of 2.5 [~~two~~] million or more and one of which has a
14 population of 190,000 [~~149,000~~] or more; and

15 (C) has adopted a capital improvement plan for
16 the construction or expansion of a convention center facility;

17 (17) a municipality with a population of less than
18 10,000 [~~6,000~~] that:

19 (A) is almost wholly located in a county with a
20 population of 900,000 [~~600,000~~] or more that is adjacent to a county
21 with a population of 2.5 [~~two~~] million or more;

22 (B) is partially located in a county with a
23 population of 2.1 [~~1.8~~] million or more that is adjacent to a county
24 with a population of 2.5 [~~two~~] million or more;

25 (C) has a visitor center and museum located in a
26 19th-century rock building in the municipality's downtown; and

27 (D) has a waterpark open to the public;

1 (18) a municipality with a population of 60,000
2 [~~56,000~~] or more that:

3 (A) borders Lake Ray Hubbard; and

4 (B) is located in two counties, one of which has a
5 population of less than 110,000 [~~80,000~~];

6 (19) a municipality with a population of 110,000
7 [~~83,000~~] or more that:

8 (A) borders Clear Lake; and

9 (B) is primarily located in a county with a
10 population of less than 355,000 [~~300,000~~];

11 (20) a municipality with a population of less than
12 2,000 that:

13 (A) is located adjacent to a bay connected to the
14 Gulf of Mexico;

15 (B) is located in a county with a population of
16 290,000 or more that is adjacent to a county with a population of
17 four million or more; and

18 (C) has a boardwalk on the bay;

19 (21) a municipality with a population of 75,000 or
20 more that:

21 (A) is located wholly in one county with a
22 population of 800,000 [~~575,000~~] or more that is adjacent to a county
23 with a population of four million or more; and

24 (B) has adopted a capital improvement plan for
25 the construction or expansion of a convention center facility;

26 (22) a municipality with a population of less than
27 70,000 [~~75,000~~] that is located in three counties, at least one of

1 which has a population of four million or more;

2 (23) an eligible coastal municipality with a
3 population of 2,900 [~~3,000~~] or more but less than 5,000;

4 (24) a municipality with a population of 90,000 or
5 more but less than 150,000 that:

6 (A) is located in three counties; and

7 (B) contains a branch campus of a component
8 institution of the University of Houston System;

9 (25) a municipality that is:

10 (A) primarily located in a county with a
11 population of four million or more; and

12 (B) connected by a bridge to a municipality
13 described by Subdivision (20);

14 (26) a municipality with a population of 25,000
15 [~~20,000~~] or more but less than 30,000 [~~25,000~~] that:

16 (A) contains a portion of Mustang Bayou; and

17 (B) is wholly located in a county with a
18 population of less than 500,000;

19 (27) a municipality with a population of 70,000 or
20 more but less than 90,000 that is located in two counties, one of
21 which has a population of four million or more and the other of
22 which has a population of less than 50,000;

23 (28) a municipality with a population of 10,000 or
24 more that:

25 (A) is wholly located in a county with a
26 population of four million or more; and

27 (B) has a city hall located less than three miles

1 from a space center operated by an agency of the federal government;

2 (29) a municipality that is the county seat of a
3 county:

4 (A) through which the Pedernales River flows; and

5 (B) in which the birthplace of a president of the
6 United States is located;

7 (30) a municipality that contains a portion of U.S.
8 Highway 79 and State Highway 130;

9 (31) a municipality with a population of 70,000
10 [~~48,000~~] or more but less than 115,000 [~~95,000~~] that is located in
11 two counties, one of which has a population of 1.1 million [~~900,000~~]
12 or more but less than 1.9 [~~1.7~~] million;

13 (32) a municipality with a population of less than
14 25,000 that contains a museum of Western American art;

15 (33) a municipality with a population of 50,000 or
16 more that is the county seat of a county that contains a portion of
17 the Sam Houston National Forest;

18 (34) a municipality with a population of less than
19 25,000 that:

