

SENATE AMENDMENTS

2nd Printing

By: Morales of Maverick, Bucy, Darby,
Landgraf, González of El Paso

H.B. No. 4305

A BILL TO BE ENTITLED

1 AN ACT

2 relating to the use of hotel occupancy tax revenue by certain
3 municipalities and counties.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

5 SECTION 1. Section 351.10692, Tax Code, is amended by
6 amending Subsections (a) and (c) and adding Subsection (e) to read
7 as follows:

8 (a) This section applies only to:

9 (1) a municipality with a population of less than
10 2,000 located in a county that:

11 (A) [~~(1)~~] is adjacent to the county in which the
12 State Capitol is located; and

13 (B) [~~(2)~~] has a population of:

14 (i) [~~(A)~~] not more than 25,000; or

15 (ii) [~~(B)~~] at least 100,000 but not more
16 than 200,000;

17 (2) a municipality located in a county with a total
18 area of more than 6,000 square miles; and

19 (3) a municipality located in a county with a total
20 area of more than 3,850 square miles but less than 4,000 square
21 miles.

22 (c) A municipality that uses revenue from the municipal
23 hotel occupancy tax for a purpose described by Subsection (b):

24 (1) shall make a good-faith estimate based on

1 reasonable documentation of [~~determine~~] the annual amount of area
2 hotel revenue attributable to dark skies related events and
3 activities [~~for five years after the date the municipality first~~
4 ~~uses hotel occupancy tax revenue for a purpose described by~~
5 ~~Subsection (b)]~~; and

6 (2) may not spend municipal hotel occupancy tax
7 revenue for the purposes described by Subsection (b) in an annual [~~a~~
8 ~~total~~] amount that exceeds the amount determined under Subdivision
9 (1).

10 (e) A municipality that uses municipal hotel occupancy tax
11 revenue under this section may not reduce the percentage of revenue
12 from that tax allocated for a purpose described by Section
13 351.101(a)(3) to a percentage that is less than the average
14 percentage of the revenue from that tax allocated by the
15 municipality for the purpose described by Section 351.101(a)(3)
16 during the 36-month period preceding the date the municipality
17 begins using revenue for a purpose described by this section.

18 SECTION 2. Section 352.102, Tax Code, is amended by
19 amending Subsection (c) and adding Subsection (d) to read as
20 follows:

21 (c) A county that borders the Republic of Mexico and that is
22 further described by Section 352.002(a)(14):

23 (1) shall use at least one-third of the revenue
24 collected each fiscal year from the tax imposed under this chapter
25 for the purposes authorized by this chapter in unincorporated areas
26 of the county; and

27 (2) may use revenue from the tax imposed under this

1 chapter in the same manner that a municipality to which Section
2 351.10692 applies may use revenue from the municipal hotel
3 occupancy tax under that section.

4 (d) A county that borders the United Mexican States and that
5 is further described by Section 352.002(a)(7) may use revenue from
6 the tax imposed under this chapter in the same manner that a
7 municipality to which Section 351.10692 applies may use revenue
8 from the municipal hotel occupancy tax under that section.

9 SECTION 3. Section 351.1035, Tax Code, is repealed.

10 SECTION 4. This Act takes effect immediately if it receives
11 a vote of two-thirds of all the members elected to each house, as
12 provided by Section 39, Article III, Texas Constitution. If this
13 Act does not receive the vote necessary for immediate effect, this
14 Act takes effect September 1, 2021.

ADOPTED

MAY 26 2021

Lately Law
Secretary of the Senate
ADOPTED

MAY 26 2021

By: *[Signature]*

Lately Law
Secretary of the Senate

H.B. No. 4305

Substitute the following for H.B. No. 4305:

By: *Zaffirini*

C.S.H.B. No. 4305

A BILL TO BE ENTITLED

1 AN ACT
2 relating to the use of certain tax revenue by certain
3 municipalities.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

5 SECTION 1. Subchapter B, Chapter 351, Tax Code, is amended
6 by adding Section 351.1016 to read as follows:

7 Sec. 351.1016. CERTAIN QUALIFIED PROJECTS IN BORDER
8 MUNICIPALITIES. (a) In this section:

9 (1) "Base year amount" means the amount of
10 hotel-associated revenue collected in a project financing zone
11 during the calendar year in which a municipality designates the
12 zone.

