

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 86TH LEGISLATIVE REGULAR SESSION

May 15, 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: **SB1307** by Taylor (relating to the use of hotel occupancy tax revenue by certain municipalities and the authority of certain municipalities to pledge that revenue, and to receive and pledge certain other revenue, for the payment of obligations related to hotel projects.), **Committee Report 2nd House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for SB1307, Committee Report 2nd House, Substituted: an impact of \$0 through the biennium ending August 31, 2021.

However, there would be a negative impact of (\$2,290,000) through 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	(\$470,000)
2023	(\$1,820,000)
2024	(\$1,900,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue (Loss) from General Revenue Fund 1
2020	\$0
2021	\$0
2022	(\$470,000)
2023	(\$1,820,000)
2024	(\$1,900,000)

Fiscal Analysis

The bill would amend Section 351.101 of the Tax Code, regarding municipal hotel occupancy

taxes.

The bill would allow a municipality with a population of more than 10,000 that is wholly located in a county with a population of four million or more and has a city hall located less than three miles from a space center operated by an agency of the federal government to use revenue from the municipal hotel occupancy tax for the construction, improvement, enlarging, equipping, renovating, repairing, operation, and maintenance of a venue that is related to the promotion of tourism, including a hotel, resort, or convention center facility located on land owned by the municipality or a nonprofit corporation acting on behalf of the municipality. The municipality may also use revenue from the municipal hotel occupancy tax for related infrastructure.

This bill would amend Section 351.102 of the Tax Code regarding the pledge of municipal hotel tax revenue to certain bonds and entitlement of certain municipalities to state tax revenue associated with certain hotel projects.

The bill would amend Subsection (b) to extend the application of the Section to a municipality with a population of more than 10,000 that is wholly located in a county with a population of four million or more and has a city hall located less than three miles from a space center operated by an agency of the federal government.

The bill would amend Subsection (e) to extend the application of the Section to a municipality that is primarily located in a county with a population of four million or more and is connected by a bridge to a municipality described by Subdivision (9).

The bill would also amend Subsection (g) to require a municipality to enter into an agreement with a person for the development of the hotel project before September 1, 2021.

The bill would add new Section 351.1069 of the Tax Code to authorize municipality with a population of more than 10,000 that is wholly located in a county with a population of four million or more and has a city hall located less than three miles from a space center operated by an agency of the federal government to use municipal hotel occupancy taxes for ancillary infrastructure.

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, 2019.

Methodology

There is no requirement that development agreements for hotel projects be submitted to the Comptroller or other state agency for determination of validity, and no requirement that a development agreement entered into prior to September 1, 2019 for purposes of preserving authority to receive hotel project benefits not be subsequently amended or superseded before eventual development of a project. It is expected that municipalities would enter provisional agreements before September 1, 2019 sufficient to preserve authority to receive project benefits, were the date required for such agreements not extended. Consequently, the amendment of Section 351.102(g) would have no fiscal implications.

The City of Webster currently has plans for a 400 room hotel expected to be operational in October of 2022, and the City of Seabrook currently has plans for a 250 room hotel expected to be operational in January of 2022. The cities 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.

This estimate is based on the planned room size of the prospective hotels, 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. The entitlement to state tax revenue would be for a period of ten years after a project hotel is open for initial occupancy.

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 cities of Webster and Seabrook 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, KK, SD, SZ