20 (A) contains a cultural heritage museum; and

21 (B) is located in a county that borders the
22 United Mexican States and the Gulf of Mexico;

23 (35) a municipality that is the county seat of a county
24 that:

25 (A) has a population of 115,000 or more;

26 (B) is adjacent to a county with a population of
27 2.1 [~~1.8~~] million or more; and

1 (C) hosts an annual peach festival;

2 (36) a municipality that is the county seat of a county
3 that:

4 (A) has a population of 800,000 [~~585,000~~] or
5 more; and

6 (B) is adjacent to a county with a population of
7 four million or more;

8 (37) a municipality with a population of less than
9 10,000 that:

10 (A) contains a component university of The Texas
11 A&M University System; and

12 (B) is located in a county adjacent to a county
13 that borders Oklahoma;

14 (38) a municipality with a population of less than
15 17,000 [~~6,100~~] that:

16 (A) is located in two counties, each of which has
17 a population of 900,000 [~~600,000~~] or more but less than two million;
18 and

19 (B) hosts an annual Cajun Festival;

20 (39) a municipality with a population of 13,000 or
21 more that:

22 (A) is located on an international border; and

23 (B) is located in a county:

24 (i) with a population of less than 400,000;

25 and

26 (ii) in which at least one World Birding
27 Center site is located;

1 (40) a municipality with a population of 3,200 [~~4,000~~]
2 or more that:

3 (A) is located on an international border; and

4 (B) is located not more than five miles from a
5 state historic site that serves as a visitor center for a state park
6 that contains 300,000 or more acres of land;

7 (41) a municipality with a population of 36,000 or
8 more that is adjacent to at least two municipalities described by
9 Subdivision (15);

10 (42) a municipality with a population of 28,000 or
11 more that is located in a county with a population of 240,000 or
12 more that contains a portion of the Blanco River and in which is
13 located a historic railroad depot and heritage center;

14 (43) a municipality located in a county that has a
15 population of not more than 300,000 and in which a component
16 university of the University of Houston System is located;

17 (44) a municipality with a population of less than
18 500,000 that is:

19 (A) located in two counties; and

20 (B) adjacent to a municipality described by
21 Subdivision (31); [~~and~~]

22 (45) a municipality that:

23 (A) has a population of more than 67,000; and

24 (B) is located in two counties with 90 percent of
25 the municipality's territory located in a county with a population
26 of at least 800,000 [~~580,000~~], and the remaining territory located
27 in a county with a population of at least four million;

1 (46) a municipality that:

2 (A) has a population of 100,000 or more; and

3 (B) is wholly located in, but is not the county
4 seat of, a county with a population of one million or more:

5 (i) in which all or part of a municipality
6 with a population of one million or more is located; and

7 (ii) that is adjacent to a county with a
8 population of 2.5 million or more;

9 (47) a municipality that is the county seat of a county
10 bordering the Gulf of Mexico and the United Mexican States;

11 (48) a municipality that is bisected by the Guadalupe
12 River and is the county seat of a county with a population of
13 170,000 or more;

14 (49) a municipality with a population of 70,000 or
15 more but less than 150,000 that borders Joe Pool Lake;

16 (50) a municipality with a population of 115,000 or
17 more that borders the Neches River;

18 (51) a municipality described by Section [351.101\(k\)](#);

19 (52) a municipality that is the county seat of a
20 county:

21 (A) through which the Brazos River flows; and

22 (B) in which a national monument is located;

23 (53) a municipality with a population of 45,000 or
24 more that:

25 (A) is not the county seat of a county;

26 (B) is located in a single county; and

27 (C) contains a portion of Lake Lewisville;

1 (54) a municipality that is the county seat of a county
2 with a population of more than 900,000 that is adjacent to two
3 counties, each of which has a population of more than 1.8 million;

4 (55) a municipality that hosts an annual wine festival
5 and is located in three counties, each of which has a population of
6 more than 900,000;