13 (2) "Hotel-associated revenue" means the sum of:

14 (A) state tax revenue collected in a project
15 financing zone from all hotels located in the zone that would be
16 available to the owners of qualified hotel projects under Section
17 151.429(h) if the hotels were qualified hotel projects; and

18 (B) tax revenue collected from all permittees
19 under Chapter 183 at hotels located in the zone, excluding revenue
20 disbursed by the comptroller under Section 183.051(b).

21 (3) "Incremental hotel-associated revenue" means the
22 amount in any calendar year by which hotel-associated revenue,
23 including hotel-associated revenue from hotels built in the project
24 financing zone after the year in which a municipality designates

1 the zone, exceeds the base year amount.

2 (4) "Project financing zone" means an area within a
3 municipality:

4 (A) that the municipality by ordinance or by
5 agreement under Chapter 380, Local Government Code, designates as a
6 project financing zone;

7 (B) the boundaries of which are within a one-mile
8 radius of the center of a qualified project;

9 (C) the designation of which specifies the
10 longitude and latitude of the center of the qualified project;

11 (D) the designation of which expires not later
12 than the 15th anniversary of the date of designation; and

13 (E) all or part of which is located in an area
14 designated as a qualified opportunity zone under Section 1400Z-1,
15 Internal Revenue Code of 1986.

16 (5) "Qualified project" means:

17 (A) a venue that is:

18 (i) located on land owned by a
19 municipality, another governmental entity, or the owner of the
20 venue;

21 (ii) partially financed by private
22 contributions that equal not less than 40 percent of the project
23 costs; and

24 (iii) related to the promotion of tourism
25 and the convention and hotel industry; or

26 (B) towers and other facilities used by hotel
27 guests and tourists to observe spacecraft and spaceport activities

1 and learn about spacecraft and spaceport operations and launches.

2 (6) "Spacecraft" and "spaceport" have the meanings
3 assigned by Section 507.001, Local Government Code.

4 (7) "Venue" has the meaning assigned by Section
5 334.001, Local Government Code.

6 (b) This section applies only to a qualified project located
7 in a municipality that is the county seat of a county bordering the
8 Gulf of Mexico and the United Mexican States.

9 (c) In addition to the uses provided by Section 351.101,
10 revenue from the municipal hotel occupancy tax may be used to fund a
11 qualified project.

12 (d) A municipality may pledge the revenue derived from the
13 tax imposed under this chapter from a hotel located in the project
14 financing zone for the payment of bonds or other obligations issued
15 or incurred to acquire, lease, construct, improve, enlarge, equip,
16 operate, maintain, and repair the qualified project or to acquire
17 real property on which the qualified project is located.

18 (e) A municipality may pledge for the payment of bonds or
19 other obligations described by Subsection (d) the local revenue
20 from eligible taxable proceeds as defined by Section 2303.5055(e),
21 Government Code, from hotels located in a project financing zone
22 that would be available to the owners of qualified hotel projects
23 under that section if the hotels were qualified hotel projects.

24 (f) A municipality shall notify the comptroller of the
25 municipality's designation of a project financing zone not later
26 than the 30th day after the date the municipality designates the
27 zone. Notwithstanding other law, the municipality is entitled to

1 receive the incremental hotel-associated revenue from the project
2 financing zone for the period beginning on the first day of the year
3 after the year in which the municipality designates the zone and
4 ending on the last day of the month during which the designation
5 expires. The municipality may pledge the revenue for the payment of
6 bonds or other obligations described by Subsection (d).

7 (g) The comptroller shall deposit incremental
8 hotel-associated revenue collected by or forwarded to the
9 comptroller in a separate suspense account to be held in trust for
10 the municipality that is entitled to receive the revenue. The
11 suspense account is outside the state treasury, and the comptroller
12 may make a payment authorized by this section from the account
13 without the necessity of an appropriation. The comptroller shall
14 begin making payments from the suspense account to the municipality
15 for which the money is held on the date the qualified project in the
16 project financing zone is commenced. If the qualified project is
17 not commenced by the fifth anniversary of the first deposit to the
18 account, the comptroller shall transfer the money in the account to
19 the general revenue fund and cease making deposits to the account.

