

LEGISLATIVE BUDGET BOARD  
Austin, Texas

FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION

April 1, 2005

**TO:** Honorable Steve Ogden, Chair, Senate Committee on Finance

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

**IN RE: SB1571** by Williams (Relating to the exception from the hotel occupancy tax for a permanent resident.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for SB1571, As Introduced: a positive impact of \$14,349,000 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	\$6,711,000
2007	\$7,638,000
2008	\$7,987,000
2009	\$8,336,000
2010	\$8,707,000

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain/(Loss) from GENERAL REVENUE FUND 1	Probable Revenue Gain/(Loss) from HOTEL OCCUP TAX DEPOS ACC 5003
2006	\$6,152,000	\$559,000
2007	\$7,002,000	\$636,000
2008	\$7,322,000	\$665,000
2009	\$7,642,000	\$694,000
2010	\$7,982,000	\$725,000

Fiscal Analysis

The bill would implement a recommendation in the Legislative Budget Board's *Staff Performance Report, State Government Efficiency and Operations Submitted to the 79th Legislature*. Recommendation number 1 in the Eliminate the Permanent Resident Exception to the Hotel Occupancy Tax report proposes eliminating this exception.

The bill would repeal Sections 156.101, 351.002(c), and 352.002(c) of the Tax Code, relating to the exception from the hotel occupancy tax for a permanent resident. Under current law, a person with the right to use or possess a hotel room for at least 30 consecutive days with no interruption of payment is not required to pay the hotel occupancy tax. The term "person" may include individuals as well as businesses.

The bill would take effect September 1, 2005

## **Methodology**

The bill would repeal the exception for permanent residents for the state, municipality, and county hotel occupancy tax. Data were collected from the Comptroller's tax files on gross and taxable hotel receipts to estimate the value of exemptions from the hotel tax. It is estimated that 15 percent of hotel occupancy tax exemptions were due to the permanent resident exemption. Because of the timing of remittance, the fiscal impact for fiscal 2006 reflects 11 months of collections. The Comptroller's Office does not have data available to estimate potential local gains.

## **Local Government Impact**

Local units of government would have a corresponding positive fiscal impact but the comptroller was unable to estimate savings to cities and counties.

**Source Agencies:** 304 Comptroller of Public Accounts

**LBB Staff:** JOB, SD, JI, YD