

**LEGISLATIVE BUDGET BOARD
Austin, Texas**

FISCAL NOTE, 87TH LEGISLATIVE REGULAR SESSION

May 29, 2021

TO: Honorable Dan Patrick, Lieutenant Governor, Senate
Honorable Dade Phelan, Speaker of the House, House of Representatives

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HB4305 by Morales, Eddie (Relating to the use of municipal hotel occupancy tax revenue in certain municipalities, the entitlement of certain municipalities to certain tax revenue related to certain hotel and other projects, and the rate and applicability of and use of revenue from the hotel occupancy tax in certain counties; authorizing the imposition of a tax; changing the maximum rate of a tax.),
Conference Committee Report

Estimated Two-year Net Impact to General Revenue Related Funds for HB4305, Conference Committee Report : an impact of \$0 through the biennium ending August 31, 2023. The fiscal impact to the state becomes negative beginning in fiscal year 2026.

General Revenue-Related Funds, Fourteen- 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	\$0
2026	(\$2,330,000)
2027	(\$2,500,000)
2028	(\$2,600,000)
2029	(\$2,700,000)
2030	(\$2,800,000)
2031	(\$2,900,000)
2032	(\$3,000,000)
2033	(\$3,100,000)
2034	(\$3,200,000)
2035	(\$3,300,000)

All Funds, Fourteen-Year Impact:

<i>Fiscal Year</i>	<i>Probable Revenue Gain/(Loss) from General Revenue Fund</i>
	1
2022	\$0
2023	\$0
2024	\$0
2025	\$0
2026	(\$2,330,000)
2027	(\$2,500,000)
2028	(\$2,600,000)
2029	(\$2,700,000)
2030	(\$2,800,000)
2031	(\$2,900,000)
2032	(\$3,000,000)
2033	(\$3,100,000)
2034	(\$3,200,000)
2035	(\$3,300,000)

Fiscal Analysis

The bill would amend Section 351.152 of the Tax Code to provide authority for a municipality that is the county seat of a county that borders the Gulf of Mexico and the United Mexican States to use rebates of state sales and use tax and hotel tax revenue for hotel and convention center projects.

The bill would amend Sections 351.157(b) and (c) to entitle a municipality described by Section 351.152(14) to receive rebates of state sales and use tax revenue derived from qualified establishments – certain restaurants, bars, and retail establishments, and if owned or operated by a qualified hotel, swimming pools and swimming facilities, within 1,000 feet of a qualified hotel or convention center facility. The bill would amend Section 351.157(e) to state that a project entitled to receive taxes derived from qualified establishments must be commenced before September 1, 2027.

The bill would also amend Section 351.10692 of the Tax Code, regarding use by certain municipalities of hotel tax revenue for the promotion and preservation of dark skies. Subsection (a) would be amended to expand the application of the section to 1) a municipality located in a county with a total area of more than 2,200 square miles but less than 2,350 square miles and 2) a municipality located in a county with a total area of more than 3,850 square miles but less than 4,000 square miles.

This bill would also amend Chapter 352 of the Tax Code, regarding county hotel occupancy taxes.

Section 352.002 would be amended by adding Subsection (aa) to provide that the commissioner's court of a county that contains a headquarters and visitor center for a national historical park dedicated to a former president of the United States may impose a tax on the use or possession of a hotel room. The tax imposed under the subsection would not apply to a hotel located in a municipality that imposes a tax under Chapter 351 of the Tax Code applicable to the hotel.

The bill would amend Section 352.003 by adding Subsection (y) to impose a two percent county tax rate ceiling for a county where there is an Indian reservation under the jurisdiction of the United States government. The bill would amend Section 352.002(d) to allow that county's tax to apply in a municipality which imposes a municipal hotel occupancy tax and would add Section 352.114 to authorize the same county to use its tax revenue to make improvements to an airport for up to ten years.

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, 2021.

Methodology

The bill would provide that the City of Brownsville would be entitled to receive state sales and use tax and state hotel tax revenue generated, paid, and collected by a qualified hotel and each restaurant, bar, and retail establishment located in or connected to the hotel. Entitlement to state tax revenue would be for a period of 10 years after the qualified hotel is open for initial occupancy. The fiscal implication of this provision cannot be estimated at this time.

The bill would provide that the City of Lubbock would be entitled to receive state sales and use tax and state hotel tax revenue generated, paid, and collected by a qualified hotel and each restaurant, bar, and retail establishment not more than 1,000 feet from the hotel or qualified convention center and from swimming pools and swimming facilities owned or operated by the related qualified hotel. Entitlement to state tax revenue would be for a period of 10 years after the qualified hotel is open for initial occupancy.

Lubbock has proposed plans for a 250 room hotel with 7,700 sq. ft. of convention center space and 38,160 sq. ft. of common space in zip code 79401. The planned opening date would be September 2025. The estimate of rebates of state tax revenues for this project is based on the planned room size of the prospective hotel, assumed average nightly room rates 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 project authorized for the additional entitlement to state sales tax revenue from establishments within 1,000 feet of the project hotel.

The bill would also provide that all cities in Jeff Davis and Presidio Counties may allocate and use municipal hotel occupancy tax revenue for the promotion and preservation of dark skies and this provision would have no state revenue implications.

Added Section 352.002(aa) would provide for Blanco County to impose a hotel tax and this provision would have no state revenue implications.

The bill would provide that Maverick County may impose a tax at a rate not to exceed two percent and may use the tax revenue to make improvements to an airport.

Local Government Impact

The bill would provide that the City of Brownsville would be entitled to receive state sales and use tax and state hotel tax revenue generated, paid, and collected by a qualified hotel and each restaurant, bar, and retail establishment located in or connected to the hotel.

The bill would provide that the City of Lubbock would be entitled to receive state sales and use tax and state hotel tax revenue generated, paid, and collected by a qualified hotel and each restaurant, bar, and retail establishment not more than 1,000 feet from the hotel or qualified convention center and from swimming pools and swimming facilities owned or operated by the related qualified hotel.

The bill would also provide that all cities in Jeff Davis and Presidio Counties may allocate and use municipal hotel occupancy tax revenue for the promotion and preservation of dark skies and this provision.

The bill would allow Blanco County to impose a county hotel occupancy tax.

The bill would provide that Maverick County may impose a tax at a rate not to exceed two percent and may use the tax revenue to make improvements to an airport.

Source Agencies: 304 Comptroller of Public Accounts

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