20 (h) The comptroller may estimate the amount of incremental
21 hotel-associated revenue that will be deposited to a suspense
22 account under Subsection (g) during each calendar year. The
23 comptroller may make deposits to the account and the municipality
24 may request disbursements from the account on a monthly basis based
25 on the estimate. At the end of each calendar year, the comptroller
26 shall adjust the deposits and disbursements to reflect the amount
27 of revenue actually deposited to the account during the calendar

1 year.

2 (i) A municipality shall notify the comptroller if the
3 qualified project in the project financing zone is abandoned. If
4 the qualified project is abandoned, the comptroller shall transfer
5 to the general revenue fund the amount of money in the suspense
6 account that exceeds the amount required for the payment of bonds or
7 other obligations described by Subsection (d).

8 SECTION 2. Section 351.10692(a), Tax Code, is amended to
9 read as follows:

10 (a) This section applies only to:

11 (1) a municipality with a population of less than
12 2,000 located in a county that:

13 (A) [~~1~~] is adjacent to the county in which the
14 State Capitol is located; and

15 (B) [~~2~~] has a population of:

16 (i) [~~A~~] not more than 25,000; or

17 (ii) [~~B~~] at least 100,000 but not more
18 than 200,000;

19 (2) a municipality located in a county with a total
20 area of more than 2,200 square miles but less than 2,350 square
21 miles; and

22 (3) a municipality located in a county with a total
23 area of more than 3,850 square miles but less than 4,000 square
24 miles that is not the county seat.

25 SECTION 3. This Act takes effect immediately if it receives
26 a vote of two-thirds of all the members elected to each house, as
27 provided by Section 39, Article III, Texas Constitution. If this

- 1 Act does not receive the vote necessary for immediate effect, this
- 2 Act takes effect September 1, 2021.

3rd Reading

ADOPTED

MAY 26 2021

Lately Law
Secretary of the Senate

FLOOR AMENDMENT NO. 1

BY: *Chad Farny*

1 Amend C.S.H.B. No. 4305 (senate committee report) by adding
2 the following appropriately numbered Sections to the bill and
3 renumbering the subsequent SECTIONS to the bill appropriately:

4 SECTION ____ . Sections 351.157(b), (c), and (e), Tax Code,
5 are amended to read as follows:

6 (b) This section applies only to:

- 7 (1) a municipality described by Section 351.152(3);
- 8 (2) a municipality described by Section 351.152(6);
- 9 (3) a municipality described by Section 351.152(7);
- 10 (4) a municipality described by Section 351.152(10);
- 11 (4-a) a municipality described by Section 351.152(14);
- 12 (5) a municipality described by Section 351.152(16);
- 13 (6) a municipality described by Section 351.152(22);
- 14 (7) a municipality described by Section 351.152(25);
- 15 (8) a municipality described by Section 351.152(34);
- 16 (9) a municipality described by Section 351.152(35);
- 17 (10) a municipality described by Section 351.152(36);

18 and

- 19 (11) a municipality described by Section 351.152(38).

20 (c) A municipality is entitled to receive revenue under
21 Subsection (d) derived from the following types of establishments
22 that meet the requirements of Subsections (a)(1), (2), (3), and
23 (4):

- 24 (1) for a municipality described by Subsection (b)(1):

1 (A) restaurants, bars, and retail establishments;
2 and
3 (B) swimming pools and swimming facilities owned
4 or operated by the related qualified hotel;
5 (2) for a municipality described by Subsection (b) (2),
6 restaurants, bars, and retail establishments;
7 (3) for a municipality described by Subsection (b) (3),
8 restaurants, bars, and retail establishments;
9 (4) for a municipality described by Subsection (b) (4):
10 (A) restaurants, bars, and retail establishments;
11 and
12 (B) swimming pools and swimming facilities owned
13 or operated by the related qualified hotel;
14 (4-a) for a municipality described by Subsection (b) (4-
15 a):
16 (A) restaurants, bars, and retail establishments;
17 and
18 (B) swimming pools and swimming facilities owned
19 or operated by the related qualified hotel;
20 (5) for a municipality described by Subsection (b) (5),
21 restaurants, bars, and retail establishments;
22 (6) for a municipality described by Subsection (b) (6),
23 restaurants, bars, and retail establishments;
24 (7) for a municipality described by Subsection (b) (7),
25 restaurants, bars, and retail establishments;
26 (8) for a municipality described by Subsection (b) (8),
27 restaurants, bars, and retail establishments;

