

SENATE AMENDMENTS

2nd Printing

By: Clardy

H.B. No. 1964

A BILL TO BE ENTITLED

AN ACT

1
2 relating to the definitions of "convention center facilities" and
3 "eligible central municipality" for purposes of the municipal hotel
4 occupancy tax.

5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

6 SECTION 1. Sections 351.001(2) and (7), Tax Code, are
7 amended to read as follows:

8 (2) "Convention center facilities" or "convention
9 center complex" means facilities that are primarily used to host
10 conventions and meetings. The term means civic centers, civic
11 center buildings, auditoriums, exhibition halls, and coliseums
12 that are owned by the municipality or other governmental entity or
13 that are managed in whole or part by the municipality. In a
14 municipality with a population of 1.5 million or more, "convention
15 center facilities" or "convention center complex" means civic
16 centers, civic center buildings, auditoriums, exhibition halls,
17 and coliseums that are owned by the municipality or other
18 governmental entity or that are managed in part by the
19 municipality, hotels owned by the municipality or a nonprofit
20 municipally sponsored local government corporation created under
21 Chapter 431, Transportation Code, within 1,000 feet of a convention
22 center owned by the municipality, or a historic hotel owned by the
23 municipality or a nonprofit municipally sponsored local government
24 corporation created under Chapter 431, Transportation Code, within

1 one mile of a convention center owned by the municipality. The term
2 includes parking areas or facilities that are for the parking or
3 storage of conveyances and that are located at or in the vicinity of
4 other convention center facilities. The term also includes a hotel
5 owned by or located on land that is owned by an eligible central
6 municipality or by a nonprofit corporation acting on behalf of an
7 eligible central municipality and that is located within 1,000 feet
8 of a convention center facility owned by the municipality. The term
9 also includes a hotel that is owned in part by an eligible central
10 municipality described by Subdivision (7)(C) and that is located
11 within 1,000 feet of a convention center facility. The term also
12 includes a hotel proposed to be constructed, remodeled, or
13 rehabilitated by a municipality or a nonprofit municipally
14 sponsored local government corporation created under Chapter 431,
15 Transportation Code, that is within 3,000 feet of the property line
16 of a convention center owned by a municipality having a population
17 of more than 500,000 and that borders the United Mexican States.

18 (7) "Eligible central municipality" means:

19 (A) a municipality with a population of more than
20 140,000 but less than 1.5 million that is located in a county with a
21 population of one million or more and that has adopted a capital
22 improvement plan for the expansion of an existing convention center
23 facility; ~~or~~

24 (B) a municipality with a population of 250,000
25 or more that:

26 (i) is located wholly or partly on a barrier
27 island that borders the Gulf of Mexico;

1 (ii) is located in a county with a
2 population of 300,000 or more; and

3 (iii) has adopted a capital improvement
4 plan to expand an existing convention center facility; or

5 (C) a municipality with a population of less than
6 50,000 that contains a general academic teaching institution that
7 is not a component institution of a university system, as those
8 terms are defined by Section 61.003, Education Code.

9 SECTION 2. This Act takes effect immediately if it receives
10 a vote of two-thirds of all the members elected to each house, as
11 provided by Section 39, Article III, Texas Constitution. If this
12 Act does not receive the vote necessary for immediate effect, this
13 Act takes effect September 1, 2015.

ADOPTED

MAY 15 2015

Atty Gen
Secretary of the Senate

By: _____

H.B. No. 1964

Substitute the following for ____B. No. _____:

By: *Zylto*

C.S.____B. No. _____

A BILL TO BE ENTITLED

AN ACT

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24

relating to certain convention center hotel projects.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Sections 351.001(2) and (7), Tax Code, are amended to read as follows:

(2) "Convention center facilities" or "convention center complex" means facilities that are primarily used to host conventions and meetings. The term means civic centers, civic center buildings, auditoriums, exhibition halls, and coliseums that are owned by the municipality or other governmental entity or that are managed in whole or part by the municipality. In a municipality with a population of 1.5 million or more, "convention center facilities" or "convention center complex" means civic centers, civic center buildings, auditoriums, exhibition halls, and coliseums that are owned by the municipality or other governmental entity or that are managed in part by the municipality, hotels owned by the municipality or a nonprofit municipally sponsored local government corporation created under Chapter 431, Transportation Code, within 1,000 feet of a convention center owned by the municipality, or a historic hotel owned by the municipality or a nonprofit municipally sponsored local government corporation created under Chapter 431, Transportation Code, within one mile of a convention center owned by the municipality. The term includes parking areas or facilities that are for the parking or

