

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION**

**March 16, 2007**

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

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

**IN RE: HB2322** by Guillen (Relating to the rate of the hotel occupancy tax imposed by counties without a municipality.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB2322, As Introduced: 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>Borden County</i>	Probable Revenue Gain/(Loss) from <i>Crockett County</i>	Probable Revenue Gain/(Loss) from <i>Jim Hogg County</i>	Probable Revenue Gain/(Loss) from <i>McMullen County</i>
2008	\$11,000	\$94,000	\$27,000	\$2,000
2009	\$11,000	\$98,000	\$28,000	\$2,000
2010	\$12,000	\$101,000	\$29,000	\$2,000
2011	\$12,000	\$105,000	\$31,000	\$2,000
2012	\$12,000	\$108,000	\$32,000	\$2,000

Fiscal Year	Probable Revenue Gain/(Loss) from <i>Tarrell County</i>	Probable Revenue Gain/(Loss) from <i>Zapata County</i>
2008	\$9,000	\$87,000
2009	\$9,000	\$91,000
2010	\$10,000	\$94,000
2011	\$10,000	\$98,000
2012	\$10,000	\$101,000

**Fiscal Analysis**

The bill would repeal Section 352.003(c) of the Tax Code, which imposes a rate cap of four percent on any hotel occupancy tax imposed by a county without a municipality.

The bill would take effect immediately upon enactment if it receives two-thirds vote in each house; otherwise, it would take effect September 1, 2007.

## **Methodology**

According to the Comptroller of Public Accounts, currently ten counties meet the criteria of the bill, but of the indentified counties only seven counties have hotels located within their boundaries. The seven counties that would qualify are: Borden, Crockett, Jim Hogg, Kenedy, McMullen, Tarrell, and Zapata. Under the provisions of the bill, the counties would be allowed to raise their hotel occupancy tax up to the statutory 7 percent limit. However, it is not known whether these counties would approve a higher county hotel occupancy tax or at what rate.

For the purpose of this estimate, the Comptroller gathered data on taxable hotel receipts from these counties from its tax files. To estimate the potential maximum gain to those counties the Comptroller multiplied the receipts by the three percent difference between the current maximum rate of four percent and the statutory maximum rate of seven percent allowed under this bill.

The Comptroller reports that the revenue from a county hotel occupancy tax at the maximum rate of seven percent would be insignificant for Kenedy County.

For the purpose of this estimate, it is assumed that each county is at the current four percent maximum rate and that each would adopt a county hotel occupancy tax at the seven percent maximum rate allowed by law. It was also assumed that the effective date would be September 1, 2007.

## **Local Government Impact**

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

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

**LBB Staff:** JOB, CT, SD, EB