

## **BILL ANALYSIS**

Senate Research Center  
88R22108 CJD-F

C.S.S.B. 627  
By: Menéndez  
Natural Resources & Economic Development  
4/13/2023  
Committee Report (Substituted)

### **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.

C.S.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.

C.S.S.B. 627 does the following:

1. Allows the city to place the property ownership in a non-profit entity directed and operated exclusively by the municipality;
2. Creates a "zone" of nearby restaurants, bars, spas, and retail establishments, swimming pools and swimming facilities owned or operated by the qualified hotel, similar to other larger municipalities; and
3. Adds claw back language that reflects Chairman Birdwell's intent to ensure the State is made whole on its investment after a certain period, as previously adopted in C.S.S.B. 1420.

C.S.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 Sections 351.157(a), (b), and (c), Tax Code, as follows:

(a) Redefines "qualified establishment."

(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 3. 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 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.

(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, 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. 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).

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