1 storage of conveyances and that are located at or in the vicinity of
2 other convention center facilities. The term also includes a hotel
3 owned by or located on land that is owned by an eligible central
4 municipality or by a nonprofit corporation acting on behalf of an
5 eligible central municipality and that is located within 1,000 feet
6 of a convention center facility owned by the municipality. The term
7 also includes a hotel that is owned in part by an eligible central
8 municipality described by Subdivision (7)(D) and that is located
9 within 1,000 feet of a convention center facility. [~~The term also~~
10 ~~includes a hotel proposed to be constructed, remodeled, or~~
11 ~~rehabilitated by a municipality or a nonprofit municipally~~
12 ~~sponsored local government corporation created under Chapter 431,~~
13 ~~Transportation Code, that is within 3,000 feet of the property line~~
14 ~~of a convention center owned by a municipality having a population~~
15 ~~of more than 500,000 and that borders the United Mexican States.]~~

16 (7) "Eligible central municipality" means:

17 (A) a municipality with a population of more than
18 140,000 but less than 1.5 million that is located in a county with a
19 population of one million or more and that has adopted a capital
20 improvement plan for the construction or expansion of a [~~an~~
21 ~~existing~~] convention center facility; [~~or~~]

22 (B) a municipality with a population of 250,000
23 or more that:

24 (i) is located wholly or partly on a barrier
25 island that borders the Gulf of Mexico;

26 (ii) is located in a county with a
27 population of 300,000 or more; and

1 (iii) has adopted a capital improvement
2 plan to expand an existing convention center facility;

3 (C) a municipality with a population of 116,000
4 or more that:

5 (i) is located in two counties both of which
6 have a population of 660,000 or more; and

7 (ii) has adopted a capital improvement plan
8 for the construction or expansion of a convention center facility;

9 (D) a municipality with a population of less than
10 50,000 that contains a general academic teaching institution that
11 is not a component institution of a university system, as those
12 terms are defined by Section 61.003, Education Code; or

13 (E) a municipality with a population of 640,000
14 or more that:

15 (i) is located on an international border;
16 and

17 (ii) has adopted a capital improvement plan
18 for the construction or expansion of a convention center facility.

19 SECTION 2. Section 351.102, Tax Code, is amended by
20 amending Subsections (a) and (b) and adding Subsection (d) to read
21 as follows:

22 (a) Subject to the limitations provided by this subchapter,
23 a municipality may pledge the revenue derived from the tax imposed
24 under this chapter for the payment of bonds that are issued under
25 Section 1504.002(a), Government Code, for one or more of the
26 purposes provided by Section 351.101 or, in the case of a
27 municipality of 1,500,000 or more [~~or a municipality having a~~

1 ~~population of more than 500,000 and that borders the United Mexican~~
2 ~~States]~~, for the payment of principal of or interest on bonds or
3 other obligations of a municipally sponsored local government
4 corporation created under Chapter 431, Transportation Code, that
5 were issued to pay the cost of the acquisition and construction of a
6 convention center hotel or the cost of acquisition, remodeling, or
7 rehabilitation of a historic hotel structure; provided, however,
8 such pledge may only be that portion of the tax collected at such
9 hotel.

10 (b) An eligible central municipality, ~~[or]~~ a municipality
11 with a population of 173,000 or more that is located within two or
12 more counties, a municipality with a population of 96,000 or more
13 that is located in a county that borders Lake Palestine or contains
14 the headwaters of the San Gabriel River, or a municipality with a
15 population of at least 99,900 but not more than 111,000 that is
16 located in a county with a population of at least 135,000 may pledge
17 the revenue derived from the tax imposed under this chapter from a
18 hotel project that is owned by or located on land owned by the
19 municipality or, in an eligible central municipality, by a
20 nonprofit corporation acting on behalf of an eligible central
21 municipality, and that is located within 1,000 feet of a convention
22 center facility owned by the municipality for the payment of bonds
23 or other obligations issued or incurred to acquire, lease,
24 construct, and equip the hotel and any facilities ancillary to the
25 hotel, including convention center entertainment-related
26 facilities, meeting spaces, restaurants, shops, street and water
27 and sewer infrastructure necessary for the operation of the hotel

