

BILL ANALYSIS

Senate Research Center
88R3827 CJD-F

S.B. 627
By: Menéndez
Natural Resources & Economic Development
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AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Hotels and convention centers are often viewed as important economic drivers for local communities. They can 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 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.

S.B. 627 seeks to incentivize local governments to support hotel and convention center projects by entitling certain municipalities to a portion of the tax revenue generated by these projects. While the bill could have a positive impact on local communities, it may also lead to increased competition between municipalities for these projects. Ultimately, the bill would leave it up to individual municipalities to determine which entities would be entitled to tax revenue, allowing for flexibility and tailoring to local needs.

As proposed, S.B. 627 amends current law relating to the entitlement of certain municipalities to certain tax revenue related to a hotel and convention center 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 351.153(a), Tax Code, as follows:

(a) Provides that Section 351.153 (Exception to Ownership Requirement) applies only to a municipality described by certain sections of the Tax Code, including Section 351.152(5) (relating to a municipality containing more than 75 percent of the population of a county with a population of 1.5 million or more). Makes a nonsubstantive change.

SECTION 2. Amends Section 351.156, Tax Code, as follows:

Sec. 351.156. ENTITLEMENT TO CERTAIN TAX REVENUE. (a) Provides that a restaurant, bar, or retail establishment, for purposes of this section, is connected to a qualified hotel or a related qualified convention center facility if the restaurant, bar, or retail establishment shares an adjoining wall or roofline with the qualified hotel or the related qualified convention center facility, is joined with the qualified hotel or the related qualified convention center facility by an intervening structure with walls or a ceiling that allows for passage between buildings, or is located on a plot of land that shares a property boundary line with the plot of land on which the qualified hotel or the related qualified convention center facility is located, and is developed as part of a qualified project of which the qualified hotel and the related qualified convention center facility are a part.

(b) Creates this subsection from existing text.

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

(a) Defines "qualified establishment." Creates paragraphs from existing text and makes nonsubstantive changes.

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

(1) makes no change to this subdivision;

(1-a) a municipality described by Section 351.152(5); and

(2)-(12) makes no change to these subdivisions.

(c) Provides that a municipality is entitled to receive revenue under Subsection (d) derived from certain types of establishments that meet the requirements of certain subsections, including for a municipality described by Subsection (b)(1-a), restaurants, bars, spas, and retail establishments; and swimming pools and swimming facilities owned or operated by the related qualified hotel.

SECTION 4. Effective date: upon passage or September 1, 2023.