

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: SB828 by Hughes (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 rates and applicability of and use of revenue from the hotel occupancy tax in certain counties.), **Conference Committee Report**

Estimated Two-year Net Impact to General Revenue Related Funds for SB828, Conference Committee Report : a negative impact of (\$4,500,000) through the biennium ending August 31, 2023.

General Revenue-Related Funds, Nine- Year Impact:

<i>Fiscal Year</i>	<i>Probable Net Positive/(Negative) Impact to General Revenue Related Funds</i>
2022	(\$3,300,000)
2023	(\$1,200,000)
2024	\$0
2025	\$0
2026	\$0
2027	(\$7,800,000)
2028	(\$1,300,000)
2029	(\$1,500,000)
2030	(\$17,700,000)

All Funds, Nine-Year Impact:

<i>Fiscal Year</i>	<i>Probable Revenue Gain/(Loss) from General Revenue Fund</i>
2022	(\$3,300,000)
2023	(\$1,200,000)
2024	\$0
2025	\$0
2026	\$0
2027	(\$7,800,000)
2028	(\$1,300,000)
2029	(\$1,500,000)
2030	(\$17,700,000)

Fiscal Analysis

The bill would amend Chapter 351 of the Tax Code, regarding municipal hotel occupancy taxes and Chapter 352 of the Tax Code, regarding county hotel occupancy taxes.

The bill would allow a municipality that has a population of not more than 1,500 and is located in a county that borders Arkansas and Louisiana, and a municipality described by Section 351.152(33) as a municipality with a population of 50,000 or more that is the county seat of a county that contains a portion of the Sam Houston National Forest, to use revenue from the municipal hotel occupancy tax for the enhancement and upgrading of an existing sports facility or field regardless of whether the sports facility or field has been used in the preceding calendar year a combined total of more than 10 times for district, state, regional or national sports tournaments.

The bill would amend Section 351 of the Tax Code to add Subchapter D to provide for extension of entitlement to qualified hotel project revenue for certain municipalities for an additional 12 months immediately following the expiration of the 10-year period for rebates, refunds, or payments of taxes under Sections 151.429(h), 351.102, 351.156, or 351.157 of the Tax Code. This subchapter expires January 1, 2033.

The bill would amend Section 352.003 by adding Subsection (y) to impose a 2 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 owned for 10 years by the county.

The bill would take effect September 1, 2021.

Methodology

The bill's provisions regarding use and allocation of municipal hotel occupancy tax would apply to the cities of Conroe and Queen City; the bill would not, however, affect those cities' municipal hotel tax revenue collections. These parts of the bill would have no state revenue implications.

New Subchapter D of Chapter 351 of the Tax Code would extend the period of entitlement for an additional year for municipalities entitled to rebates, refunds, or payments of taxes on February 29, 2020 relating to a hotel project or qualified hotel, convention center facility, or establishment as applicable. Cities with projects entitled to rebates during that period include Amarillo, Arlington, Dallas, El Paso, Houston, Irving, Nacogdoches, Odessa, and Round Rock.

The entitlement period for the project in the City of Dallas expires October 31, 2021 under current law; consequently, the one year extension of entitlement will entail additional rebate payments distributed over fiscal years 2022 and 2023. The extensions for other projects would not have fiscal implications before fiscal 2027. In the case of projects with rebate history prior to the pandemic, additional rebate estimates were extrapolated from pre-pandemic rebate amounts to the two year period following the ten year period of entitlement provided under current law. In the case of projects without significant pre-pandemic rebate history, their pandemic rebate amounts were multiplied by the ratio of pre-pandemic to pandemic rebate amounts observed for projects with longer rebate histories, and those adjusted amounts extrapolated to the periods following the ten year periods applicable under current law to those more recently opened hotel projects.

The bill's provisions also refer to Maverick County. This part of the bill would have no state revenue implications.

Local Government Impact

The bill's provisions regarding use and allocation of municipal hotel occupancy tax would apply to the cities of Conroe and Queen City; the bill would not, however, affect those cities' municipal hotel tax revenue collections.

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Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JMc, KK, SD, BRI