1 or ancillary facilities, and parking facilities within 1,000 feet
2 of the hotel or convention center facility. For bonds or other
3 obligations issued under this subsection, an eligible central
4 municipality or a municipality described by this subsection [~~with a~~
5 ~~population of 173,000 or more that is located within two counties~~]
6 may only pledge revenue or other assets of the hotel project
7 benefiting from those bonds or other obligations.

8 (d) Except as provided by this subsection, an eligible
9 central municipality or another municipality described by
10 Subsection (b) that uses revenue derived from the tax imposed under
11 this chapter or funds received under Subsection (c) for a hotel
12 project described by Subsection (b) may not reduce the percentage
13 of revenue from the tax imposed under this chapter and allocated for
14 a purpose described by Section 351.101(a)(3) to a percentage that
15 is less than the average percentage of that revenue allocated by the
16 municipality for that purpose during the 36-month period preceding
17 the date the municipality begins using the revenue or funds for the
18 hotel project. This subsection does not apply to an eligible
19 central municipality described by Section 351.001(7)(D).

20 SECTION 3. Section 151.429(h), Tax Code, is amended to read
21 as follows:

22 (h) [~~This subsection does not apply to a qualified hotel~~
23 ~~project described by Section 2303.003(8)(B), Government Code.~~]
24 Notwithstanding the other provisions of this section, the owner of
25 a qualified hotel project shall receive a rebate, refund, or
26 payment of 100 percent of the sales and use taxes paid or collected
27 by the qualified hotel project or businesses located in the

1 qualified hotel project pursuant to this chapter and 100 percent of
2 the hotel occupancy taxes paid by persons for the use or possession
3 of or for the right to the use or possession of a room or space at
4 the qualified hotel project pursuant to the provisions of Chapter
5 156 during the first 10 years after such qualified hotel project is
6 open for initial occupancy. The comptroller shall deposit the
7 taxes in trust in a separate suspense account of the qualified hotel
8 project. A suspense account is outside the state treasury, and the
9 comptroller may make a rebate, refund, or payment authorized by
10 this section without the necessity of an appropriation. The
11 comptroller shall rebate, refund, or pay to each qualified hotel
12 project eligible taxable proceeds to which the project is entitled
13 under this section at least monthly.

14 SECTION 4. Section 2303.003(8), Government Code, is amended
15 to read as follows:

16 (8) "Qualified hotel project" means[+
17 [~~(A)~~] a hotel proposed to be constructed by a
18 municipality or a nonprofit municipally sponsored local government
19 corporation created under the Texas Transportation Corporation
20 Act, Chapter 431, Transportation Code, that is within 1,000 feet of
21 a convention center owned by a municipality having a population of
22 1,500,000 or more, including shops, parking facilities, and any
23 other facilities ancillary to the hotel[+, and

24 [~~(B)~~] a hotel proposed to be constructed,
25 remodeled, or rehabilitated by a municipality or a nonprofit
26 municipally sponsored local government corporation created under
27 the Texas Transportation Corporation Act, Chapter 431,

1 ~~Transportation Code, that is within 3,000 feet of the property line~~
2 ~~of a convention center owned by a municipality having a population~~
3 ~~of more than 500,000 and that borders the United Mexican States].~~

4 SECTION 5. Section 2303.5055(b), Government Code, is
5 amended to read as follows:

6 (b) A municipality with a population of 1,500,000 or more
7 ~~[or a municipality having a population of more than 500,000 and that~~
8 ~~borders the United Mexican States]~~ may agree to guarantee from
9 hotel occupancy taxes the bonds or other obligations of a
10 municipally sponsored local government corporation created under
11 the Texas Transportation Corporation Act, Chapter 431,
12 Transportation Code, that were issued or incurred to pay the cost of
13 construction, remodeling, or rehabilitation of a qualified hotel
14 project.

