LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

March 11, 2003

TO: Honorable Jim Keffer, Chair, House Committee on Economic Development

FROM: John Keel, Director, Legislative Budget Board

IN RE: **HB262** by Wolens (Relating to the funding of convention center hotel facilities in certain municipalities.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB262, As Introduced: an impact of $0 through the biennium ending August 31, 2005.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2004	$0
2005	$0
2006	($2,000,000)
2007	($2,000,000)
2008	($2,000,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain/(Loss) from *GENERAL REVENUE FUND* 1
2004	$0
2005	$0
2006	($2,000,000)
2007	($2,000,000)
2008	($2,000,000)

Fiscal Analysis

The bill would amend Sections 351.001(2) and 351.102(a) of the Tax Code, and related sections in the Government Code, to define a qualifying municipality, for purposes of designating a qualified hotel project, as a municipality with a population of 1.18 million or more.

The bill would take effect immediately upon enactment, assuming that it received the requisite two-thirds majority votes in both houses of the Legislature. Otherwise, it would take effect September 1, 2003.

Methodology

Under current law, municipalities meeting the population threshold of 1.5 million or more may use their municipal hotel occupancy tax revenues to pay the principal or interest on bonds or other obligations of a municipally-sponsored local government corporation, if the bonds were issued to pay for the acquisition and construction of a convention center hotel or for the rehabilitation of a historic hotel structure. Such pledge may only be the portion of the tax collected at such hotel. In addition, for a period that may not exceed 10 years, a governmental body, including a municipality, county, or other political subdivision, may agree to rebate, refund, or pay eligible taxable proceeds to the owner of a qualified hotel project at which the eligible taxable proceeds were generated. Eligible taxable proceeds means taxable proceeds generated, paid, or collected by a qualified hotel project or a business at a qualified hotel project, including hotel occupancy taxes, ad valorem taxes, sales and use taxes, and mixed beverage taxes. Further, a qualified hotel project would be eligible for a refund of their state hotel occupancy taxes, sales and use taxes, and franchise taxes.

Reducing the required population of a municipality from 1.5 million to 1.18 million would allow more municipalities to use the revenue from the municipal hotel occupancy tax for the payment of such bonds or obligations and would allow more qualified hotel projects or businesses at qualified hotel projects to keep eligible taxable proceeds as defined above. According to the 2000 population figures from the Census Bureau, only the city of Houston currently meets the population test; lowering the threshold to 1.18 million would add the city of Dallas.

As the number of hotels which might be built, rehabilitated or remodeled under the provisions is unknown, this estimate assumes that one hotel project will qualify. It is further assumed that the project would be completed in fiscal 2006.

According to the Comptroller's Office, a large hotel located near a convention center in a major Texas city could be expected to collect and remit over $2 million in state hotel occupancy taxes and sales taxes annually. There would also be a corresponding loss to the Hotel Occupancy Tax Deposit Account 5003 of one-twelfth of hotel occupancy tax revenue. A hotel project could also be refunded its state franchise taxes, if applicable.

Local Government Impact

A hotel project under the provisions of the bill could be refunded all local tax revenues outlined above.

Source Agencies: 304 Comptroller Of Public Accounts
LBB Staff: JK, JRO, WP, SD, JO