

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

**FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION**

**May 19, 2011**

**TO:** Honorable Mike Jackson, Chair, Senate Committee on Economic Development

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

**IN RE: HB1315** by Aliseda (Relating to the use of municipal hotel occupancy tax revenue in certain municipalities.), **Committee Report 2nd House, Substituted**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB1315, Committee Report 2nd House, Substituted: an impact of \$0 through the biennium ending August 31, 2013.

**General Revenue-Related Funds, Five-Year Impact:**

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2012	\$0
2013	\$0
2014	\$0
2015	\$0
2016	\$0

**All Funds, Five-Year Impact:**

Fiscal Year	Probable Revenue Gain/(Loss) from <i>City of Longview</i>	Probable Revenue Gain/(Loss) from <i>City of Tyler</i>
2012	\$370,000	\$470,000
2013	\$424,000	\$539,000
2014	\$445,000	\$566,000
2015	\$467,000	\$594,000
2016	\$490,000	\$624,000

**Fiscal Analysis**

The bill would amend Chapter 351 of the Tax Code, regarding municipal hotel occupancy taxes.

Section 1 of the bill would allow certain municipalities to use revenue from the municipal hotel occupancy tax for business recruitment projects to substantially enhance hotel activity and encourage tourism and to construct, enlarge, equip, improve, maintain, repair, and operate a recreational facility.

A qualifying municipality must have a population of at least 3,500 but less than 5,500, and be the county seat of a county with a population of less than 50,000 that borders a county with a population of more than 1.6 million; or a population of at least 2,900 but less than 3,500, and be the county seat located in a county with a population of less than 22,000 that is bordered by the Trinity River and includes a state park and a portion of a wildlife management area.

Section 2 of the bill would set the maximum allowable municipal hotel occupancy tax rate at 9 percent of the price paid for a room for a municipality with a population greater than 95,000 located in a

county with a population greater than 200,000 that borders Lake Palestine.

Section 2 of the bill would set the maximum allowable municipal hotel occupancy tax rate at 9 percent of the price paid for a room for a municipality with a population of at least 80,000 that is partially located in a county that borders the state of Louisiana and has a population of at least 60,000.

For the municipalities affected by Section 2 of this bill, all revenue received from the application of the tax imposed by this chapter at a rate of more than 7 percent of the price paid for a room in a hotel must be allocated for the construction, expansion, maintenance, or operation of convention center facilities.

The bill would take effect immediately, assuming it receives the requisite two thirds majority votes in both houses of the Legislature. Otherwise, it would take effect September 1, 2011.

### **Methodology**

The cities of Jourdanton and Fairfield would qualify, based on the provisions in Section 1 of the bill. For an applicable municipality, an additional usage of hotel occupancy tax revenue would have no direct fiscal impact. It could affect how a municipality uses revenue collected from the municipal hotel occupancy tax.

According to the Comptroller of Public Accounts (CPA), the cities of Longview and Tyler would be the only eligible municipalities that would meet the criteria in Section 2 of the bill.

For the purpose of this estimate, CPA gathered data on hotel receipts for Longview and Tyler subject to the state hotel occupancy tax from tax files, and multiplied the receipts by 2 percent (the difference between the current 7 percent rate the cities can levy under the Chapter's general provisions and the maximum rate should the bill become law) to determine the maximum potential gains to the cities.

CPA reports the fiscal implications for Longview and Tyler cannot be determined as the tax rates that might be set by the cities and the timing of any changes are unknown. However, for illustrative purposes this analysis shows the fiscal impact should Longview and Tyler adopt the maximum 9 percent municipal hotel occupancy tax rate at the earliest date permissible.

### **Local Government Impact**

The fiscal impact to local government is illustrated in the table.

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

**LBB Staff:** JOB, KKR, SD, AG