

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION

April 18, 2017

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

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: **HB3626** by Hunter (Relating to the definition of eligible central municipality for purposes of the municipal hotel occupancy tax.), **As Introduced**

No significant fiscal implication to the State is anticipated.

The City of Port Aransas would be added to the definition of an eligible central municipality. Designation as an eligible central municipality would entitle this city 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 without the necessity of an appropriation.

The City of Port Aransas currently has no plans for a convention center hotel. Based on the representation made by the city manager of Port Aransas, the bill is not expected to have any fiscal implications during the 2018-2022 period. Were Port Aransas to avail itself of the hotel project rebate eligibility provided by the bill, an average of \$530,000 in general revenue would be foregone by the state in each year of the 10 year rebate period.

Any estimate is based on the planned or assumed room size of the prospective hotel, 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 owner of the extant qualified hotel project.

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 bill would entitle the City of Port Aransas to state sales and hotel tax revenue associated with a qualified hotel project.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: UP, KK, SD