

BILL ANALYSIS

C.S.H.B. 4347
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Ways & Means
Committee Report (Substituted)

BACKGROUND AND PURPOSE

It has been noted that certain municipalities in Texas are authorized to receive a rebate for state hotel occupancy taxes and state sales taxes collected at certain convention center hotels, which may be used by a city to service the bonds or other obligations incurred for the construction of the project. It has been suggested that financing convention center hotels is challenging and a public-private partnership is a valuable tool. Furthermore, convention center hotels may aid the state and local economies by attracting out-of-state conventions, meetings, and visitors to Texas, in addition to assisting with local revitalization and development efforts. There have been calls to ensure an adequate supply of hotel rooms located near convention centers to make Texas more competitive in attracting these events. C.S.H.B. 4347 seeks to address this issue by authorizing certain municipalities to use specified tax revenue for hotel and convention center projects and other qualified projects.

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 rulemaking authority is expressly granted to the comptroller of public accounts in SECTION 8 of this bill.

ANALYSIS

C.S.H.B. 4347 amends the Tax Code to set out provisions relating to the use of certain tax revenue for municipal hotel and convention center projects and other qualified projects. The bill entitles an applicable municipality to receive, subject to certain limitations, the revenue derived from the following taxes generated, paid, and collected by a qualified hotel, as defined by the bill, and each restaurant, bar, and retail establishment located in or connected to the hotel, that is located in the municipality:

- the sales and use tax;
- the hotel occupancy tax; and
- if a political subdivision that is entitled to receive the revenue from the tax agrees in writing to pay the revenue to the municipality:
 - the sales and use tax imposed by the political subdivision under statutory provisions governing sales and use taxes for special purpose taxing authorities or under the County Sales and Use Tax Act;
 - the county hotel occupancy tax; and
 - the mixed beverage tax issued under statutory provisions relating to the mixed beverage tax clearance fund.

The bill lists the municipalities to which this entitlement to revenue applies and authorizes such a municipality, in addition to the authority of the municipality to issue debt for municipal buildings, to pledge the revenue derived from the municipal hotel occupancy tax from a qualified hotel and the revenue to which the municipality is entitled under the bill's provisions for the payment of bonds or other obligations issued for a qualified project, as defined by the bill, and contractual obligations under a contract authorized under miscellaneous Local Government Code provisions relating to municipal planning and development. The bill provides for the following: exceptions to certain municipal ownership requirements, the authority of a nonprofit corporation to act on behalf of a municipality, and an additional entitlement for certain municipalities. The bill establishes that a municipality is entitled to receive revenue as provided by the bill's provisions until the 10th anniversary of the date the qualified hotel to which the entitlement relates is open for initial occupancy, provides for the deposit of the applicable tax revenue by the comptroller of public accounts, and requires the comptroller to pay to each municipality the revenue to which the municipality is entitled at least quarterly.

C.S.H.B. 4347 conditions the authority of an applicable municipality to pledge revenue for the payment of bonds, other obligations, or contractual obligations on the qualified hotel that is a component of the qualified project for which the revenue is pledged benefiting from the pledging of that revenue. The bill caps at one the number of qualified projects for which a municipality may pledge such revenue, prohibits a municipality that pledges revenue for a qualified project from subsequently pledging revenue for another qualified project, and exempts a municipality with a population of 175,000 or more from this cap and prohibition. The bill establishes that a municipality is not entitled to receive funds from a qualified project under the bill's provisions unless the municipality has pledged a portion of the revenue derived from the municipal hotel occupancy tax from the project for the payment of bonds, other obligations, or contractual obligations described by the bill and issued or incurred for the project.

C.S.H.B. 4347 limits to certain municipalities the authority to pledge the revenue derived from the municipal hotel occupancy tax from certain hotel projects 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. The bill repeals the prohibition against an applicable municipality receiving or pledging revenue derived from the municipal hotel occupancy tax for a hotel project or certain other funds from the project unless the municipality enters into an agreement with a person for the development of the project before September 1, 2019.

C.S.H.B. 4347 entitles a municipality with a population of less than 2,000 that is located adjacent to a bay connected to the Gulf of Mexico, is located in a county with a population of 290,000 or more that is adjacent to a county with a population of four million or more, and has a boardwalk on the bay to pledge certain funds for the payment of bonds or other obligations issued or incurred to acquire, lease, construct, or equip a multipurpose convention center facility project, as defined by the bill, and sets out related provisions.

C.S.H.B. 4347 entitles a municipality with a population of 350,000 or more but less than 450,000 in which two professional sports stadiums are located, each of which has a seating capacity of at least 40,000 people and was approved by the voters of the municipality as a sports and community venue project, to pledge certain funds for the payment of bonds or other obligations issued or incurred to acquire, lease, construct, improve, enlarge, and equip a certain hotel project. The bill sets out related provisions, including a provision entitling the municipality to receive the applicable funds for a period of 30 years beginning on the date the hotel project is open for initial occupancy.

C.S.H.B. 4347 revises provisions governing the allocation of revenue for:

- advertising and conducting solicitations and promotional programs to attract tourists and convention delegates or registrants to the municipality or its vicinity; and
- expenses, including promotion expenses, directly related to a sporting event in which the

majority of participants are tourists who substantially increase economic activity at hotels and motels within the municipality or its vicinity.

C.S.H.B. 4347 authorizes the comptroller to adopt rules as necessary to administer the bill's provisions.

C.S.H.B. 4347 repeals Sections 351.102(b-1), (c-1), and (g), Tax Code.

EFFECTIVE DATE

September 1, 2019.

COMPARISON OF ORIGINAL AND SUBSTITUTE

While C.S.H.B. 4347 may differ from the original in minor or nonsubstantive ways, the following summarizes the substantial differences between the introduced and committee substitute versions of the bill.

The substitute changes the municipalities to which the bill's provisions relating to municipal hotel and convention center projects apply and changes the tax revenue to which such a municipality is entitled and which such a municipality may pledge for the payment of bonds and other obligations for qualified projects. The substitute revises the purposes for which the revenue may be pledged and revises the limitations on the authority to pledge revenue. The substitute includes an additional entitlement for certain municipalities.

The substitute does not include an authorization for the comptroller to adopt rules regarding qualified municipal hotel and convention center projects, but the substitute includes an authorization for the comptroller to adopt rules as necessary to administer the bill's provisions. The substitute does not include rulemaking authority of the comptroller with regard to the submission by a municipality of certain information and an application for a payment of certain tax revenue.

The substitute does not include provisions relating to:

- new and existing commercial development in a qualified hotel project;
- the pledge of certain tax revenue for obligations for certain hotel and convention center projects; or
- a limitation on the authority of certain municipalities to pledge certain tax revenue for obligations.

The substitute includes and revises, as applicable, the definitions of "infrastructure," "qualified convention center facility," "qualified hotel," "qualified project," and "retail establishment." The substitute does not include definitions of "eligible central municipality," "hotel," "qualified municipality," and "revenue" and does not revise the definition of "convention center facility" for purposes of municipal hotel occupancy taxes.

The substitute includes a provision limiting to certain municipalities the authority to pledge the revenue derived from the municipal hotel occupancy tax from certain hotel projects 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. The substitute does not include the repeal of certain provisions relating to this authority.

The substitute includes provisions relating to the pledge of funds by a certain municipality for a multipurpose convention center facility project and relating to the pledge of funds by certain municipalities with sports stadiums for a hotel project.

The substitute revises the bill's effective date provision and a provision relating to the validity of a bond or other obligation for which municipal hotel occupancy tax revenue was pledged before a certain date.