

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION

April 28, 2005

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

FROM: John S. O'Brien, Deputy Director, Legislative Budget Board

IN RE: HB214 by Casteel (Relating to the authority of certain counties to impose a hotel occupancy tax.), **As Engrossed**

Estimated Two-year Net Impact to General Revenue Related Funds for HB214, As Engrossed: an impact of \$0 through the biennium ending August 31, 2007.

General Revenue-Related Funds, Five-Year Impact:

| Fiscal Year | Probable Net Positive/(Negative) Impact to General Revenue Related Funds |
|-------------|--------------------------------------------------------------------------------|
| 2006 | \$0 |
| 2007 | \$0 |
| 2008 | \$0 |
| 2009 | \$0 |
| 2010 | \$0 |

All Funds, Five-Year Impact:

| Fiscal Year | Probable Revenue Gain/(Loss) from <i>County of Gillespie</i> |
|-------------|-----------------------------------------------------------------|
| 2006 | \$1,154,000 |
| 2007 | \$1,204,000 |
| 2008 | \$1,259,000 |
| 2009 | \$1,314,000 |
| 2010 | \$1,372,000 |

Fiscal Analysis

The bill would amend Section 352.002(a) and (d) of the Tax Code to authorize a county with a population of less than 22,000 and in which the birthplace of a president of the United States is located to impose a hotel occupancy tax regardless of whether the hotel was located in a municipality that imposes a tax under Tax Code Chapter 351.

The bill would amend Section 352.002(d) to authorize a county with a population greater than 45,000 and less than 75,000, that borders Mexico, and that borders or contains a portion of Falcon Lake to impose a hotel occupancy tax regardless of whether the hotel was located in a municipality that imposes a tax under Tax Code Chapter 351.

The bill would amend Section 352.002(a) to authorize a county that has a population of 25,000 or less, whose territory is less than 750 square miles, and that has two incorporated municipalities, each with a population of 1,200 or less, in which one is located on the Frio River and the other on the Nueces

River to impose a hotel occupancy tax but not if the hotel is located in a municipality if that municipality currently imposes a municipal hotel tax under Tax Code Chapter 351.

The bill would take effect immediately up enactment, assuming that it received the requisite two-thirds majority votes in both houses of the Legislature. Otherwise, it would take effect September 1, 2005.

Methodology

Gillespie County (President Lyndon B. Johnson) would, at the present time, be the only county that would qualify under the bill's provisions to impose a hotel occupancy tax. There would be no effect on state hotel occupancy tax revenues.

Under current law, unless otherwise specified, a county that imposes a hotel occupancy tax may not impose a rate that exceeds 7 percent of the price paid for a room.

Gillespie County and Starr County would be the only counties affected by the revision to Section 352.002(d). There could be a potential fiscal impact to Gillespie and Starr Counties, but it is not known what hotels are within a municipality that already imposes a hotel occupancy tax under Chapter 351.

The above table portrays potential fiscal impacts if Gillespie County were to adopt a county hotel occupancy tax at 7 percent. Fiscal year 2006 represents 12 months of collections. If the bill were to take effect immediately, there would be a marginal revenue gain to the counties in fiscal year 2005.

Local Government Impact

The fiscal impact to units of local government is shown in the above table.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JOB, DLBa, WP, SD