

## **BILL ANALYSIS**

C.S.H.B. 1324  
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Ways & Means  
Committee Report (Substituted)

### **BACKGROUND AND PURPOSE**

The local hotel occupancy tax rate in South Padre Island is capped at seven percent of the cost of a hotel room. Over 85 percent of resultant revenue, amounting to six cents of each seven cents collected, is currently spent on the city's convention center and on advertising and promoting the area. The City of South Padre Island would like to secure additional local funding for both of these purposes. With this in mind, the city is seeking authority to increase its local hotel tax by an additional one percent that would be dedicated to marketing and expansion of the convention center facility.

Also, the City of South Padre Island has struggled to address the costs of maintaining area beaches and dealing with the substantial erosion of those beaches due in part to recent hurricanes. To fund such needs, the city is seeking authority to increase the local hotel occupancy tax rate by another one-half percent to fund coastal erosion and beach nourishment projects, producing a total increase of one and one-half percent. Erosion response projects are actions intended to address or mitigate coastal erosion, including beach nourishment, sediment management, beneficial use of dredged material, creation or enhancement of a dune, wetland, or marsh, and construction of a breakwater, bulkhead, groin, jetty, or other structure.

C.S.H.B. 1324 authorizes an eligible barrier island coastal municipality to increase its local hotel occupancy tax rate to eight and one-half percent and requires at least one-half percent of the eight and one-half percent rate to be dedicated to erosion response projects.

### **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**

C.S.H.B. 1324 amends the Tax Code to increase the rate of a hotel occupancy tax in an eligible barrier island coastal municipality from no more than seven percent to no more than eight and one-half percent of the price paid for a room. The bill defines "eligible barrier island coastal municipality" as a municipality that borders on the Gulf of Mexico, is located wholly on a barrier island, and the boundaries of which are within 30 miles of the United Mexican States.

C.S.H.B. 1324 requires an eligible barrier island coastal municipality to use at least the amount of revenue derived from the application of the tax at a rate of seven percent of the cost of a room for the acquisition of sites for and the construction, improvement, enlarging, equipping, repairing, operation, and maintenance of convention center facilities or visitor information centers or both, and for advertising and conducting solicitations and promotional programs to attract tourists and convention delegates or registrants to the municipality or its vicinity. The bill requires an eligible barrier island coastal municipality that imposes the tax at a rate equal to or greater than seven and one-half percent of the price paid for a room to use for erosion response projects at least the amount of revenue derived from the application of the tax at a rate of one-

half of one percent of the cost of a room. The bill defines "erosion response project."

### **EFFECTIVE DATE**

On passage, or, if the act does not receive the necessary vote, the act takes effect September 1, 2009.

### **COMPARISON OF ORIGINAL AND SUBSTITUTE**

C.S.H.B. 1324 omits provisions in the original authorizing an eligible barrier island coastal municipality to use all or any portion of the revenue derived from the full tax rate of its municipal hotel occupancy tax:

- to clean and maintain the beaches in the municipality;
- to provide beach security within the municipality;
- for any purpose involving the establishment, acquisition, lease, construction, improvement, enlargement, equipping, repair, operation, or maintenance of a civic center, auditorium, opera house, music hall, exhibition hall, coliseum, museum, library, other municipal building, golf course, tennis court, other similar recreational facility, certain hotels near a convention center owned by a population of 1,500,000 or more, or certain parking areas at or in the immediate vicinity of such facilities;
- for any purpose allowed an eligible coastal community under specified provisions of the Tax Code;
- for any erosion response project;
- for beautifying or improving the safety of and access to the portion of State Highway 100 that is within the boundaries of the municipality; or
- to pay the principal of or interest on bonds or notes issues for any of the purposes above.

The substitute instead adds provisions requiring an eligible barrier island coastal municipality to use at least the amount of revenue derived from the application of the tax at a rate of seven percent of the cost of a room for the acquisition of sites for construction, improvement, enlarging, equipping, repairing, operation, and maintenance of convention center facilities or visitor information centers or both, and for advertising and conducting solicitations and promotional programs to attract tourists and convention delegates or registrants to the municipality or its vicinity.

C.S.H.B. 1324 differs from the original by requiring an eligible barrier island coastal municipality imposing the municipal hotel occupancy tax at a rate equal to or greater than seven and one-half percent to use the revenue derived from a tax rate portion of one-half of one percent for erosion-related projects, whereas the original applies the requirement to any eligible barrier island coastal municipality imposing a hotel occupancy tax. The substitute differs from the original by referring to erosion response projects, rather than erosion control projects as in the original.