

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION

April 25, 2017

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

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: **HB1578** by Sanford (Relating to the authority of certain municipalities to pledge revenue from the municipal hotel occupancy tax for the payment of obligations related to hotel projects.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB1578, As Introduced: an impact of \$0 through the biennium ending August 31, 2019.

However, there would be a negative impact of (\$1,960,000) through the biennium ending August 31, 2021.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2018	\$0
2019	\$0
2020	(\$760,000)
2021	(\$1,200,000)
2022	(\$1,260,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue (Loss) from General Revenue Fund 1
2018	\$0
2019	\$0
2020	(\$760,000)
2021	(\$1,200,000)
2022	(\$1,260,000)

Fiscal Analysis

The bill would amend Section 351.102 of the Tax Code regarding the pledge of municipal hotel tax revenue to certain bonds and entitlement of certain municipalities to state tax revenue associated with certain hotel projects.

The bill would amend Subsections (b), (c) and (d) and add new Subsection (e) to extend the application of the Section to a municipality with a population of at least 9,000 but not more than 10,000 that is located in two counties, each of which has a population of at least 662,000 and a southern border with a county with a population of 2.3 million or more.

The bill would take effect immediately upon enactment, assuming that it received the requisite two-thirds majority votes in both houses of the Legislature. Otherwise it would take effect September 1, 2017.

Methodology

The City of Prosper currently has plans for a 500 room hotel expected to be operational in January 2020. The city would 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 Sections 351.102(b) and (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 a qualified hotel project.

This estimate is based on the planned room size of the prospective hotel, 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 hotel tax revenues paid to the owners of the extant qualified hotel projects.

In fiscal 2016, a total of \$12,135,272 in state tax revenue was allocated for qualified hotel projects in the cities of Dallas, Fort Worth, and San Antonio.

Local Government Impact

The City of Prosper would be entitled to state tax revenue associated with a qualified hotel project.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: UP, KK, SZ, SD