86R5722 SMT-D

By:  Springer H.B. No. 1557

A BILL TO BE ENTITLED

AN ACT

relating to the authority of a municipality to pledge certain tax revenue for the payment of obligations related to hotel projects.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1.  Sections 351.102(b), (c), and (d), Tax Code, are amended to read as follows:

(b)  A [~~An eligible central~~] municipality[~~, a municipality with a population of 173,000 or more that is located within two or more counties, a municipality with a population of 96,000 or more that is located in a county that borders Lake Palestine or contains the headwaters of the San Gabriel River, or a municipality with a population of at least 99,900 but not more than 111,000 that is located in a county with a population of at least 135,000~~] may pledge the revenue derived from the tax imposed under this chapter from a hotel project that is owned by or located on land owned by the municipality [~~or, in an eligible central municipality~~], by a nonprofit corporation acting on behalf of the [~~an eligible central~~] municipality, or by the federal government, and that is located within 1,000 feet of a convention center facility owned by the municipality, 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, including convention center entertainment-related facilities, meeting spaces, restaurants, shops, street and water and sewer infrastructure necessary for the operation of the hotel or ancillary facilities, and parking facilities within 1,000 feet of the hotel or convention center facility.  [~~A municipality with a population of 173,000 or more that is located within two or more counties may pledge for the payment of bonds or other obligations described by this subsection the revenue derived from the tax imposed under this chapter from a hotel project not owned by or located on land owned by the municipality if the project is located on land that is owned by the federal government and the project is located within 1,000 feet of a convention center facility owned by the municipality.~~] For bonds or other obligations issued under this subsection, a [~~an eligible central~~] municipality [~~or a municipality described by this subsection or Subsection (e)~~] may only pledge revenue or other assets of the hotel project benefiting from those bonds or other obligations. For purposes of this subsection, "hotel project" includes a project that is an existing hotel owned by the municipality or another person and a convention center facility to be acquired, constructed, equipped, or leased, that will be located within 1,000 feet of the hotel, and that will be owned by or located on land owned by the municipality.

(c)  Subject to Section 351.1025 [~~Except as provided by this subsection~~], a municipality that pledges revenue for a hotel project under [~~to which~~] Subsection (b) [~~or (e) applies~~] is entitled to receive all funds from the [~~a~~] project [~~described by Subsection (b)~~] that an owner of a project may receive under Section 151.429(h) of this code, or Section 2303.5055, Government Code, and may pledge the funds for the payment of obligations issued under this section.  [~~A municipality described by Subsection (e) is not entitled to receive funds from a project under this subsection unless the municipality has pledged the revenue derived from the tax imposed under this chapter from the project for the payment of bonds or other obligations issued or incurred for the project.~~]

(d)  Except as provided by this subsection, a [~~an eligible central~~] municipality [~~or another municipality described by Subsection (b) or (e)~~] that uses revenue derived from the tax imposed under this chapter or funds received under Subsection (c) for a hotel project described by Subsection (b) may not reduce the percentage of revenue from the tax imposed under this chapter and allocated for a purpose described by Section 351.101(a)(3) to a percentage that is less than the average percentage of that revenue allocated by the municipality for that purpose during the 36-month period preceding the date the municipality begins using the revenue or funds for the hotel project.  This subsection does not apply to an eligible central municipality described by Section 351.001(7)(D).

SECTION 2.  Subchapter B, Chapter 351, Tax Code, is amended by adding Section 351.1025 to read as follows:

Sec. 351.1025.  REIMBURSEMENT OF STATE REVENUE USED FOR QUALIFIED HOTEL PROJECT. (a) This section does not apply to a municipality that was eligible to pledge revenue for a hotel project under Section 351.102(b) on January 1, 2019.

(b)  In this section:

(1)  "Base year amount" means the total amount of hotel occupancy tax revenue collected by a municipality from all hotels during the 12-month period preceding the date a qualified hotel project opens for initial occupancy.

(2)  "Incremental increase in hotel occupancy tax revenue" means the amount by which the total amount of hotel occupancy tax revenue collected by a municipality from all hotels during a reporting period exceeds the base year amount.

(3)  "Qualified hotel project" means a hotel project in relation to which state tax revenue is rebated, refunded, or paid under Section 351.102(c).

(4)  "Reporting period" means a 12-month period ending on the most recent anniversary of the date a qualified hotel project opens for initial occupancy.

