

BILL ANALYSIS

C.S.S.B. 696
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Ways & Means
Committee Report (Substituted)

BACKGROUND AND PURPOSE

There have been suggestions for changes to certain authorizations regarding the imposition, rate, and use of hotel occupancy taxes in certain counties and municipalities. Atascosa County is home to the City of Poteet, which boasts the title of the official "Strawberry Capital of Texas" and for more than 70 years has hosted the famous Poteet Strawberry Festival. However, Atascosa County has far more to offer than just strawberries and has seen increasing tourism in recent years. It has been suggested that if the county constructed a civic center with an arena used for rodeos, livestock shows, and agricultural expositions, the county would see an even greater expansion of tourism and substantially enhance hotel activity in the county. C.S.S.B. 696 seeks to authorize the county to impose a two percent hotel occupancy tax to fund the construction of a civic center.

Additionally, it has been noted that several counties authorized to impose a county hotel occupancy tax are prohibited from imposing the tax in relation to hotels that are also subject to a municipal hotel occupancy tax. It has been suggested that this prohibition negatively impacts Maverick County, which is looking to make certain repairs and improvements to county infrastructure. C.S.S.B. 696 seeks to address this issue by allowing the county to impose its hotel occupancy tax on hotels currently subject to a municipal hotel occupancy tax and by authorizing the use of revenue from that tax to fund repairs and improvements to the county airport.

Further, state law allows municipalities that meet certain geographic and population requirements to use revenue collected from the municipal hotel occupancy tax for the promotion and preservation of dark skies. There have been calls to extend this authority to additional municipalities and even certain border counties. Additionally, it has been suggested that the manner in which the cap on the amount of that revenue is calculated is too restrictive and should be revised. C.S.S.B. 696 seeks to revise the manner in which that cap is calculated and to extend the authorization to use hotel occupancy tax revenue for the promotion and preservation of dark skies to additional municipalities and counties.

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 this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

C.S.S.B. 696 amends the Tax Code to establish provisions relating to the hotel occupancy tax imposed by certain counties and the use of revenue from that tax as provided below.

Qualifying Civic Centers

C.S.S.B. 696 authorizes the commissioners court of a county with a population of less than 60,000 in which an annual strawberry festival is held in a location that is not the county seat to impose a county hotel occupancy tax at a rate capped at two percent of the price paid for a hotel room. The bill restricts the use of revenue from that tax to the construction, enlarging, equipping, improvement, maintenance, repairing, and operation of a civic center with an arena used for rodeos, livestock shows, and agricultural expositions to substantially enhance hotel activity and encourage tourism.

Repairs and Improvements to County Airports

C.S.S.B. 696 does the following with respect to the hotel occupancy tax imposed by a county in which an Indian reservation under jurisdiction of the U.S. government is located:

- caps the rate of the tax at two percent of the price paid for a hotel room;
- removes the prohibition against such a county imposing that tax in a municipality that imposes its own municipal hotel occupancy tax;
- authorizes the county to use revenue from the tax to make or provide reimbursement for repairs and improvements to the county airport within a 10-year window; and
- caps the total amount of the revenue used for that purpose at an amount that would exceed the amount of hotel revenue in the county that is likely to be reasonably attributable to guests traveling through the airport during the 15-year period beginning on the date the county first uses the tax revenue for that purpose.

Promotion and Preservation of Dark Skies

C.S.S.B. 696 includes the following municipalities among those that may use revenue from the municipal hotel occupancy tax for the promotion and preservation of dark skies:

- a municipality located in a county with a total area of more than 6,000 square miles; and
- a municipality located in a county with a total area of more than 3,850 square miles but less than 4,000 square miles.

The bill changes the manner in which the cap on the amount of that revenue the municipality may use for those purposes is determined from a cap based on a determination of the amount of area hotel revenue attributable to dark skies-related events and activities for five years after the date the municipality first uses the revenue for the promotion and preservation of dark skies to a cap based on a good-faith estimate of the annual amount of area hotel revenue attributable to these events and activities, based on reasonable documentation.

C.S.S.B. 696 prohibits a municipality that uses municipal hotel occupancy tax revenue to preserve and promote dark skies from reducing the percentage of revenue from that tax allocated for advertising and conducting solicitations and promotional programs to attract tourists and convention delegates or registrants to the municipality or its vicinity to a percentage that is less than the average percentage allocated for those purposes during the 36-month period preceding the date the municipality begins using revenue for the preservation and promotion of dark skies.

C.S.S.B. 696 authorizes the following counties to use revenue from the county hotel occupancy tax for the promotion and preservation of dark skies on the same basis and to the same extent as an applicable municipality:

- a county that borders the United Mexican States and in which there is located a national park of more than 400,000 acres; and
- a county with a population of less than 5,000 that borders the United Mexican States and in which there is located a major observatory.

C.S.S.B. 696 repeals Section 351.1035, Tax Code, which establishes a restrictive structure governing the allocation of the municipal hotel occupancy tax revenue collected by the largest

municipality in a county that borders the United Mexican States and in which there is located a national park of more than 400,000 acres for certain purposes.

EFFECTIVE DATE

September 1, 2021.

COMPARISON OF SENATE ENGROSSED AND SUBSTITUTE

While C.S.S.B. 696 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 includes provisions absent from the engrossed regarding the use of county hotel occupancy tax revenue by certain counties for repairs and improvements to a county airport and for the promotion and preservation of dark skies. The substitute also repeals a provision, which the engrossed does not, regarding the allocation of the municipal hotel occupancy tax revenue collected by the largest municipality in a county that borders the United Mexican States and in which there is located a national park of more than 400,000 acres for certain purposes.