Senate Research Center
84R18519 GRM-D

H.B. 1717
By: Oliveira (Lucio)
Natural Resources & Economic Development
5/17/2015
Engrossed

## AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

According to interested parties, SpaceX recently announced its decision to build a commercial space launch facility at Boca Chica Beach, just south of South Padre Island. Once open, the facility is expected to have at least eight launches per year. In states where space launches are currently conducted, the parties note, tourism related to launch viewing is a major industry. The parties report that the City of South Padre Island seeks greater flexibility with the use of revenue from the municipal hotel occupancy tax for promotional and event expenses related to ecological tourism events and the development of space launch viewing facilities in anticipation of growing tourism due to the SpaceX facility and the draw of local birding, the Laguna Madre, and the Gulf of Mexico. The purpose of H.B. 1717 is to provide for that flexibility.

H.B. 1717 amends current law relating to the use of municipal hotel occupancy taxes by certain municipalities for ecological and space exploration-related tourism.

## 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 Subchapter B, Chapter 351, Tax Code, by adding Section 351.1054, as follows:

Sec. 351.1054. ALLOCATION OF REVENUE FOR ECOLOGICAL TOURISM AND SPACECRAFT AND SPACEPORT ACTIVITIES BY CERTAIN MUNICIPALITIES. (a) Defines "spacecraft" and "spaceport."

(b) Authorizes an eligible barrier island coastal municipality, notwithstanding any other provision of this chapter, to use revenue from the municipal hotel occupancy tax for:

(1) promotional and event expenses for an ecological tourism event, including an event for which the primary attraction is traveling to an area of natural or ecological interest for the purpose of observing and learning about wildlife and the area's natural environment, if:

(A) a majority of the event's participants are tourists; and

(B) the event substantially increases economic activity at hotels and motels within or in the vicinity of the municipality; and

(2) expenses directly related to the acquisition of sites to observe spacecraft and spaceport activities and the construction, improvement, enlarging, equipping, repairing, operation, and maintenance of facilities utilized by hotel guests to observe and learn about spacecraft and spaceport operations.

(c) Authorizes a municipality to use for the purposes provided by Subsections (b)(1) and (b)(2) not more than the greater of:

(1) 15 percent of the hotel occupancy tax revenue collected by the municipality; or

(2) the amount of tax received by the municipality at the rate of one percent of the cost of a room.

SECTION 2. Amends Section 351.1055(d), Tax Code, as follows:

(d) Requires an eligible barrier island coastal municipality, notwithstanding any other provision of this chapter and except as provided by Subsection (e), to use at least the amount of revenue derived from the application of the tax at a rate of seven percent of the cost of a room for the purposes authorized under Sections 351.101(a)(1) (relating to the use of municipal occupancy tax revenue) and (3) (relating to the use of municipal occupancy tax revenue) and Sections 351.1054(b)(1) and (2). Prohibits the municipality, if an eligible barrier island coastal municipality uses hotel occupancy tax revenue for a purpose described by Section 351.1054(b)(2), from reducing the amount of revenue that is used for purposes described by Section 351.101(a)(3) to an amount that is less than the average amount of revenue used by the municipality for purposes described by Section 351.101(a)(3) during the 36-month period that precedes the municipality's first use of revenue for a purpose described by Section 351.1054(b)(2).

SECTION 3. Effective date: upon passage or September 1, 2015.