

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION
Revision 1

April 4, 2011

TO: Honorable Harvey Hilderbran, Chair, House Committee on Ways & Means

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

IN RE: HB3341 by Anchia (Relating to the rebate, refund, or payment of tax proceeds to a qualified hotel project.), **As Introduced**

There could be an indeterminate revenue loss to the State if the State were to enter into such agreements.

The bill would amend Chapter 2303 of the Government Code, regarding enterprise zones, to include the state as a governmental body that may agree to rebate, refund or pay eligible taxable proceeds to the owner of a qualified hotel project. However, the bill does not precisely state who can enter into such an agreement on behalf of the state. Under current law the list of such governmental bodies includes a municipality, county or other political subdivision of the state.

The bill would create the Qualified Hotel Project Trust Fund as a fund outside the treasury, and require the Comptroller to deposit eligible taxable proceeds collected or paid by a qualified hotel project. Monies in the fund would be used, without an appropriation, to rebate, refund or pay the qualified projects the hotel occupancy, sales, and mixed beverage taxes to which they are entitled.

The bill would make conforming amendments to Chapters 151 and 351 of the Tax Code.

Currently, the state refunds state hotel taxes and state sales and use taxes to qualified hotel projects. If a state agency were to enter an agreement the Comptroller could be required to begin refunding state mixed beverage taxes to qualified hotel projects. An agreement could be entered into that would require refunds of state mixed beverage taxes for past years. It is unknown how many qualified hotels could potentially receive such rebates.

According to the Comptroller's Office (CPA), General Revenue Fund could have a loss in fiscal 2012 of \$12.7 million in prior year state mixed beverage tax refunds, based on the three hotel projects currently receiving refunds, if this bill were to pass and if the state were to enter into such an agreement. Similarly, GR could have a loss of approximately \$3 million per year for state mixed beverage refunds, applied prospectively.

This legislation would create or recreate a dedicated account in the General Revenue Fund, create or recreate a special or trust fund either with or outside of the Treasury, or create a dedicated revenue source. The fund, account, or revenue dedication included in this bill would be subject to funds consolidation review by the current Legislature.

Local Government Impact

No significant fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JOB, KK, SD, AG