1 (9) for a municipality described by Subsection (b)(9),
2 restaurants, bars, and retail establishments;

3 (10) for a municipality described by Subsection
4 (b)(10):

5 (A) restaurants, bars, and retail establishments;
6 and

7 (B) swimming pools and swimming facilities owned
8 or operated by the related qualified hotel; and

9 (11) for a municipality described by Subsection
10 (b)(11):

11 (A) restaurants, bars, and retail establishments;
12 and

13 (B) swimming pools and swimming facilities owned
14 or operated by the related qualified hotel.

15 (e) A municipality to which this section applies is not
16 entitled to receive revenue under Subsection (d) unless the
17 municipality commences a qualified project under this subchapter
18 before September 1, 2027 [~~2023~~].

ADOPTED

VV
MAY 26 2021

FLOOR AMENDMENT NO. 2

BY: *Latey Davis*
Secretary of the Senate

Rob Bunker

Amend H.B. No. 4305 (senate committee report) by adding the following appropriately numbered SECTIONS to the bill and renumbering SECTIONS of the bill appropriately:

SECTION _____. Section 352.002, Tax Code, is amended by adding Subsection (aa) to read as follows:

(aa) The commissioners 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 authorized by Subsection (a). The tax imposed under this subsection does not apply to a hotel located in a municipality that imposes a tax under Chapter 351 applicable to the hotel.

ADOPTED

MAY 26 2021

FLOOR AMENDMENT NO. 1

Lately Spaw
Secretary of the Senate

BY: 

1 Amend C.S.H.B. No. 4305 (senate committee printing) by adding
2 the following appropriately numbered SECTIONS to the bill and
3 renumbering subsequent SECTIONS of the bill accordingly:

4 SECTION __. Section 352.002(d), Tax Code, is amended to read
5 as follows:

6 (d) The tax imposed by a county authorized by Subsection
7 (a)(6) [~~(a)(4), (6)~~], (8), (9), (10), (11), (14), (15), (17), (19),
8 (20), (21), (23), or (29) to impose the tax does not apply to a
9 hotel located in a municipality that imposes a tax under Chapter
10 351 applicable to the hotel. This subsection does not apply to:

11 (1) a county authorized by Subsection (a)(6) to impose
12 the tax that:

13 (A) has a population of less than 40,000 and
14 adjoins the most populous county in this state; or

15 (B) has a population of more than 200,000 and
16 borders the Neches River; or

17 (2) a county authorized by Subsection (a)(9) to impose
18 the tax that has a population of more than 9,000.

19 SECTION __. Section 352.003, Tax Code, is amended by adding
20 Subsection (y) to read as follows:

21 (y) The tax rate in a county authorized to impose the tax
22 under Section 352.002(a)(4) may not exceed two percent of the price
23 paid for a room in a hotel.

24 SECTION __. Subchapter B, Chapter 352, Tax Code, is amended
25 by adding Section 352.114 to read as follows:

26 Sec. 352.114. USE OF REVENUE: CERTAIN COUNTIES CONTAINING
27 AN INDIAN RESERVATION. (a) In addition to the purposes authorized
28 by this chapter, the revenue from a tax imposed under this chapter
29 by a county authorized to impose the tax under Section

1 352.002(a)(4) may be used to make repairs and improvements to the
2 county airport or to provide reimbursement for repairs and
3 improvements to the airport.

4 (b) A county to which this section applies may not use
5 revenue from a tax imposed under this chapter for a purpose
6 described by Subsection (a) in a total amount that would exceed
7 the amount of hotel revenue in the county that is likely to be
8 reasonably attributable to guests traveling through the airport
9 during the 15-year period beginning on the date the county first
10 uses the tax revenue for that purpose.

11 (c) A county to which this section applies may not use
12 revenue from a tax imposed under this chapter for a purpose
13 described by Subsection (a) after the 10th anniversary of the date
14 the county first uses the revenue for that purpose.