(5)  "State financing period" means the period:

(A)  beginning on the date state tax revenue is first rebated, refunded, or paid in relation to a qualified hotel project under Section 351.102(c); and

(B)  ending on the date the last rebate, refund, or payment of that revenue is made.

(c)  Beginning on the date prescribed by the comptroller under Subsection (d) that is not later than the first day of the first calendar quarter that begins on or after the first anniversary of the date a qualified hotel project in a municipality opens for initial occupancy, the municipality shall annually send to the comptroller a report that states:

(1)  the total amount of state tax revenue rebated, refunded, or paid under Section 351.102(c) in relation to the qualified hotel project as of the end of the reporting period;

(2)  the amount of state tax revenue rebated, refunded, or paid under Section 351.102(c) in relation to the qualified hotel project during the reporting period;

(3)  the incremental increase in hotel occupancy tax revenue collected by the municipality during the reporting period; and

(4)  any other information required by the comptroller.

(d)  The comptroller:

(1)  shall prescribe:

(A)  the form of the report required by Subsection (c); and

(B)  the date by which the report must be sent to the comptroller each year; and

(2)  may prescribe the date on which a municipality may cease sending the report.

(e)  Notwithstanding any other law and subject to Subsection (g), the comptroller shall, beginning as soon as possible after receiving a report under Subsection (c), withhold from the municipality's share of mixed beverage taxes under Section 183.051 and sales and use taxes under Section 321.502, for the next 12-month period, a total amount equal to the lesser of:

(1)  the total amount of state tax revenue rebated, refunded, or paid under Section 351.102(c) in relation to the qualified hotel project as of the end of the reporting period for the report, less amounts previously withheld; or

(2)  the incremental increase in hotel occupancy tax revenue collected by the municipality during the reporting period.

(f)  A municipality may propose the manner in which the comptroller will withhold amounts under Subsection (e), including the percentage to be deducted from each tax and the frequency of the deductions. The comptroller shall comply with the municipality's proposal if possible.

(g)  The total amount the comptroller may withhold under Subsection (e) may not exceed the total amount of state tax revenue rebated, refunded, or paid under Section 351.102(c) in relation to the qualified hotel project during the state financing period. The period during which the comptroller may withhold amounts under Subsection (e) may not exceed a period equal to the state financing period regardless of whether the amount withheld is less than the total amount of state tax revenue rebated, refunded, or paid under Section 351.102(c) in relation to the qualified hotel project.

SECTION 3.  Section 351.102(f), Tax Code, is redesignated as Section 351.1032, Tax Code, and amended to read as follows:

Sec. 351.1032.  ALLOCATION OF REVENUE: CERTAIN MUNICIPALITIES THAT CONTAIN COMPONENT OF TEXAS TECH UNIVERSITY SYSTEM. A municipality with a population of at least 200,000 but not more than 300,000 that contains a component institution of the Texas Tech University System [~~(f)  A municipality described by Subsection (e)(3)~~] that uses revenue derived from the tax imposed under this chapter or funds received under Section 351.102(c) [~~Subsection (c)~~] for repayment of bonds or other obligations issued or incurred for a hotel project described by Section 351.102(b) [~~Subsection (b)~~] may not, in a fiscal year that begins after construction of the hotel project is complete and during any part of which the bonds or other obligations are outstanding, reduce the amount of revenue derived from the tax imposed under this chapter and allocated for a purpose described by Section 351.101(a)(6) to an amount that is less than the sum of:

(1)  the amount of the revenue derived from the tax imposed under this chapter and allocated by the municipality for a purpose described by Section 351.101(a)(6) during the fiscal year beginning October 1, 2016; and

(2)  three percent of the amount of revenue derived from the tax imposed under this chapter during the fiscal year for which the amount required by this section [~~subsection~~] is being determined.

SECTION 4.  Sections 351.102(c-1), (e), and (g), Tax Code, are repealed.

SECTION 5.  The changes in law made by this Act to Sections 351.102(b), (c), (c-1), and (e), Tax Code, do not affect the authority granted to a municipality to receive or pledge revenue or funds under those sections before the effective date of this Act, and that law is continued in effect for that purpose.

SECTION 6.  This Act takes effect immediately if it receives a vote of two-thirds of all the members elected to each house, as provided by Section 39, Article III, Texas Constitution. If this Act does not receive the vote necessary for immediate effect, this Act takes effect September 1, 2019.