LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

April 15, 2003

TO: Honorable Frank Madla, Chair, Senate Committee on Intergovernmental Relations

FROM: John Keel, Director, Legislative Budget Board

IN RE: **SB1784** by Lucio (Relating to eligible general-law coastal municipalities imposition of an additional Hotel Occupancy Tax.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB1784, 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	$0
2007	$0
2008	$0

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain/(Loss) from *Municipality of South Padre Island*
2004	$566,000
2005	$574,000
2006	$585,000
2007	$603,000
2008	$629,000

Fiscal Analysis

The bill would amend Chapter 351 of the Tax Code to define an eligible general-law coastal municipality as a general-law municipality having a population of less than 5,000, bordering the Gulf of Mexico, and having boundaries within 30 miles of Mexico.

The bill would authorize an eligible general-law coastal municipality to charge a municipal hotel occupancy tax up to eight percent of the price paid for a hotel room. The bill would require an eligible general-law coastal municipality to use the revenue derived from imposing a rate more than 7 percent for the maintenance and operation of parks, a trolley transportation system, the town's beautification plan, facilities with the purpose to attract tourism, and enhancing and providing for public beach access. Interest income derived from the application of a tax rate of more than 7 percent would have to be used for the same purposes.

The bill would take effect immediately upon enactment, assuming it receives the requisite two-thirds majority votes in both houses of the legislature; otherwise, it would take effect September 1, 2003.

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 8 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 1 percent difference in rate to determine the gain to the municipality of South Padre Island.

Local Government Impact

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

Source Agencies: 304 Comptroller of Public Accounts
LBB Staff: JK, DLBa, WP, SD