

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 86TH LEGISLATIVE REGULAR SESSION

April 9, 2019

TO: Honorable Dustin Burrows, Chair, House Committee on Ways & Means

FROM: John McGeady, Assistant Director Sarah Keyton, Assistant Director
Legislative Budget Board

IN RE: HB4042 by Lucio III (Relating to the municipal hotel occupancy tax.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB4042, As Introduced: an impact of \$0 through the biennium ending August 31, 2021.

However, there would be a negative impact to General Revenue Related Funds beginning in the biennium ending August 31, 2023.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2020	\$0
2021	\$0
2022	\$0
2023	(\$225,000)
2024	(\$230,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue (Loss) from General Revenue Fund
	1
2020	\$0
2021	\$0
2022	\$0
2023	(\$225,000)
2024	(\$230,000)

Fiscal Analysis

The bill would amend Section 351 of the Tax Code, regarding municipal hotel occupancy taxes.

The bill would amend Section 351.001(7) to add to the definition of eligible central municipality a municipality that has a population of not more than 25,000 that contains a cultural heritage

museum, and that is located in a county that borders the United Mexican States and the Gulf of Mexico.

The bill would amend Section 351.101, regarding the use of municipal hotel tax revenue, to add Subsection (p) to authorize a municipality that has a population of not more than 25,000 that contains a cultural heritage museum, and that is located in a county that borders the United Mexican States and the Gulf of Mexico, to use revenue from the municipal hotel occupancy tax for the promotion of tourism by the enhancement and upgrading of an existing sports facility or field.

This bill would take effect immediately upon enactment, assuming it received the requisite two-thirds majority votes in both houses of the Legislature. Otherwise, it would take effect September 1, 2019.

Methodology

As an eligible central municipality, the City of San Benito would be entitled to state sales tax and state hotel tax associated with a qualified hotel project under Section 151.429(h) of the Tax Code via Sections 351.102(b) and (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 a qualified hotel project.

Currently, the City of San Benito has not yet developed specific plans for the construction of a hotel as a qualified hotel project. However, this estimate assumes that the city would act on the authorization provided by the bill, and that given time required for planning and construction, a project eligible for rebates of state tax revenue would be undertaken but not be operational before fiscal 2023.

This estimate is based on an assumed room size of a prospective hotel, an assumed average nightly room rate and annual average occupancy rate, and the ratio of state sales tax to hotel tax revenues paid to the owners of the extant qualified hotel projects.

In fiscal 2018, a total of \$17,676,000 in state tax revenue was allocated for qualified hotel projects in the cities of Amarillo, Dallas, Fort Worth, Houston, Nacogdoches, and San Antonio.

Local Government Impact

The City of San Benito would be entitled to state sales tax and state hotel tax associated with a qualified hotel project under Section 151.429(h) of the Tax Code via Sections 351.102(b) and (c) of the Tax Code.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: WP, AF, SD, KK