

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE, 88TH LEGISLATIVE REGULAR SESSION

May 19, 2023

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

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HB3727 by Anderson (relating to municipal and county hotel occupancy taxes.), **Committee Report 2nd House, Substituted**

No significant fiscal implication to the State is anticipated.

The bill would amend Chapter 351 of the Tax Code, relating to Municipal Hotel Occupancy Taxes, to amend definitions including adding the definition of “multiuse facility,” change the due date of the annual report to the comptroller to March 1 from February 20 of each year, clarify the type of information and manner in which the report is submitted, and allow the municipality to use a portion of its municipal hotel occupancy tax revenue towards making and submitting the report within certain monetary limits.

Section 351.101, relating to Use of Tax Revenue, would be amended by adding Subsection (f-1) to not allow a municipality to use revenue from the municipal hotel occupancy tax for a visitor information center under Subsection (a)(1) to acquire a site for, construct, improve, enlarge, equip, repair, staff, operate, or maintain any part of a building or facility that is not primarily used to distribute or disseminate tourism-related information to tourists.

Section 351.1021(a)(3), relating to Pledge or Commitment of Certain Tax Revenue for Certain Projects, would be amended to clarify that a multipurpose convention center facility project may include a parking shuttle or transportation system “used primarily by tourists.”

Section 351.103, relating to Allocation of Revenue: General Rule, would be amended to require a municipality with a population of less than 200,000 to spend a minimum amount of hotel occupancy tax revenue on advertising and promotion. That minimum depends on the hotel rate adopted by the city. A municipality with a population of more than 1.6 million would allocate at least 23 percent of the hotel occupancy tax revenue for advertising and promotion unless the allocation impairs the municipality's ability to operate and maintain its convention center facilities or to pledge revenue for the payment of convention center bonds. A municipality that before January 1, 2023, adopted an ordinance for the allocation of an amount in excess of 15.0 percent of the municipal hotel occupancy tax revenue collected for the purpose of historical restoration and preservation may allocate tax revenue as provided by that ordinance until certain conditions are met.

Section 351.110, relating to Allocation of Revenue for Certain Transportation Systems, would be amended to specify that this section does not authorizes revenue from the tax for a transportation system that serves the public other than for a system that is primarily used by tourists.

The bill would add Section 351.161, relating to Recapture of Lost State Tax Revenue from Certain Municipalities, to recapture lost state tax revenue in the event the total amount of state tax revenue received by the municipality from the state in the first 10 years entitlement exceeds the amount of revenue received by the state from the same sources over the following ten years.

The bill would add Section 351.163 (Report on Qualified Projects) to require the comptroller to prepare a report not later than December 1 of each even-numbered year, to report on the status of each qualified project. The report would contain certain information about each qualified project and would be posted on the

comptroller's website.

The bill would amend Chapter 352 of the Tax Code, relating to County Hotel Occupancy Taxes, to change the due date of the annual report to the comptroller to March 1 from February 20 of each year, clarify the type of information and manner in which the report is submitted, and allow the municipality to use a portion of its municipal hotel occupancy tax revenue towards making and submitting the report within certain monetary limits.

Sections 351.103(d) and (e) and Section 351.110(b) on allocation of municipal hotel occupancy tax revenue would be repealed.

The bill's provisions relating to Recapture of Lost State Tax Revenue from Certain Municipalities would likely not have any state revenue implications if there is any degree of inflation in the 10 years following the 10 years of entitlement.

Local Government Impact

The bill's provisions relating to the use and allocation of municipal hotel occupancy tax revenue would affect the manner in which a city could use and allocate its municipal hotel tax revenue.

Source Agencies: 304 Comptroller of Public Accounts

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