LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

May 7, 2009

TO: Honorable Eddie Lucio, Jr., Chair, Senate Committee on International Relations & Trade

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

IN RE: **HB1324** by Rios Ybarra (Relating to the municipal hotel occupancy tax imposed in certain municipalities.), **As Engrossed**

Estimated Two-year Net Impact to General Revenue Related Funds for HB1324, As Engrossed: an impact of $0 through the biennium ending August 31, 2011.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2010	$0
2011	$0
2012	$0
2013	$0
2014	$0

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain/(Loss) from *City of South Padre Island*
2010	$674,000
2011	$777,000
2012	$815,000
2013	$856,000
2014	$899,000

Fiscal Analysis

The bill would amend Chapter 351 of the Tax Code, regarding the municipal hotel occupancy tax. The bill would set the maximum allowable municipal hotel occupancy tax rate for an "eligible barrier island costal municipality" at 8.5 percent of the price paid for a room.

The bill would require the municipality to use at least the amount of tax revenue collected from this tax applied at 7 percent, on certain purposes, relating to the acquisition, construction and advertising of a convention center or visitor information center. If the tax rate is set at an amount equal to or greater than 7.5 percent, the municipality must use the amount of revenue collected from one-half of one percentage point of the tax rate for erosion response projects, as defined by the bill.

The bill would take effect immediately upon enactment, if it receives two-thirds vote in each house. Otherwise, the bill would take effect September 1, 2009.

Methodology

Based on geographical limitations set forth in the bill, the City of South Padre Island would be the only eligible municipality. To estimate the potential maximum fiscal impact of this bill, data on taxable hotel receipts for the City of South Padre Island were gathered from Comptroller tax files, which were then multiplied by 1.5 percent (the difference between the city's current 7 percent rate and the maximum rate should this bill become law). The fiscal impact was adjusted for the effective date and extrapolated through 2014.

The table above assumes adoption of the maximum 8.5 percent municipal hotel occupancy tax rate at the earliest possible date.

Local Government Impact

The fiscal impact to the eligible municipality is reflected in the above table.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JOB, CL, MN, SD, TP