

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION

May 11, 2011

TO: Honorable David Dewhurst, Lieutenant Governor, Senate

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

IN RE: SB977 by Hinojosa (Relating to the imposition and use of the municipal hotel occupancy tax by certain eligible central municipalities.), **As Passed 2nd House**

No fiscal implication to the State is anticipated for the 2012-13 biennium.

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

The bill would amend the definition of a "eligible central municipality" to include a municipality with a population of at least 250,000 that is located wholly or partly on a barrier island that borders the Gulf of Mexico and is located in a county with a population of at least 300,000.

The bill would amend Chapter 2303 of the Government Code, regarding enterprise zones, to create the Qualified Hotel Project Trust Account as a suspense account outside the treasury, and require the Comptroller to deposit eligible taxable proceeds collected or paid by a qualified hotel project into the new account. Monies in the account would be used, without an appropriation, to rebate, refund or pay qualified projects the eligible taxable proceeds 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. In fiscal year 2010 those refunds totaled \$8.9 million. If this bill became law, the taxable proceeds would be deposited in the new fund outside of the treasury and not to General Revenue Fund 0001.

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

Based on the provisions in the bill, the City of Corpus Christi would be the only city that would be added as an eligible central municipality and would allow the owner of a hotel in the City of Corpus Christi to construct a qualified hotel project under the Enterprise Zone program.

The bill would allow the City of Corpus Christi to agree, for a period that could not exceed 10 years, to rebate, refund, or pay eligible taxable proceeds to the owner of a qualified hotel project at which the eligible taxable proceeds were generated. Eligible taxable proceeds include taxable proceeds generated, paid, or collected by a qualified hotel project or a business at a qualified hotel project, including hotel occupancy taxes, ad valorem taxes, sales and use taxes, and mixed beverage taxes, including state taxes.

According to the Comptroller's Office (CPA), under the bill's provisions, multiple projects could be eligible for state and local tax rebates. The CPA's official response was that the fiscal impact of the bill cannot be determined. However, the CPA did give an illustrative example to represent the potential loss in state and local revenues for a single hypothetical project. The potential revenue loss to the state and units of local government could total approximately (\$15 million) for the biennium that the project comes into existence.

This analysis does not take into account any fiscal impacts from economic development that might offset the potential revenue loss.

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

There could be an indeterminate fiscal impact to units of local government.

Source Agencies: 304 Comptroller of Public Accounts

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