

## **BILL ANALYSIS**

C.S.S.B. 2194  
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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.S.B. 2194 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 9 of this bill.

### **ANALYSIS**

C.S.S.B. 2194 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.

C.S.S.B. 2194 entitles an applicable municipality to receive, subject to certain requirements and limitations set out by the bill, the revenue derived from the following taxes generated, paid, and collected by a qualified hotel and each restaurant, bar, and retail establishment located in or connected to the hotel or the related qualified convention center facility, 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.

C.S.S.B. 2194 sets out definitions for, among other terms, "qualified hotel" and "qualified convention center facility."

C.S.S.B. 2194 specifies the municipalities to which that entitlement applies and provides for the following:

- exceptions to certain municipal ownership requirements for certain of those specified applicable municipalities;
- the authority of a nonprofit corporation to act on behalf of an applicable municipality for any purposes relating to that entitlement; and
- an entitlement for certain of those specified applicable municipalities, under certain conditions, to receive other additional revenue derived from certain types of establishments.

C.S.S.B. 2194 establishes that an applicable 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. The bill provides for the deposit of the applicable tax revenue to which a municipality is entitled under the bill's provisions 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.S.B. 2194 authorizes such an applicable municipality, in addition to the authority of the municipality to issue debt for municipal buildings, to pledge or commit 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 related to the project. The bill sets out related provisions.

C.S.S.B. 2194 limits the authorization for certain municipalities 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 to the following municipalities:

- a municipality with a population of two million or more;
- a municipality with a population of 700,000 or more but less than 1.3 million;
- 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; and
- 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.

C.S.S.B. 2194 sets out and revises provisions related to the immediately preceding limitation, including provisions limiting the convention center facility within 1,000 feet of which the applicable hotel project must be located to a qualified convention center facility and changing the ancillary facilities for which the revenue may be pledged. 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.S.B. 2194 provides for the following:

- the entitlement of such an applicable municipality with a population of less than 2,000 or a local government corporation acting on behalf of the eligible municipality to pledge certain funds for the payment of bonds, other obligations, or contractual obligations issued or incurred to acquire, lease, construct, or equip a multipurpose convention center facility project, as defined by the bill; and
- the entitlement of such an applicable municipality with a population of 350,000 or more but less than 450,000 to pledge certain funds for the payment of bonds, other obligations, or contractual obligations issued or incurred to acquire, lease, construct, improve, enlarge, and equip a certain hotel project.

The bill sets out related provisions, including provisions limiting the period of each respective entitlement.

C.S.S.B. 2194 revises provisions governing the allocation of certain tax revenue by an applicable municipality 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.S.B. 2194 authorizes the comptroller to adopt rules as necessary to administer the bill's provisions.

C.S.S.B. 2194 repeals Sections 351.102(b-1), (c-1), and (g), Tax Code.

### **EFFECTIVE DATE**

September 1, 2019.

### **COMPARISON OF SENATE ENGROSSED AND SUBSTITUTE**

While C.S.S.B. 2194 may differ from the engrossed in minor or nonsubstantive ways, the following summarizes the substantial differences between the engrossed and committee substitute versions of the bill.

The substitute does not include any provisions from the engrossed version, which expands the municipalities considered an eligible central municipality for purposes of the imposition and collection of municipal hotel occupancy taxes and the authorized use of the derived revenue and authorizes the additional municipalities to use that tax revenue for the promotion of tourism by enhancing and upgrading an existing municipally owned sports facility or field provided that certain requirements are met.