

BILL ANALYSIS

Senate Research Center
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S.B. 1783
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Finance
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As Filed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

With recent shale play developments throughout the state, several counties have experienced high hotel/motel occupancy rates for energy industry employees. The demand for these rooms due to the lack of housing in these rural counties have made hotel rooms too expensive for average travelers. Oil and gas employees are using hotel rooms as a residence, with some companies paying a year in advance for hotel rooms.

Because oil and gas employees are using hotels and motels as semi-permanent residences, local taxing authorities are losing hotel tax revenue to the permanent resident exemption. If a company pays 90 days upfront for a hotel room, the taxing authority can only collect the tax for 30 days, meaning they lose 60 days of additional revenue.

S.B. 1783 gives municipalities located in a Railroad Commission of Texas oil and gas division district with 315 or more total oil and gas well completions the authority to redefine a "permanent resident" as a person who has the right to use or possess a room in the hotel or motel for at least four consecutive months. This will restore the taxing income brought into these municipalities by bringing more tax revenue to the municipalities that rely on hotel occupancy taxes for tourism and economic development projects.

As proposed, S.B. 1783 amends current law relating to the tax exemption for permanent hotel residents in certain oil and gas producing municipalities.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 351.002, Tax Code, by amending Subsection (c) and adding Subsection (d), as follows:

(c) Provides that the tax does not apply to a person who is a permanent resident under Section 156.101 (Exception--Permanent Resident) or Subsection (d), rather than under Section 156.101 of this code.

(d) Authorizes a municipality by ordinance, for a hotel located in a Railroad Commission of Texas oil and gas division district with 315 or more total completions in the preceding year, to define a "permanent resident" as a person who has the right to use or possess a room in the hotel for at least 120 consecutive days, so long as there is no interruption of payment for the period.

SECTION 2. Provides that the change in law made by this Act applies to person who has the right to use or possess a room in a hotel on or after the effective date of this Act, regardless of whether that right began before the effective date of this Act.

SECTION 3. Provides that the change in law made by this Act does not affect tax liability accruing before the effective date of this Act. Provides that that liability continues in effect as if

this Act had not been enacted, and the former law is continued in effect for the collection of taxes due and for civil and criminal enforcement of the liability for those taxes.

SECTION 4. Effective date: September 1, 2013.