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 87TH LEGISLATIVE REGULAR SESSION

May 27, 2021

TO: 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 certain tax revenue by certain municipalities.), **As Passed 2nd House**

Estimated Two-year Net Impact to General Revenue Related Funds for HB4305, As Passed 2nd House : an impact of \$0 through the biennium ending August 31, 2023. The fiscal impact to the state becomes negative beginning in fiscal year 2025.

General Revenue-Related Funds, Fifteen- Year Impact:

<i>Fiscal Year</i>	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2022	\$0
2023	\$0
2024	\$0
2025	(\$100,000)
2026	(\$2,540,000)
2027	(\$2,740,000)
2028	(\$2,960,000)
2029	(\$3,180,000)
2030	(\$3,410,000)
2031	(\$3,660,000)
2032	(\$3,910,000)
2033	(\$4,180,000)
2034	(\$4,460,000)
2035	(\$4,750,000)
2036	(\$1,610,000)

All Funds, Fifteen-Year Impact:

<i>Fiscal Year</i>	Probable Revenue Gain/(Loss) from General Revenue Fund
	1
2022	\$0
2023	\$0
2024	\$0
2025	(\$100,000)
2026	(\$2,540,000)
2027	(\$2,740,000)
2028	(\$2,960,000)
2029	(\$3,180,000)
2030	(\$3,410,000)
2031	(\$3,660,000)
2032	(\$3,910,000)
2033	(\$4,180,000)
2034	(\$4,460,000)
2035	(\$4,750,000)
2036	(\$1,610,000)

Fiscal Analysis

This bill would amend Chapter 351 of the Tax Code by adding Section 351.1016 regarding certain qualified projects in border municipalities.

The bill would provide for a municipality that is the county seat of a county bordering the Gulf of Mexico and the United Mexican States to use certain tax revenue to fund a qualified project. A qualified project would consist of a venue as defined in Section 334.001, Local Government Code, subject to specified conditions, or towers and other facilities used by hotel guests and tourists for observation of spacecraft and spaceport activities.

The bill would provide for the municipality to designate a project financing zone, the boundaries of which would be within a one-mile radius of the center of the qualified project and the designation of which would expire not later than the 15th anniversary of the date of the designation.

The bill would entitle the municipality to receive the incremental growth in hotel-associated tax revenue for the period beginning on the first day of the year after the year in which the municipality designates the zone and ending on the last day of the month during which the designation expires. Incremental growth in hotel-associated tax revenue would be the amount by which state sales and use taxes, state hotel occupancy taxes, and state mixed beverage taxes collected by or at hotels within the project financing zone exceed the amounts of such taxes collected in the year the financing zone was designated.

The bill would also provide that municipal hotel occupancy tax revenue may be used to fund a qualified project, and that municipal hotel tax revenue from a hotel located in the project financing zone may be pledged for bonds for the qualified project as well as other local revenues from hotels in the zone that would be available to owners of qualified hotel projects under Section 2303.5055(e) of the Government Code were those hotels qualified hotel 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 legislation would do one or more of the following: create or recreate a dedicated account in the General Revenue Fund, create or recreate a special or trust fund either in, with, or outside of the Treasury, or create a dedicated revenue source. The fund, account, or revenue dedication included in this bill would be subject to funds consolidation review by the current Legislature.

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 apply for a qualified project in the City of Brownsville, which is currently in the early stages of planning for a project that would be a qualified project for purposes of this bill, with the expectation that the project would include retail as well as restaurant activity within a qualified project hotel. This estimate assumes the designation of a project financing zone in 2024, with project opening and rebates of state tax revenues commencing in 2025, and assumed market shares of hotel, retail, restaurant and bar business that would occur with hotels within the project zone.

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 apply for a qualified project in the City of Brownsville, which is currently in the early stages of planning for a project that would be a qualified project for purposes of this bill, with the expectation that the project would include retail as well as restaurant activity within a qualified project 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

**LEGISLATIVE BUDGET BOARD
Austin, Texas**

FISCAL NOTE, 87TH LEGISLATIVE REGULAR SESSION

May 23, 2021

TO: Honorable Brian Birdwell, Chair, Senate Committee on Natural Resources & Economic Development

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HB4305 by Morales, Eddie (relating to the use of certain tax revenue by certain municipalities.),
Committee Report 2nd House, Substituted

Estimated Two-year Net Impact to General Revenue Related Funds for HB4305, Committee Report 2nd House, Substituted : an impact of \$0 through the biennium ending August 31, 2023. The fiscal impact becomes negative beginning in fiscal year 2025.

