

BILL ANALYSIS

C.S.H.B. 1109
By: Harper-Brown
Local Government Ways & Means
Committee Report (Substituted)

BACKGROUND AND PURPOSE

Over the years, the law regarding local hotel occupancy taxes has changed to limit the total allowable hotel occupancy tax revenue that can be appropriated for specific causes such as arts funding and historic preservation. Specifically, Chapter 351 of the Texas Tax Code was amended to limit the total amount a city can appropriate for arts related funding to fifteen percent of the total hotel occupancy tax collections a city receives. Prior to enactment of this limitation, some cities used this revenue to back bonds that built facilities that serve their communities as arts centers.

While these bonds are in place the change in law that limits the amount of hotel occupancy taxes that can be appropriated for arts funding does not apply. However, once the local bonds are paid off the new restrictions on art funding will create operating shortfalls for some arts centers. This legislation is intended to continue the authority of certain cities to fund their arts centers at their historic levels. The legislation does not guarantee funding levels, instead it simply continues the current authority that the city councils have to appropriate up to the existing funding levels.

RULEMAKING AUTHORITY

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

This bill adds a new section 351.1077 of the Tax Code.

The bill limits the application of this new section of Chapter 351 of the Tax Code to cities with a population of more than 190,000 and that are also located in a county that has another city that has a population of more than one million is predominantly located.

The bill allows the municipality to appropriate up to 15 percent of the total hotel occupancy tax revenue collected by the municipality for the purposes provided by Section 351.101(a)(4), Tax Code.

Additionally, a municipality to which the bill applies may use up to an additional \$1.6 million in collected hotel tax revenue. This amount is over the 15% amount allowed in Section 351.1077(b).

A municipality to which the bill applies may not reduce the amount of revenue that an arts center that receives funds spends for a purpose described by Section 351.101(a)(3) to an amount that is less than the amount of revenue spent by the arts center for those purposes during the fiscal year of the arts center preceding the effective date of this section. If the municipality reduces the funding of the arts center, the art center's required funding amount for purposes described by Section 351.101(a)(3) is also reduced by a proportional amount.

The bill requires a link to a website listing area hotels on promotional ads.

Section 351.1077 expires on September 1, 2022.

EFFECTIVE DATE

Upon passage, or, if the Act does not receive the necessary vote, the Act takes effect September 1, 2007.

COMPARISON OF ORIGINAL TO SUBSTITUTE

The committee substitute, in Section 351.1077(b), allows all municipalities under this bill to use up to 15% of their local hotel occupancy revenue taxes on arts funding. The original section, 351.1077(b), allowed a city to use up to 24% of hotel occupancy tax collections to be spent on 351.101(a)(4).

The committee substitute adds the following provisions that were not in the original bill:

(1) allows the municipality to use up to an additional \$1.6 million over the 15% amount allowed in 351.1077(b); (2) Adds that a municipality to which the bill applies may not reduce the amount of revenue that an arts center that receives funds spends for a purpose described by Section 351.101(a)(3) to an amount that is less than the amount of revenue spent by the arts center for those purposes during the fiscal year of the arts center preceding the effective date of this section. If the municipality reduces the funding of the arts center, the art center's required funding amount for purposes described by Section 351.101(a)(3) is also reduced by a proportional amount. (3) Requires a link to a website listing area hotels on promotional ads.

The substitutes renames original subsection 351.1077(c) to 351.1077(f).