

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

April 23, 2007

TO: Honorable David Dewhurst, Lieutenant Governor, Senate

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

IN RE: SB213 by Fraser (Relating to the authority of certain counties to impose a county hotel occupancy tax and to the rate of the tax.), **As Passed 2nd House**

Estimated Two-year Net Impact to General Revenue Related Funds for SB213, As Passed 2nd House: 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>	Probable Revenue Gain/(Loss) from <i>Franklin County</i>
2008	\$999,000	\$71,000
2009	\$1,038,000	\$73,000
2010	\$1,076,000	\$76,000
2011	\$1,115,000	\$79,000
2012	\$1,152,000	\$81,000

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 and a county with a population of less than 10,000 that is bordered by the Sulphur River to impose a county hotel occupancy tax.

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 two percent.

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, the only counties that would meet the criteria established by the bill are Llano County and Franklin County. It is not known if either 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 seven percent. Data on taxable hotel receipts from Llano and Franklin County were gathered from Comptroller tax files. Receipts were multiplied by the seven percent rate to estimate the potential maximum gain to Llano and Franklin County.

The amendment to Section 352.003(g) to cap the hotel tax rate for Starr County at two 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 two 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). According to the Comptroller, the bill would rectify the situation and would have no fiscal impact in Starr County as hotels are currently charging only the two percent tax rate for counties.

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, SD, EB, CT