

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

March 23, 2009

TO: Honorable Rene Oliveira, Chair, House Committee on Ways & Means

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 Introduced**

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

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 <i>City of South Padre Island</i>
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 allow the municipality to use some or all of this tax revenue for a variety of specified purposes, but must use the amount of revenue collected from one-half of one percentage point of the tax rate for erosion control projects.

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 seven 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, MN, SD, TP