LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION

May 4, 2015

TO: Honorable Kevin Eltife, Chair, Senate Committee on Business & Commerce

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: **HB1964** by Clardy (Relating to the definitions of "convention center facilities" and "eligible central municipality" for purposes of the municipal hotel occupancy tax.), **As Engrossed**

No significant fiscal implication to the State is anticipated.

The bill would amend Chapter 351 of the Tax Code, regarding municipal hotel occupancy taxes, to expand the definition of an eligible central municipality authorized to levy this tax to include a municipality with a population of less than 50,000 that contains a general academic teaching institution that is not a component institution of a university system, as those terms are defined by Section 61.003, Education Code. The bill would amend Subsection 351.001(2) to revise the definition of convention center facilities or convention center complex to include a hotel that is owned in part by an eligible central municipality described by Subsection 351.001(7)(C), and that is located within 1,000 feet of a convention center facility.

According to the Comptroller's Office (CPA), under current law, the city of Nacogdoches can levy a municipal hotel occupancy tax at a rate of 7 percent. As the only city that would be affected by this bill's provisions, it would become an eligible central municipality for purposes of this tax. As an eligible central municipality Nacogdoches would not qualify under Section 351.003(b) of the Tax Code to levy the tax at a rate up to 9 percent. However, the city could be entitled to state sales tax and state hotel tax associated with a qualified hotel project under Section 151.429(h) of the Tax Code via Section 351.102(b) & (c) of the Tax Code. Such funds must be deposited in a suspense account outside the state treasury to be paid to the owner of the qualified hotel project. There could be an indeterminate loss to the state; however it is not anticipated significant.

CPA noted in fiscal 2014, a total of $11,308,406 in state revenue was allocated for qualified hotel projects. Currently the cities of Dallas, Fort Worth and San Antonio receive allocations of state sales and use tax and state hotel tax associated with qualified hotel projects.

Local Government Impact

There could be an indeterminate gain to the city of Nacogdoches.

Source Agencies: 304 Comptroller of Public Accounts

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