

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION

May 10, 2013

TO: Honorable Bob Deuell, Chair, Senate Committee on Economic Development

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: **HB3043** by Oliveira (Relating to increasing the maximum rate at which certain municipalities may impose a hotel occupancy tax and to the use of revenue from that tax.), **As Engrossed**

Estimated Two-year Net Impact to General Revenue Related Funds for HB3043, As Engrossed: an impact of \$0 through the biennium ending August 31, 2015.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2014	\$0
2015	\$0
2016	\$0
2017	\$0
2018	\$0

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain/(Loss) from City of South Padre Island
2014	\$319,000
2015	\$364,000
2016	\$382,000
2017	\$402,000
2018	\$421,000

Fiscal Analysis

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

The bill would allow a municipality authorized to impose a municipal hotel occupancy tax under Section 351.003(d) to set the tax rate at up to 9 percent of the price paid for a room, a change from the current maximum of 8.5 percent rate in current law. The bill also would increase the amount of revenue derived from the imposition of this tax, from the current rate of 0.5 percent to a rate of

one percent, that must be used by the municipality for erosion response projects.

The bill would take effect immediately upon receiving two-thirds majority vote in each house. Otherwise, the bill would take effect September 1, 2013.

Methodology

The bill's provisions would apply to the City of South Padre Island. To estimate the potential fiscal impact of this bill, data on taxable hotel receipts for South Padre Island were gathered from Comptroller tax files, which were then multiplied by 0.5 percent. The fiscal impact was then adjusted for the bill's effective date and extrapolated through 2018.

Local Government Impact

The local fiscal implications cannot be determined as the timing for the imposition of this new rate is unknown. However, the table illustrates the fiscal impact should the City of South Padre Island adopt a 9 percent municipal hotel occupancy tax rate (increased from the current rate of 8.5 percent) at the earliest date permissible, and the amount of revenues available for erosion response projects were one percent of the cost of a room.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: UP, RB, KK, SD, AG