7 (56) a municipality that has a population of at least
8 150,000 but less than 1,300,000 and is partially located in a county
9 that contains a portion of Cedar Creek Reservoir;

10 (57) a municipality that is located in a county that
11 contains a portion of Cedar Creek Reservoir and in which a private
12 college is located;

13 (58) a municipality that is the county seat of a
14 county:

15 (A) with a population of one million or more;

16 (B) in which all or part of a municipality with a
17 population of one million or more is located; and

18 (C) that is located adjacent to a county with a
19 population of 2.5 million or more;

20 (59) a municipality that is the county seat of a county
21 that contains a portion of Cedar Creek Reservoir and borders a
22 county with a population of more than 240,000;

23 (60) a municipality with a population of more than
24 80,000 but less than 150,000 that is located in a county with a
25 population of more than 369,000 but less than 864,000 that contains
26 part of an active duty United States Army installation;

27 (61) a municipality with a population of 750,000 or

1 more that is located in a county with a population of 1.5 million or
2 less;

3 (62) a municipality with a population of less than
4 7,000 that contains a country music hall of fame;

5 (63) a municipality with a population of 35,000 or
6 more that contains a railroad museum and is located in a county
7 that:

8 (A) has a population of 800,000 or more; and

9 (B) is adjacent to a county with a population of
10 four million or more; and

11 (64) a municipality:

12 (A) that is the county seat of a county:

13 (i) with a population of 60,000 or less; and

14 (ii) that borders the Rio Grande; and

15 (B) in which is located a United States military
16 fort listed in the National Register of Historic Places.

17 SECTION 4. Section 351.157, Tax Code, is amended by
18 amending Subsections (a) and (b) and adding Subsection (c-1) to
19 read as follows:

20 (a) In this section, "qualified establishment" means an
21 establishment:

22 (1) that is located on land:

23 (A) owned by a municipality; or

24 (B) owned by:

25 (i) any person if the establishment is
26 located in a municipality described by Section 351.152(3) or (58);

27 (ii) ~~owned by~~ the federal government if

1 the establishment is located in a municipality described by Section
2 351.152(6); or

3 (iii) a nonprofit corporation, including a
4 public facility corporation, that is acting as or on behalf of, or
5 that is controlled by, a municipality, if the establishment is
6 located in a municipality described by Section 351.152(5);

7 (2) the nearest exterior wall of which is located not
8 more than 1,000 feet from the nearest exterior wall of a qualified
9 hotel or qualified convention center facility;

10 (3) that is constructed:

11 (A) on or after the date the municipality
12 commences a qualified project under this subchapter; or

13 (B) at any time if the establishment is located
14 in a municipality described by Section 351.152(3);

15 (4) that is not a sports stadium; and

16 (5) that is the type of establishment described by
17 Subsection (c-1) [~~(c)~~] from which the municipality is entitled to
18 receive revenue under Subsection (d).

19 (b) This section applies only to:

20 (1) a municipality described by Section 351.152(3);

21 (1-a) a municipality described by Section 351.152(5);

22 (2) a municipality described by Section 351.152(6);

23 (3) a municipality described by Section 351.152(7);

24 (4) a municipality described by Section 351.152(10);

25 (4-a) a municipality described by Section
26 351.152(14);

27 (5) a municipality described by Section 351.152(16);

- (6) a municipality described by Section 351.152(22);
- (7) a municipality described by Section 351.152(25);
- (8) a municipality described by Section 351.152(34);
- (9) a municipality described by Section 351.152(35);
- (10) a municipality described by Section 351.152(36);
- (11) a municipality described by Section 351.152(38);

~~and~~

(11-a) a municipality described by Section 351.152(41);

- (12) a municipality described by Section 351.152(43);
- (13) a municipality described by Section 351.152(46);
- (14) a municipality described by Section 351.152(47);
- (15) a municipality described by Section 351.152(49);
- (16) a municipality described by Section 351.152(52);
- (17) a municipality described by Section 351.152(53);
- (18) a municipality described by Section 351.152(54);
- (19) a municipality described by Section 351.152(56);

and

(20) a municipality described by Section 351.152(58).

