**BILL ANALYSIS**

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| Senate Research Center | C.S.S.B. 720 |
| 88R22861 CJD-D | By: Paxton |
|  | Natural Resources & Economic Development |
|  | 4/18/2023 |
|  | Committee Report (Substituted) |

**AUTHOR'S / SPONSOR'S STATEMENT OF INTENT**

S.B. 720 would add the City of Allen to the list of cities that may use the hotel occupancy tax for a qualified hotel project (QHP) under Chapter 351 of the Texas Tax Code.  The City of Allen, located near the geographic center of Collin County, is proposing a convention center hotel project that would benefit from the qualified hotel project public finance tool that dozens of other cities currently utilize.  The City of Allen has passed a resolution in support of this legislation and the qualified hotel project.

(Original Author's/Sponsor's Statement of Intent)

The committee substitute adds the City of McKinney to the list of cities that use the hotel occupancy tax for a qualified hotel project.  Additionally, it includes a clawback provision for both the City of Allen and the City of McKinney which requires the Comptroller of Public Accounts of the State of Texas to determine the amount of rebated taxes that the city received during the 10-year rebate period and compare that to the amount of new taxes the state received at the 20-year mark of the commencement of the qualified hotel project.  If the QHP has not generated enough new taxes to offset the rebated investment by the state, the city is then required to remit the municipal hotel occupancy tax from the QHP back to the state until the amount remitted makes the state whole on its investment.

C.S.S.B. 720 amends current law relating to the authority of certain municipalities to receive certain tax revenue derived from a hotel and convention center project and to pledge certain tax revenue for the payment of obligations related to the project.

**RULEMAKING AUTHORITY**

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

**SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Section 351.152, Tax Code, as follows:

Sec. 351.152. APPLICABILITY. Provides that Subchapter C (Municipal Hotel and Convention Center Projects) applies only to:

(1)-(43) makes no changes to these subdivisions;

(44)-(45) makes nonsubstantive change to these subdivisions;

(46) a municipality that:

(A) has a population of 100,000 or more; and

(B) is wholly located in, but is not the county seat of, a county with a population of one million or more:

(i) in which all or part of a municipality with a population of one million or more is located; and

(ii) that is adjacent to a county with a population of 2.5 million or more; and

(47) a municipality that is the county seat of a county:

(A) with a population of one million or more;

(B) in which all or part of a municipality with a population of one million or more is located; and

(C) that is located adjacent to a county with a population of 2.5 million or more.

SECTION 2. Amends Section 351.153(a), Tax Code, to provide that Section 351.153 (Exception to Ownership Requirement) applies only to certain municipalities, including a municipality described by Section 351.152(47).

SECTION 3. Amends Sections 351.157(b) and (c), Tax Code, as follows:

(b) Provides that Section 351.157 (Additional Entitlement for Certain Municipalities) applies only to:

(1)-(10) makes no changes to these subdivisions;

(11)-(12) makes nonsubstantive changes to these subdivisions; and

(13) a municipality described by Section 351.152(46).

(c) Provides that a municipality is entitled to receive revenue under Subsection (d) (relating to providing that certain municipalities are entitled to receive the revenue derived from certain taxes generated, paid, and collected from a qualified establishment located in the municipality) derived from certain types of establishments that meet the requirements of Subsections (a)(1) (relating to providing that "qualified establishment" includes an establishment located on land owned by certain entities), (2) (relating to providing that "qualified establishment" includes an establishment within a certain distance of a qualified hotel or qualified convention center facility), (3) (relating to providing that "qualified establishment" includes an establishment that is constructed on or after a certain date), and (4) (relating to providing that "qualified establishment" includes an establishment that is not a sports stadium), including, for a municipality described by Subsection (b)(13):

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

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

SECTION 4. Amends Subchapter C, Chapter 351, Tax Code, by adding Section 351.161, as follows:

Sec. 351.161. RECAPTURE OF LOST STATE TAX REVENUE FROM CERTAIN MUNICIPALITIES. (a) Provides that this section applies only to a municipality described by Section 351.152(46) or (47).

(b) Requires the Comptroller of Public Accounts of the State of Texas (comptroller), on the 20th anniversary of the date a hotel designated as a qualified hotel by a municipality to which this section applies is open for initial occupancy, to determine:

(1) the total amount of state tax revenue received under Section 351.156 (Entitlement to Certain Tax Revenue) and, if applicable, under Section 351.157 by the municipality from the qualified project of which the qualified hotel was a part during the period for which the municipality was entitled to receive that revenue; and

(2) the total amount of state tax revenue described by Subdivision (1) received by the state during the period beginning on the 10th anniversary of the date the qualified hotel opened for initial occupancy and ending on the 20th anniversary of that date from the same sources from which the municipality received the revenue described by Subdivision (1).

(c) Requires the comptroller, if the amount determined under Subsection (b)(1) exceeds the amount determined under Subsection (b)(2), to promptly provide written notice to the municipality stating that the municipality is required to remit to the comptroller the difference between those two amounts in the manner provided by this subsection. Requires the municipality to, using money lawfully available to the municipality for the purpose, remit monthly payments to the comptroller in an amount equal to the total amount of municipal hotel occupancy tax revenue received by the municipality from the qualified hotel in the preceding month until the amount remitted to the comptroller equals the total amount due as stated in the notice. Requires that the first payment required under this subsection be made not later than the 30th day after the date the municipality receives the notice from the comptroller. Provides that subsequent payments are due on the 20th day of each month until the total amount stated in the notice is paid. Requires the comptroller to prescribe the procedure a municipality is required to use to remit a payment required by this subsection to the comptroller.

(d) Requires the comptroller to deposit revenue received under this section in the manner prescribed by Section 156.251 (Revenue Deposited in General Revenue Fund).

SECTION 5. Effective date: September 1, 2023.