General Revenue-Related Funds, Fifteen- Year Impact:

<i>Fiscal Year</i>	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2022	\$0
2023	\$0
2024	\$0
2025	(\$100,000)
2026	(\$210,000)
2027	(\$320,000)
2028	(\$440,000)
2029	(\$560,000)
2030	(\$690,000)
2031	(\$830,000)
2032	(\$970,000)
2033	(\$1,120,000)
2034	(\$1,280,000)
2035	(\$1,440,000)
2036	(\$1,610,000)

All Funds, Fifteen-Year Impact:

<i>Fiscal Year</i>	Probable Revenue Gain/(Loss) from General Revenue Fund 1
2022	\$0
2023	\$0
2024	\$0
2025	(\$100,000)
2026	(\$210,000)
2027	(\$320,000)
2028	(\$440,000)
2029	(\$560,000)
2030	(\$690,000)
2031	(\$830,000)
2032	(\$970,000)
2033	(\$1,120,000)
2034	(\$1,280,000)
2035	(\$1,440,000)
2036	(\$1,610,000)

Fiscal Analysis

This bill would amend Chapter 351 of the Tax Code by adding Section 351.1016 regarding certain qualified projects in border municipalities.

The bill would provide for a municipality that is the county seat of a county bordering the Gulf of Mexico and the United Mexican States to use certain tax revenue to fund a qualified project. A qualified project would consist of a venue as defined in Section 334.001, Local Government Code, subject to specified conditions, or towers and other facilities used by hotel guests and tourists for observation of spacecraft and spaceport activities.

The bill would provide for the municipality to designate a project financing zone, the boundaries of which would be within a one-mile radius of the center of the qualified project and the designation of which would expire not later than the 15th anniversary of the date of the designation.

The bill would entitle the municipality to receive the incremental growth in hotel-associated tax revenue for the period beginning on the first day of the year after the year in which the municipality designates the zone and ending on the last day of the month during which the designation expires. Incremental growth in hotel-associated tax revenue would be the amount by which state sales and use taxes, state hotel occupancy taxes, and state mixed beverage taxes collected by or at hotels within the project financing zone exceed the amounts of such taxes collected in the year the financing zone was designated.

The bill would also provide that municipal hotel occupancy tax revenue may be used to fund a qualified project, and that municipal hotel tax revenue from a hotel located in the project financing zone may be pledged for bonds for the qualified project as well as other local revenues from hotels in the zone that would be available to owners of qualified hotel projects under Section 2303.5055(e) of the Government Code were those hotels qualified hotel projects.

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 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 apply for a qualified project in the City of Brownsville, which is currently in the early stages of planning for a project that would be a qualified project for purposes of this bill, with the expectation that the project would include retail as well as restaurant activity within a qualified project hotel. This estimate assumes the designation of a project financing zone in 2024, with project opening and rebates of state tax revenues commencing in 2025, and assumed market shares of hotel, retail, restaurant and bar business that would occur with hotels within the project zone.

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.

Local Government Impact

The bill would apply for a qualified project in the City of Brownsville, which is currently in the early stages of planning for a project that would be a qualified project for purposes of this bill, with the expectation that the project would include retail as well as restaurant activity within a qualified 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.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JMc, AJL, SD, BRI

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE, 87TH LEGISLATIVE REGULAR SESSION

May 19, 2021

TO: Honorable Brian Birdwell, Chair, Senate Committee on Natural Resources & Economic Development

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HB4305 by Morales, Eddie (Relating to the use of hotel occupancy tax revenue by certain municipalities and counties.), **As Engrossed**

No fiscal implication to the State is anticipated.

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

The bill would amend Section 351.10692 of the Tax Code, regarding the allocation and use of municipality hotel occupancy tax revenue in 1) a municipality located in a county with a total area of more than 6,000 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. The bill addresses the use of this revenue for the preservation of dark skies through construction and maintenance of infrastructure and the purchase and installation of hardware that reduces light pollution and sky glow and would place limitations on the use of this revenue.

