

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: **HB3838** by Zerwas (Relating to the definition of eligible central municipality for purposes of the municipal hotel occupancy tax.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB3838, As Introduced: an impact of \$0 through the biennium ending August 31, 2019.

However, there would be a negative impact of (\$1,090,000) 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	\$0
2021	(\$1,090,000)
2022	(\$1,540,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue (Loss) from General Revenue Fund 1
2018	\$0
2019	\$0
2020	\$0
2021	(\$1,090,000)
2022	(\$1,540,000)

Fiscal Analysis

The bill would amend Chapter 351 of the Tax Code, regarding municipal hotel occupancy taxes, to expand the definition of an eligible central municipality to include a municipality with a population of 75,000 or more that is located wholly in a county with a population of 575,000 or more that is adjacent to a county with a population of four million or more and that has adopted a capital improvement plan for the construction and expansion of a convention center facility; a municipality with a population of less than 75,000 that is located in three counties, at least one of which has a population of at least four million; and an eligible barrier island coastal municipality described by Subdivision 156.2512(c)(1) with a population of at least 3,000 but not more than 5,000.

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 municipalities that would be added to the definition of eligible central municipality are the cities of Sugar Land, Katy, and Port Aransas. Designation as eligible central municipalities would entitle these cities 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 Sugar Land currently has plans for a 350 room convention center hotel expected to be operational in January of 2021, the city of Katy currently has plans for a 305 room convention center hotel expected to be operational in the fall of 2020, and the city of Port Aransas currently has no plans for a convention center hotel.

This estimate is based on the planned room size of the prospective hotels, assumed average nightly room rates 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 cities of Sugar Land, Katy, and Port Aransas would be entitled to state sales tax and state hotel tax associated with a qualified hotel project.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: UP, KK, SZ, SD