15 SECTION 6. This Act takes effect immediately if it receives
16 a vote of two-thirds of all the members elected to each house, as
17 provided by Section 39, Article III, Texas Constitution. If this
18 Act does not receive the vote necessary for immediate effect, this
19 Act takes effect September 1, 2015.

**LEGISLATIVE BUDGET BOARD
Austin, Texas**

FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION

May 15, 2015

TO: Honorable Joe Straus, Speaker of the House, House of Representatives

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB1964 by Clardy (Relating to certain convention center hotel projects.), **As Passed 2nd House**

Estimated Two-year Net Impact to General Revenue Related Funds for HB1964, As Passed 2nd House: a negative impact of (\$170,000) through the biennium ending August 31, 2017.
--

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2016	\$0
2017	(\$170,000)
2018	(\$2,255,000)
2019	(\$3,870,000)
2020	(\$4,740,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain/(Loss) from General Revenue Fund
	1
2016	\$0
2017	(\$170,000)
2018	(\$2,255,000)
2019	(\$3,870,000)
2020	(\$4,740,000)

Fiscal Analysis

The bill would amend Section 351.001(2) of the Tax Code to redefine "convention center facilities" or "convention center complex" to include a hotel that is owned in part by an eligible central municipality described by Subdivision (7)(D) and that is located within 1,000 feet of a convention center facility.

The bill would amend Section 351.001(7)(A) to allow eligible central municipalities to adopt a capital improvement plan to also "construct", not just expand, a convention center facility.

The bill would amend Section 351.001(7) to add new Subsections (C)-(E) to expand the definition of an eligible central municipality to other municipalities. Subsection (C) would include a municipality with a population of 116,000 or more that is located in two counties both of which have a population off 660,000 or more, and that has adopted a capital improvement plan for the construction or expansion of a convention center facility; Subsection (D) would 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; and Subsection (E) would include a municipality with a population of 640,000 or more that is located on an international border, and that has adopted a capital improvement plan for the construction or expansion of a convention center facility. The bill would amend Section 351.102 of the Tax Code, which authorizes a municipality to pledge municipal hotel occupancy tax revenue to repay bond debt related to hotel projects, by amending Subsections (a) and (b) and adding Subsection (d).

The bill would amend Subsection (a) to remove language including a municipality having a population of more than 500,000 and that borders the United Mexican States. The bill would also amend Subsection (b) to extend its application to 1) a municipality with a population of 173,000 or more that is located in more than two counties, 2) a municipality with a population of 96,000 or more that is located in a county that borders Lake Palestine, 3) a municipality with population of 96,000 or more that is located in a county that contains the headwaters of the San Gabriel River, and 4) a municipality with a population of at least 99,900 but not more than 111,000 that is located in a county with a population of at least 135,000.

The bill would also amend this Subsection to expand the facilities ancillary to the hotel for which hotel tax revenue may be pledged to include meeting spaces, street and water and sewer infrastructure necessary for the operation of the hotel or ancillary facilities.

The bill would also add Subsection (d), which would not apply to an eligible central municipality described by Section 351.001(7)(D), to provide that an eligible central municipality that uses revenue derived from the tax imposed under this chapter or funds received under Subsection (c) for a hotel project may not reduce the percentage of revenue from the tax to a percentage that is less than the average percentage of that revenue allocated by the municipality for that purpose during the 36-month period preceding the date the municipality begins using the revenue or funds for the hotel project.

The bill would amend Section 151.429 of the Tax Code, regarding tax refunds for enterprise projects, to eliminate language to disqualify a qualified hotel project described by Section 2303.003(8)(B) of the Government Code from receiving a 100 percent refund of state sales tax and hotel tax.

The bill would amend Chapter 2303 of the Government Code to redefine a "qualified hotel project" to mean only a hotel proposed to be constructed by a municipality or a nonprofit municipally sponsored local government corporation created under the Texas Transportation Corporation Act, Chapter 431, Transportation Code, that is within 1,000 feet of a convention center owned by a municipality having a population of 1,500,000 or more, including shops, parking facilities, and any other facilities ancillary to the hotel.

The bill would amend Section 2303.5055(b) of the Government Code, regarding the refund of tax proceeds to a qualified hotel project, to make conforming changes with regarding the definition of a qualified hotel project in Chapter 2303 Government Code.

