

## **BILL ANALYSIS**

C.S.H.B. 2526  
By: Canales  
Ways & Means  
Committee Report (Substituted)

### **BACKGROUND AND PURPOSE**

Interested parties contend that certain municipalities, such as the City of Edinburg, are in need of additional sources of revenue to pay for certain sporting-related facilities. C.S.H.B. 2526 seeks to provide this additional revenue stream by authorizing certain municipalities to use the municipal hotel occupancy tax revenue for such purposes.

### **CRIMINAL JUSTICE IMPACT**

It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision.

### **RULEMAKING AUTHORITY**

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

### **ANALYSIS**

C.S.H.B. 2526 amends the Tax Code to authorize a municipality that is located on the Texas-Mexico border, has a population of 500,000 or more, and is adjacent to two or more counties each of which has a population of 50,000 or more to use revenue derived from the municipal hotel occupancy tax to construct, maintain, or expand a sporting-related facility or sporting-related field on property owned by the municipality provided the municipality's sports facilities and fields have been used a combined total of more than 10 times for district, state, regional, or national sports tournaments, games, or events in the preceding calendar year. The bill requires such a municipality that uses the hotel tax revenue for such a purpose to determine the amount of hotel tax revenue generated for the municipality by hotel activity attributable to the sports tournaments, games, and events held on the newly constructed, enhanced, or upgraded facilities or fields for 10 years after the date the construction, enhancements, or upgrades are completed, prohibits the municipality from spending the tax revenue for the construction, enhancement, or upgrading of the facilities or fields in a total amount that exceeds the amount of area hotel revenue attributable to the construction, enhancements, or upgrades; and requires the municipality to reimburse from the municipality's general fund any expenditure in excess of the amount of area hotel revenue attributable to the construction, enhancements, or upgrades to the municipality's hotel occupancy tax revenue fund.

C.S.H.B. 2526 prohibits a municipality using hotel occupancy tax revenue for certain sporting-related facilities under the bill's provisions from reducing the percentage of revenue from that tax that is allocated for advertising and conducting solicitations and promotional programs to attract tourists and convention delegates or registrants to the municipality or its vicinity to a percentage that is less than the average percentage of revenue allocated by the municipality for that purpose during the 36-month period preceding the date the municipality begins using the revenue for such a purpose.

**EFFECTIVE DATE**

On passage, or, if the bill does not receive the necessary vote, September 1, 2017.

**COMPARISON OF ORIGINAL AND SUBSTITUTE**

While C.S.H.B. 2526 may differ from the original in minor or nonsubstantive ways, the following comparison is organized and formatted in a manner that indicates the substantial differences between the introduced and committee substitute versions of the bill.

**INTRODUCED**

**HOUSE COMMITTEE SUBSTITUTE**

SECTION 1. Subchapter B, Chapter 351, Tax Code, is amended by adding Section 351.1068 to read as follows:

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Sec. 351.1068. ALLOCATION OF REVENUE FOR CERTAIN MUNICIPALITIES. (a)

Sec. 351.1068. ALLOCATION OF REVENUE FOR SPORTS FACILITIES BY CERTAIN MUNICIPALITIES. (a)

This section applies only to a municipality that is the county seat of a county that:

This section applies only to a municipality that is the county seat of a county that:

- (1) is adjacent to the Texas-Mexico border;
- (2) has a population of 500,000 or more;
- and
- (3) is adjacent to two or more counties each of which has a population of 50,000 or more.

- (1) is located on the Texas-Mexico border;
- (2) has a population of 500,000 or more;
- and
- (3) is adjacent to two or more counties, each of which has a population of 50,000 or more.

(b) A municipality to which this section applies may use local hotel occupancy tax revenue for constructing, maintaining, or expanding a sporting-related facility or sporting-related field on property owned by the municipality if the municipality's sports facilities and fields have been used, in the preceding calendar year, a combined total of more than 10 times for district, state, regional, or national sports tournaments.

(b) A municipality to which this section applies may use revenue derived from the municipal hotel occupancy tax to construct, maintain, or expand a sporting-related facility or sporting-related field on property owned by the municipality, provided the municipality's sports facilities and fields have been used in the preceding calendar year a combined total of more than 10 times for district, state, regional, or national sports tournaments, games, or events.

(c) If a municipality to which this section applies uses revenue derived from the tax imposed under this chapter for the construction or expansion of a sporting-related facility or sporting-related field described by Subsection (b), the municipality shall reimburse the municipality's hotel occupancy tax revenue fund from the municipality's general fund for any expenditure greater than the amount of hotel revenue within the municipality that is attributable to sporting or other events held at the facility or field during the 10 years beginning on the date the construction or expansion is completed.

(c) A municipality to which this section applies that uses revenue derived from the municipal hotel occupancy tax for a purpose described by Subsection (b):

- (1) shall determine the amount of municipal hotel occupancy tax revenue generated for

the municipality by hotel activity attributable to the sports tournaments, games, and events held on the newly constructed, enhanced, or upgraded facilities or fields for 10 years after the date the construction, enhancements, or upgrades are completed; and

(2) may not spend municipal hotel occupancy tax revenue for the construction, enhancement, or upgrading of the facilities or fields in a total amount that exceeds the amount of area hotel revenue attributable to the construction, enhancements, or upgrades.

(d) On the second, fourth, sixth, and eighth anniversaries of the date the construction or expansion of a sporting-related facility or sporting-related field described by Subsection (b) is completed, the municipality shall determine and produce a report indicating whether hotel revenue within the municipality attributable to sporting or other events held at the facility or field to date is less than the amount of hotel occupancy tax revenue expended on the facility or field. If hotel revenue within the municipality attributable to sporting events held at the facility or field to date is less than the amount of hotel occupancy tax revenue expended on the facility or field for the preceding two-year period, the municipality shall reimburse the municipality's hotel occupancy tax revenue fund from the municipality's general fund for any expenditure greater than the amount of hotel revenue in the municipality attributable to sporting or other events held at the facility or field.

(e) If a municipality to which this section applies uses revenue derived from the tax imposed under this chapter for a purpose described by Subsection (b), the municipality may not reduce the percentage of revenue from the tax imposed under this chapter and allocated for a purpose described by Section 351.101(a)(3) to a percentage that is less than the average percentage of revenue allocated by the municipality for that purpose during the 36-month period preceding the date the municipality begins using the revenue for the applicable purpose described by Subsection (b).

(d) A municipality to which this section applies shall reimburse from the municipality's general fund any expenditure in excess of the amount of area hotel revenue attributable to the construction, enhancements, or upgrades to the municipality's hotel occupancy tax revenue fund.

(e) If a municipality to which this section applies uses revenue derived from the municipal hotel occupancy tax for a purpose described by Subsection (b), the municipality may not reduce the percentage of revenue from that tax allocated for a purpose described by Section 351.101(a)(3) 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 for a purpose described by Subsection (b).

SECTION 2. This Act takes effect September 1, 2017.

SECTION 2. This Act takes effect immediately if it receives a vote of two-thirds of all the members elected to each house, as provided by Section 39, Article III, Texas Constitution. If this Act does not receive the vote necessary for immediate effect, this Act takes effect September 1, 2017.