(c-1) A municipality to which this section applies is entitled to receive revenue under Subsection (d) derived from the following types of establishments that meet the requirements of Subsections (a)(1), (2), (3), and (4):

- (1) restaurants;
- (2) bars;
- (3) retail establishments;
- (4) recreation establishments; and

1 (5) swimming pools and swimming facilities owned or
2 operated by the related qualified hotel.

3 SECTION 5. Section 351.158, Tax Code, is amended to read as
4 follows:

5 Sec. 351.158. PERIOD OF ENTITLEMENT. (a) A municipality is
6 entitled to receive revenue as provided by Sections 351.156 and
7 351.157 until the 10th anniversary of the date the qualified hotel
8 to which the entitlement relates is open for initial occupancy.

9 (b) Notwithstanding Subsection (a) or any other law, due to
10 the effect of the COVID-19 pandemic on the tourism and hotel
11 industry, a municipality described by Section 351.152(2) is
12 entitled to receive revenue as provided by Section 351.156 until
13 the 12th anniversary of the date the qualified hotel to which the
14 entitlement relates is open for initial occupancy if:

15 (1) the qualified hotel to which the entitlement
16 relates is part of a qualified project that was commenced on or
17 before March 15, 2020; and

18 (2) the entitlement of the municipality to receive
19 revenue under Subsection (a) did not expire before the date
20 prescribed by Subdivision (1) of this subsection.

21 SECTION 6. Subchapter C, Chapter 351, Tax Code, is amended
22 by adding Section 351.161 to read as follows:

23 Sec. 351.161. RECAPTURE OF LOST STATE TAX REVENUE FROM
24 CERTAIN MUNICIPALITIES. (a) This section applies only to a
25 qualified project that:

26 (1) is authorized and commenced on or after January 1,
27 2027; or

1 (2) notwithstanding Subdivision (1), is located in a
2 municipality that was not entitled to pledge or commit revenue
3 under Section 351.155 before September 1, 2023.

4 (b) On the 20th anniversary of the date a hotel designated
5 as a qualified hotel by a municipality to which this section applies
6 is open for initial occupancy, the comptroller shall determine:

7 (1) the total amount of state tax revenue received
8 under Section 351.156 and, if applicable, under Section 351.157 by
9 the municipality from the qualified project of which the qualified
10 hotel was a part during the period for which the municipality was
11 entitled to receive that revenue; and

12 (2) the total amount of state tax revenue described by
13 Subdivision (1) received by the state during the period beginning
14 on the 10th anniversary of the date the qualified hotel opened for
15 initial occupancy and ending on the 20th anniversary of that date
16 from the same sources from which the municipality received the
17 revenue described by Subdivision (1).

18 (c) If the amount determined under Subsection (b)(1)
19 exceeds the amount determined under Subsection (b)(2), the
20 comptroller shall promptly provide written notice to the
21 municipality stating that the municipality must remit to the
22 comptroller the difference between those two amounts in the manner
23 provided by this subsection. The municipality shall, using money
24 lawfully available to the municipality for the purpose, remit
25 monthly payments to the comptroller in an amount equal to the total
26 amount of municipal hotel occupancy tax revenue received by the
27 municipality from the qualified hotel in the preceding month until

1 the amount remitted to the comptroller equals the total amount due
2 as stated in the notice. The first payment required under this
3 subsection must be made not later than the 30th day after the date
4 the municipality receives the notice from the comptroller.
5 Subsequent payments are due on the 20th day of each month until the
6 total amount stated in the notice is paid. The comptroller shall
7 prescribe the procedure a municipality must use to remit a payment
8 required by this subsection to the comptroller.

9 (d) The comptroller shall deposit revenue received under
10 this section in the manner prescribed by Section [156.251](#).

11 SECTION 7. Section [351.157\(c\)](#), Tax Code, is repealed.

12 SECTION 8. This Act takes effect September 1, 2023.