

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 87TH LEGISLATIVE REGULAR SESSION

April 2, 2021

TO: Honorable Morgan Meyer, Chair, House Committee on Ways & Means

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HB2889 by Meyer (relating to the calculation, collection, and remittance of state hotel occupancy taxes.), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2889, Committee Report 1st House, Substituted : a positive impact of \$67,000,000 through the biennium ending August 31, 2023.

General Revenue-Related Funds, Five- Year Impact:

<i>Fiscal Year</i>	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2022	\$29,900,000
2023	\$37,100,000
2024	\$38,700,000
2025	\$40,500,000
2026	\$42,600,000

All Funds, Five-Year Impact:

<i>Fiscal Year</i>	Probable Revenue Gain/(Loss) from General Revenue Fund 1
2022	\$29,900,000
2023	\$37,100,000
2024	\$38,700,000
2025	\$40,500,000
2026	\$42,600,000

Fiscal Analysis

The bill would amend Chapter 156 of the Tax Code regarding state hotel occupancy tax.

The bill would amend Section 156.051(b) to impose a tax on the price of a room or space in a hotel including all charges related to the use or possession of the room or space. The price of the room or space does not include charges for food or personal or telecommunications services if those charges are separately itemized.

The bill would amend Section 156.052 to clarify that the tax imposed on the price paid for a room applies to the price paid for space in a hotel and would make a conforming amendment of Sections 156.101.

The bill would amend Section 156.053 relating to the collection of tax to provide that a person who collects payment for a room or space in a hotel but does not own, operate, manage, or control the hotel shall collect the

state hotel tax for the state and certify to the person who owns, operates, manages, or controls the hotel that the tax has been collected and will be paid to the comptroller. A person who collects payment for a room or space in a hotel on behalf of the owner or operator may request a waiver from the requirements related to collecting the state hotel tax on the owner or operator's behalf by submitting a written request to the comptroller. The comptroller's decision on a waiver request would not be subject to appeal. The comptroller by rule may provide that a person who secures a room or space in a hotel for another person and who collects payments for the room or space is not required to collect the tax imposed by this chapter if the annual gross receipts the person and any affiliated group of which the person is a member receive for securing rooms and spaces in hotels for others are \$250,000 or less.

The bill would amend Section 156.151(a) to include in the required filing report the total amount of payments collected by the person for rooms or spaces.

The bill would take effect October 1, 2021.

Methodology

The total market share of those persons who collect payments for hotel bookings but do not own, operate, manage, or control a hotel was estimated based on industry reports of bookings by online travel agencies (OTAs), multiplied by the estimates of hotel tax revenue adopted for the *2022-23 Biennial Revenue Estimate* and by the estimated percentage of total hotel room charges by OTAs that are currently going untaxed. The resulting estimates were extrapolated through 2026, and adjusted for the effective date of the bill.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JMc, KK, SD, BRI