# BILL ANALYSIS

C.S.S.B. 627
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Ways & Means
Committee Report (Substituted)

## BACKGROUND AND PURPOSE

Hotels and convention centers are often important economic drivers for local communities, and they attract tourists, business travelers, and conventions, which in turn can generate significant economic activity in the form of increased spending at local businesses, job creation, and tax revenue. Currently, the distribution of tax revenue generated by hotel and convention center projects and nearby establishments varies depending on the specific agreements negotiated between developers and local governments. In some cases, all tax revenue generated by the project goes directly to the developer, while in other cases, local governments may negotiate for a portion of the revenue to be returned to them in the form of taxes or other fees. C.S.S.B. 627 seeks to incentivize support for hotel and convention center projects by entitling some cities to a portion of the tax revenue derived from qualifying restaurants, bars, spas, retail establishments, and qualified hotel owned and operated swimming pools and swim facilities.

## CRIMINAL JUSTICE IMPACT

It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision.

## RULEMAKING AUTHORITY

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

## ANALYSIS

C.S.S.B. 627 amends the Tax Code to revise provisions entitling specified municipalities to receive certain tax revenue derived from a hotel and convention center project and authorizing those municipalities to pledge or commit certain tax revenue for the payment of obligations related to the project by exempting a municipality that contains more than 75 percent of the population of a county with a population of 1.5 million or more from municipal ownership requirements with respect to an otherwise qualified hotel or convention center facility. Additionally, the bill entitles the municipality to receive the sales and use tax and, if applicable, mixed beverage tax revenue derived from qualifying restaurants, bars, spas, retail establishments, and qualified hotel owned and operated swimming pools and swim facilities near a qualified hotel or convention center facility in the municipality. For purposes of that additional entitlement, the bill provides for establishments located on land owned by a nonprofit corporation, including a public facility corporation, that is acting as or on behalf of, or that is controlled by, the municipality to be classified as a "qualified establishment."

C.S.S.B. 627 requires the comptroller of public accounts to determine the following on the 20th anniversary of the date a hotel designated as a qualified hotel by a municipality that contains more than 75 percent of the population of a county with a population of 1.5 million or more as part of a qualified project is open for initial occupancy:

- the total amount of state tax revenue received by the municipality from the qualified project in accordance with the entitlement to receive certain tax revenue derived from such a project and, if applicable, in accordance with the additional entitlement for certain municipalities to receive revenue from a qualified establishment near the hotel or convention center facility during the period for which the municipality was entitled to receive the revenues; and
- the total amount of tax revenue 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 revenue in accordance with the entitlements.

If the former amount exceeds the latter amount, the comptroller must promptly provide written notice to the municipality stating that the municipality must remit to the comptroller the difference between those two amounts. The bill requires the municipality, using money lawfully available to the municipality for the purpose, to 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. The first payment must be made not later than the 30th day after the date the municipality receives the notice from the comptroller and subsequent payments are due on the 20th day of each month until the total amount stated in the notice is paid. The bill requires the comptroller to prescribe the procedure a municipality must use to remit a payment. The bill requires the comptroller to deposit revenue received under these provisions in the state treasury to the credit of the general revenue fund.

**EFFECTIVE DATE**

On passage, or, if the bill does not receive the necessary vote, September 1, 2023.

**COMPARISON OF SENATE ENGROSSED AND SUBSTITUTE**

While C.S.S.B. 627 may differ from the engrossed in minor or nonsubstantive ways, the following summarizes the substantial differences between the engrossed and committee substitute versions of the bill.

The substitute changes the applicability of the bill's provisions, as set out in the engrossed, providing for the recapture of lost state tax revenue from certain municipalities. Whereas in the engrossed these provisions applied to a qualified project that is first commenced on or after January 1, 2027, and was authorized before January 1, 2023, by a municipality with a population of 175,000 or more, the substitute makes these provisions applicable instead to a municipality that contains more than 75 percent of the population of a county with a population of 1.5 million or more.