

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 87TH LEGISLATIVE REGULAR SESSION**

**April 11, 2021**

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

**FROM:** Jerry McGinty, Director, Legislative Budget Board

**IN RE: HB4027** by Bell, Keith (Relating to the definition of eligible central municipality for purposes of the municipal hotel occupancy tax.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB4027, As Introduced : an impact of \$0 through the biennium ending August 31, 2023.

A negative fiscal impact to the state would begin in fiscal year 2025.

**General Revenue-Related Funds, Five- Year Impact:**

<i>Fiscal Year</i>	<i>Probable Net Positive/(Negative) Impact to General Revenue Related Funds</i>
2022	\$0
2023	\$0
2024	\$0
2025	(\$220,000)
2026	(\$230,000)

**All Funds, Five-Year Impact:**

<i>Fiscal Year</i>	<i>Probable Revenue Gain/(Loss) from General Revenue Fund 1</i>
2022	\$0
2023	\$0
2024	\$0
2025	(\$220,000)
2026	(\$230,000)

**Fiscal Analysis**

The bill would amend Chapter 351 of the Tax Code, regarding municipal hotel occupancy taxes, to provide authority for a certain city to use certain state and local hotel tax revenue and eligible tax proceeds for hotel and convention center projects.

The bill would amend Section 351.001(7) to add to the definition of eligible central municipality a municipality that has a population of less than 50,000 that contains a historically black college or university that is identified by the United States Department of Education and is accredited by a nationally recognized accrediting agency or association.

The 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, 2021.

### **Methodology**

As an eligible central municipality, the City of Terrell would be entitled to receive from a hotel project 100 percent of the state sales and use tax and state hotel occupancy tax paid or collected by the hotel project and eligible tax proceeds, during the first 10 years after the hotel project is open for initial occupancy. Eligible tax proceeds include local ad valorem taxes, local sales and use taxes, local hotel occupancy taxes, local mixed beverage gross receipts taxes, and local mixed beverage sales taxes that are generated, paid, or collected by a hotel project or facilities ancillary to the hotel, and that may be rebated, refunded, or paid to the owner of a hotel project under an agreement with a municipality, county, or other governmental body.

The City of Terrell has no current plans for a hotel project but could avail itself of the tax rebates should eligibility be acquired through this legislation. The estimate is based on a projected opening date of September 1, 2024, or state fiscal year 2025, a comparison and review of revenues paid to the owners of extant qualified hotel projects, and estimated attributes of such prospective hotel.

### **Local Government Impact**

As an eligible central municipality, the City of Terrell would be entitled to receive from a hotel project 100 percent of the state sales and use tax and state hotel occupancy tax paid or collected by the hotel project and eligible tax proceeds, during the first 10 years after the hotel project is open for initial occupancy.

**Source Agencies:** 304 Comptroller of Public Accounts

**LBB Staff:** JMc, KK, SD, BRI