The bill would amend Section 352.102 of the Tax Code regarding the use of county hotel occupancy tax in counties bordering Mexico and would allow counties described by Sections 352.002(a)(7) and 352.002(a)(14) to use revenue also for the preservation of dark skies.

The bill would repeal Section 351.1035 of the Tax Code regarding allocation of municipal hotel occupancy tax revenue in certain border counties.

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.

Local Government Impact

The bill would affect the manner in which all cities in Presidio and Brewster counties could allocate and use municipal hotel occupancy tax revenue. The bill would affect the manner in which Jeff Davis and Brewster counties could allocate and use county hotel occupancy tax revenue.

Source Agencies: 304 Comptroller of Public Accounts

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

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE, 87TH LEGISLATIVE REGULAR SESSION

April 22, 2021

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

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HB4305 by Morales, Eddie (relating to the use of hotel occupancy tax revenue by certain municipalities and counties.), **Committee Report 1st House, Substituted**

No fiscal implication to the State is anticipated.

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

The bill would amend Section 351.10692 of the Tax Code, regarding the allocation and use of municipality hotel occupancy tax revenue in 1) a municipality located in a county with a total area of more than 6,000 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. The bill addresses the use of this revenue for the preservation of dark skies through construction and maintenance of infrastructure and the purchase and installation of hardware that reduces light pollution and sky glow and would place limitations on the use of this revenue.

The bill would amend Section 352.102 of the Tax Code regarding the use of county hotel occupancy tax in counties bordering Mexico and would allow counties described by Sections 352.002(a)(7) and 352.002(a)(14) to use revenue also for the preservation of dark skies.

The bill would repeal Section 351.1035 of the Tax Code regarding allocation of municipal hotel occupancy tax revenue in certain border counties.

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.

Local Government Impact

The bill would affect the manner in which all cities in Presidio and Brewster counties could allocate and use municipal hotel occupancy tax revenue. The bill would affect the manner in which Jeff Davis and Brewster counties could allocate and use county hotel occupancy tax revenue.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JMc, KK, BRI, SD

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: HB4305 by Morales, Eddie (Relating to the use of hotel occupancy tax revenue by certain counties and municipalities.), **As Introduced**

No fiscal implication to the State is anticipated.

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

The bill would amend Section 351.10692 of the Tax Code, regarding the allocation and use of municipality hotel occupancy tax revenue in 1) a municipality located in a county with a total area of more than 6,000 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. The bill addresses the use of this revenue for the preservation of dark skies through construction and maintenance of infrastructure and the purchase and installation of hardware that reduces light pollution and sky glow.

The bill would amend Section 352.102 of the Tax Code regarding the use of county hotel occupancy tax in counties bordering Mexico and would allow counties described by Sections 352.002(a)(7) and 352.002(a)(14) to use revenue also for the preservation of dark skies.

The bill would repeal Section 351.1035 of the Tax Code regarding allocation of municipal hotel occupancy tax revenue in certain border counties.

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.

Local Government Impact

The bill would affect the manner in which all cities in Presidio and Brewster counties could allocate and use municipal hotel occupancy tax revenue. The bill would affect the manner in which Jeff Davis and Brewster counties could allocate and use county hotel occupancy tax revenue.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JMc, KK, SD, BRI

LEGISLATIVE BUDGET BOARD
Austin, Texas

TAX/FEE EQUITY NOTE

87TH LEGISLATIVE REGULAR SESSION

April 22, 2021

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

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: **HB4305** by Morales, Eddie (relating to the use of hotel occupancy tax revenue by certain municipalities and counties.), **Committee Report 1st House, Substituted**

No statistically significant impact on the overall distribution of a state tax or fee burden among individuals and businesses is anticipated from the provisions of this bill.

Source

Agencies:

LBB Staff: JMc, KK

LEGISLATIVE BUDGET BOARD
Austin, Texas

TAX/FEE EQUITY 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: HB4305 by Morales, Eddie (Relating to the use of hotel occupancy tax revenue by certain counties and municipalities.), **As Introduced**

No statistically significant impact on the overall distribution of a state tax or fee burden among individuals and businesses is anticipated from the provisions of this bill.

Source

Agencies:

LBB Staff: JMc, KK