LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

May 21, 2003

TO: Honorable Fred Hill, Chair, House Committee on Local Government Ways and Means

FROM: John Keel, Director, Legislative Budget Board

IN RE: **SB1784** by Lucio (Relating to the imposition and allocation of municipal hotel occupancy taxes in certain general-law coastal municipalities.), **Committee Report 2nd House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for SB1784, Committee Report 2nd House, Substituted: 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	$0
2007	$0
2008	$0

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain/(Loss) from *Municipality of South Padre Island*
2004	$283,000
2005	$287,000
2006	$97,000
2007	$0
2008	$0

Fiscal Analysis

The bill would amend Chapter 351 of the Tax Code to authorize a general-law municipality that borders on the Gulf of Mexico and that has a boundary within 30 miles of Mexico to increase its municipal hotel occupancy tax to a rate of 7.5 percent. The rate increase would have to be approved by a majority of the registered voters of the municipality.

The municipality would have to use the revenue derived from imposing a rate more than 7 percent only for beautifying and improving access to, and safety of, the portion of State Highway 100 known as "Padre Boulevard." Interest income derived from the application of a tax rate of more than 7 percent would have to be used for the same purposes.

This 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. The provisions of this bill would be repealed January 1, 2006.

Methodology

Based on the bill's eligibility requirements, the municipality of South Padre Island would be the only city eligible to impose the municipal hotel occupancy tax at a rate not to exceed 7.5 percent. Currently, South Padre Island imposes the maximum 7 percent rate allowed by a municipality.

Currently, revenue from the municipal hotel occupancy tax may be used only to promote tourism and the convention and hotel industry.

Data on taxable hotel revenues from South Padre Island were gathered from Comptroller tax files. Revenues were multiplied by the 0.5 percent difference in rate to determine the gain to municipality of South Padre Island.

This analysis assumes an effective date of September 1, 2003.

Local Government Impact

The impact to local government is illustrated in the above table.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JK, WP, SD