

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

March 30, 2007

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

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

IN RE: HB2297 by Hilderbran (Relating to the authority of certain counties to impose a county hot occupancy tax and to the rate of the tax.), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2297, Committee Report 1st House, Substituted: an impact of \$0 through the biennium ending August 31, 2009.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2008	\$0
2009	\$0
2010	\$0
2011	\$0
2012	\$0

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain/(Loss) from <i>Llano county</i>
2008	\$942,000
2009	\$978,000
2010	\$1,015,000
2011	\$1,051,000
2012	\$1,086,000

Fiscal Analysis

The bill would amend Section 352.002(a) of the Tax Code, relating to the authority of certain counties to impose a county hotel occupancy tax and to the rate of that tax.

The bill would allow a county with a population of more than 15,000 and less than 20,000 and that borders Lake Buchanan to impose a county hotel occupancy tax. This tax would not apply to a hotel located in a municipality.

The bill would amend Tax Code Section 352.003(g) to cap the hotel tax rate for a county meeting the description of Starr County at 2 percent.

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, 2007.

Methodology

The only county that would meet the criteria established by the bill is Llano County. It is not known if this county would approve a county hotel occupancy tax or at what rate.

Currently, unless otherwise specified, counties authorized to impose a county hotel occupancy tax may not impose the tax at a rate greater than 7 percent. Data on taxable hotel receipts from Llano County were gathered from Comptroller tax files. Receipts were multiplied by the 7 percent rate to estimate the potential maximum gain to Llano County. The gross taxable receipts from the two municipalities in the county were then subtracted from the overall taxable receipts for the county to estimate the maximum potential gain to Llano county.

The amendment to Section 352.003(g) to cap the hotel tax rate for Starr County at 2 percent was originally intended in legislation enacted by the 78th Legislature, Regular Session (2003). In that session, HB 3282 allowed Starr County to impose a hotel tax, at a rate not to exceed 2 percent.

However, another bill that amended the same subsection also passed that session. HB 2018 renumbered Section 352.002(a) and inadvertently designated a different county as Section 352.002(a) (17). This bill would rectify the situation. Because hotels in Starr County are currently charging only the 2 percent tax rate for counties, this provision would have no fiscal impact

Local Government Impact

The effect upon local units of government is indicated in the above table.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JOB, CT