Methodology

The City of Frisco has begun planning for a resort convention center and hotel that would be a qualified hotel project; the planned hotel is not expected to be completed and operational before fiscal year 2018. Consequently, the municipality would not be entitled to receive state hotel tax and state sales tax revenue under Section 151.429(h), Tax Code, until sometime in fiscal year 2018.

The City of Nacogdoches has a prospective investor that is interested in purchasing and renovating the Fredonia hotel but is seeking additional funding beyond the investment that the interested buyer is prepared to make before agreeing to undertake the project. To address the investor's concerns and promote the project the city has agreed to use hotel occupancy taxes it would collect on the Fredonia to help renovate and operate the hotel.

The City of Tyler has acquired land and begun planning for a convention center and hotel that would be a qualified hotel project; the planned hotel would include 250 rooms and is not expected to be completed and operational before November, 2017 at the earliest. Consequently, the municipality would not be entitled to receive state hotel tax and state sales tax revenue under Section 151.429(h), Tax Code, until sometime in fiscal year 2018.

The City of Round Rock does not currently own land suitable for a qualified hotel project and is not actively planning for one. Consequently, that municipality would not be expected to be entitled to receive state hotel tax and state sales tax revenue before fiscal 2020.

The City of Odessa has purchased a site and expects to enter a development agreement regarding a downtown hotel and convention center later in 2015. The hotel would include 200 or more rooms and may be operational in 2017. Consequently, the owner of the qualified hotel project and the municipality would be entitled to receive state hotel tax and state sales tax revenue under Subsection 151.429(h), Tax Code, beginning late in fiscal 2017.

In fiscal year 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.

This estimate is based on the planned or an assumed room size for the prospective convention center hotels, an assumed average nightly room rate and annual average occupancy rate, an incremental gain in room nights sold in the state, and the ratio of state sales tax to state hotel tax revenues paid to the owners of the extant qualified hotel projects.

Local Government Impact

As eligible central municipalities Frisco, Nacogdoches, El Paso, Tyler, Round Rock, and Odessa 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 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.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: UP, CL, SD, AG

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION

May 11, 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 certain convention center hotel projects.), **Committee Report 2nd House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for HB1964, Committee Report 2nd House, Substituted: a negative impact of (\$170,000) through the biennium ending August 31, 2017.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2016	\$0
2017	(\$170,000)
2018	(\$2,255,000)
2019	(\$3,870,000)
2020	(\$4,740,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain/(Loss) from <i>General Revenue Fund</i> 1
2016	\$0
2017	(\$170,000)
2018	(\$2,255,000)
2019	(\$3,870,000)
2020	(\$4,740,000)

Fiscal Analysis

The bill would amend Section 351.001(2) of the Tax Code to redefine "convention center facilities" or "convention center complex" to include a hotel that is owned in part by an eligible central municipality described by Subdivision (7)(D) and that is located within 1,000 feet of a convention center facility.

The bill would amend Section 351.001(7)(A) to allow eligible central municipalities to adopt a

capital improvement plan to also "construct", not just expand, a convention center facility.

The bill would amend Section 351.001(7) to add new Subsections (C)-(E) to expand the definition of an eligible central municipality to other municipalities. Subsection (C) would include a municipality with a population of 116,000 or more that is located in two counties both of which have a population of 660,000 or more, and that has adopted a capital improvement plan for the construction or expansion of a convention center facility; Subsection (D) would 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; and Subsection (E) would include a municipality with a population of 640,000 or more that is located on an international border, and that has adopted a capital improvement plan for the construction or expansion of a convention center facility. The bill would amend Section 351.102 of the Tax Code, which authorizes a municipality to pledge municipal hotel occupancy tax revenue to repay bond debt related to hotel projects, by amending Subsections (a) and (b) and adding Subsection (d).

The bill would amend Subsection (a) to remove language including a municipality having a population of more than 500,000 and that borders the United Mexican States. The bill would also amend Subsection (b) to extend its application to 1) a municipality with a population of 173,000 or more that is located in more than two counties, 2) a municipality with a population of 96,000 or more that is located in a county that borders Lake Palestine, 3) a municipality with a population of 96,000 or more that is located in a county that contains the headwaters of the San Gabriel River, and 4) a municipality with a population of at least 99,900 but not more than 111,000 that is located in a county with a population of at least 135,000.

