

BILL ANALYSIS

C.S.H.B. 2538
By: Raymond
Ways & Means
Committee Report (Substituted)

BACKGROUND AND PURPOSE

Interested parties suggest that certain municipalities, such as the City of Laredo, are in need of greater flexibility with regard to the use and allocation of municipal hotel occupancy tax revenue. C.S.H.B. 2538 seeks to provide this flexibility.

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. 2538 amends the Tax Code to entitle a municipality that holds an annual jalapeño festival and that is the county seat of a county that borders the United Mexican States, has a population of less than 300,000, and contains one or more municipalities with a population of 200,000 or more to receive all funds from a hotel and convention center project that the owner of a qualified hotel project could receive under Tax Code provisions governing tax refunds for enterprise projects or under Government Code provisions relating to the refund, rebate, or payment of tax proceeds to a qualified hotel project if a project for purposes of those provisions included a hotel and convention center project. The bill authorizes the municipality to pledge the funds for payment of bonds for a project that is an existing hotel owned by the municipality or another person and a convention center facility to be acquired, constructed, equipped, or leased, that will be located within 1,000 feet of the hotel, and that will be owned by or located on land owned by the municipality. The bill makes statutory provisions regarding the use and allocation of revenue from municipal hotel occupancy taxes for certain qualified projects applicable to such a municipality, makes related changes with regard to the authorization for a municipality to pledge certain tax proceeds from hotels located in a project financing zone for the payment of certain obligations, excluding certain amounts, and creates an exception to the exclusion of such amounts if another law authorizes the municipality to pledge that amount for the payment of the obligations.

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. 2538 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

No equivalent provision.

No equivalent provision.

SECTION 1. Section 351.102, Tax Code, is amended by amending Subsections (b), (c),

85R 27361

Substitute Document Number: 85R 24987

HOUSE COMMITTEE SUBSTITUTE

SECTION 1. Section 351.1015(a)(2), Tax Code, is amended to read as follows:

(2) "Hotel-associated revenue" means the sum of:

(A) state tax revenue collected in a project financing zone from all hotels located in the zone that would be available to the owners of qualified hotel projects under Section 151.429(h) if the hotels were qualified hotel projects, excluding the amount of that revenue received by a municipality under Section 351.102(c) or (c-1) for a [~~hotel~~] project described by Section 351.102(b) or (c-1) that is [~~and~~] located in the zone and that exists on the date the municipality designates the zone; and

(B) tax revenue collected from all permittees under Chapter 183 at hotels located in the zone, excluding revenue disbursed by the comptroller under Section 183.051(b).

SECTION 2. Section 351.1015, Tax Code, is amended by amending Subsections (b) and (e) to read as follows:

(b) This section applies only to a qualified project located in a municipality;

(1) with a population of at least 650,000 but less than 750,000 according to the most recent federal decennial census; or

(2) described by Section 351.102(c-1).

(e) A municipality may pledge for the payment of bonds or other obligations described by Subsection (d) the local revenue from eligible tax proceeds as defined by Section 2303.5055(e), Government Code, from hotels located in a project financing zone that would be available to the owners of qualified hotel projects under that section if the hotels were qualified hotel projects, excluding any amount received by the municipality for a [~~hotel~~] project described by Section 351.102(b) or (c-1) that is [~~and~~] located in the zone and that exists on the date the municipality designates the zone unless another law authorizes the municipality to pledge that amount for the payment of the bonds or other obligations.

SECTION 3. Section 351.102, Tax Code, is amended by amending Subsection (c) and

17.121.191

and (d) and adding Subsection (e) to read as follows:

(b) An eligible central municipality, a municipality with a population of 173,000 or more that is located within two or more counties, a municipality with a population of 96,000 or more that is located in a county that borders Lake Palestine or contains the headwaters of the San Gabriel River, or 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 may pledge the revenue derived from the tax imposed under this chapter from a hotel project that is owned by or located on land owned by the municipality or, in an eligible central municipality, by a nonprofit corporation acting on behalf of an eligible central municipality, and that is located within 1,000 feet of a convention center facility owned by the municipality for the payment of bonds or other obligations issued or incurred to acquire, lease, construct, and equip the hotel and any facilities ancillary to the hotel, including convention center entertainment-related facilities, meeting spaces, restaurants, shops, street and water and sewer infrastructure necessary for the operation of the hotel or ancillary facilities, and parking facilities within 1,000 feet of the hotel or convention center facility. For bonds or other obligations issued under this subsection, an eligible central municipality or a municipality described by this subsection or Subsection (e) may only pledge revenue or other assets of the hotel project benefiting from those bonds or other obligations.

(c) A municipality to which Subsection (b) or (e) applies is entitled to receive all funds from a project described by this section that an owner of a project may receive under Section 151.429(h) of this code, or Section 2303.5055, Government Code, and may pledge the funds for the payment of obligations issued under this section.

No equivalent provision (*But see subsections (b) and (c) above and subsection (e) below*).

adding Subsection (c-1) to read as follows:

No equivalent provision (*But see subsection (c-1) below*).

(c) A municipality to which Subsection (b) applies is entitled to receive all funds from a project described by Subsection (b) [this section] that an owner of a project may receive under Section 151.429(h) of this code, or Section 2303.5055, Government Code, and may pledge the funds for the payment of obligations issued under this section.

(c-1) A municipality to which this subsection applies is entitled to receive all funds from a hotel and convention center project that the owner of a project could receive under Section 151.429(h) of this code or Section 2303.5055, Government

Code, if a project for purposes of those provisions included a hotel and convention center project. The municipality may pledge the funds for payment of obligations issued under this section for the hotel and convention center project. For purposes of this subsection, "hotel and convention center project" means a project that is an existing hotel owned by the municipality or another person and a convention center facility to be acquired, constructed, equipped, or leased, that will be located within 1,000 feet of the hotel, and that will be owned by or located on land owned by the municipality.

No equivalent provision.

(d) Except as provided by this subsection, an eligible central municipality or another municipality described by Subsection (b) or (e) that uses revenue derived from the tax imposed under this chapter or funds received under Subsection (c) for a hotel project described by Subsection (b) 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 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. This subsection does not apply to an eligible central municipality described by Section 351.001(7)(D).

(e) In addition to the municipalities described by Subsection (b), that subsection also applies to a municipality that:

- (1) is the county seat of a county that:
 - (A) borders the United Mexican States;
 - (B) has a population of less than 300,000;
- and
- (C) contains one or more municipalities with a population of 200,000 or more; and
- (2) holds an annual jalapeño festival.

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.

This subsection applies only to a municipality that:

- (1) is the county seat of a county that:
 - (A) borders the United Mexican States;
 - (B) has a population of less than 300,000;
- and
- (C) contains one or more municipalities with a population of 200,000 or more; and
- (2) holds an annual jalapeño festival.

SECTION 4. Same as introduced version.