The bill would also amend this Subsection to expand the facilities ancillary to the hotel for which hotel tax revenue may be pledged to include meeting spaces, street and water and sewer infrastructure necessary for the operation of the hotel or ancillary facilities.

The bill would also add Subsection (d), which would not apply to an eligible central municipality described by Section 351.001(7)(D), to provide that an eligible central municipality that uses revenue derived from the tax imposed under this chapter or funds received under Subsection (c) for a hotel project may not reduce the percentage of revenue from the tax to a percentage that is less than the average percentage of that revenue allocated by the municipality for that purpose during the 36-month period preceding the date the municipality begins using the revenue or funds for the hotel project.

The bill would amend Section 151.429 of the Tax Code, regarding tax refunds for enterprise projects, to eliminate language to disqualify a qualified hotel project described by Section 2303.003(8)(B) of the Government Code from receiving a 100 percent refund of state sales tax and hotel tax.

The bill would amend Chapter 2303 of the Government Code to redefine a "qualified hotel project" to mean only a hotel proposed to be constructed by a municipality or a nonprofit municipally sponsored local government corporation created under the Texas Transportation Corporation Act, Chapter 431, Transportation Code, that is within 1,000 feet of a convention center owned by a municipality having a population of 1,500,000 or more, including shops, parking facilities, and any other facilities ancillary to the hotel.

The bill would amend Section 2303.5055(b) of the Government Code, regarding the refund of tax proceeds to a qualified hotel project, to make conforming changes with regarding the definition of a qualified hotel project in Chapter 2303 Government Code.

Methodology

The City of Frisco has begun planning for a resort convention center and hotel that would be a qualified hotel project; the planned hotel is not expected to be completed and operational before fiscal year 2018. Consequently, the municipality would not be entitled to receive state hotel tax and state sales tax revenue under Section 151.429(h), Tax Code, until sometime in fiscal year 2018.

The City of Nacogdoches has a prospective investor that is interested in purchasing and renovating the Fredonia hotel but is seeking additional funding beyond the investment that the interested buyer is prepared to make before agreeing to undertake the project. To address the investor's concerns and promote the project the city has agreed to use hotel occupancy taxes it would collect on the Fredonia to help renovate and operate the hotel.

The City of Tyler has acquired land and begun planning for a convention center and hotel that would be a qualified hotel project; the planned hotel would include 250 rooms and is not expected to be completed and operational before November, 2017 at the earliest. Consequently, the municipality would not be entitled to receive state hotel tax and state sales tax revenue under Section 151.429(h), Tax Code, until sometime in fiscal year 2018.

The City of Round Rock does not currently own land suitable for a qualified hotel project and is not actively planning for one. Consequently, that municipality would not be expected to be entitled to receive state hotel tax and state sales tax revenue before fiscal 2020.

The City of Odessa has purchased a site and expects to enter a development agreement regarding a downtown hotel and convention center later in 2015. The hotel would include 200 or more rooms and may be operational in 2017. Consequently, the owner of the qualified hotel project and the municipality would be entitled to receive state hotel tax and state sales tax revenue under Subsection 151.429(h), Tax Code, beginning late in fiscal 2017.

In fiscal year 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.

This estimate is based on the planned or an assumed room size for the prospective convention center hotels, an assumed average nightly room rate and annual average occupancy rate, an incremental gain in room nights sold in the state, and the ratio of state sales tax to state hotel tax revenues paid to the owners of the extant qualified hotel projects.

Local Government Impact

As eligible central municipalities Frisco, Nacogdoches, El Paso, Tyler, Round Rock, and Odessa 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 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.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: UP, CL, SD, AG

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

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION

April 10, 2015

TO: Honorable Dennis Bonnen, Chair, House Committee on Ways & Means

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.),
Committee Report 1st House, Substituted

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, KK, SD, AG

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION

March 23, 2015

TO: Honorable Dennis Bonnen, Chair, House Committee on Ways & Means

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB1964 by Clardy (Relating to the definition of "eligible central municipality" for purposes of the municipal hotel occupancy tax.), **As Introduced**

<p>No significant fiscal implication to the State is anticipated.</p>
--

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.

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, KK, SD, AG