

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 88TH LEGISLATIVE REGULAR SESSION

April 16, 2023

TO: Honorable Morgan Meyer, Chair, House Committee on Ways & Means

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HB5115 by Thierry (Relating to the collection of state, municipal, and county hotel occupancy taxes by an accommodations intermediary.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB5115, As Introduced : a positive impact of \$475,069 through the biennium ending August 31, 2025.

General Revenue-Related Funds, Five- Year Impact:

<i>Fiscal Year</i>	<i>Probable Net Positive/(Negative) Impact to General Revenue Related Funds</i>
2024	(\$352,464)
2025	\$827,533
2026	\$869,533
2027	\$912,533
2028	\$954,533

All Funds, Five-Year Impact:

<i>Fiscal Year</i>	<i>Probable Savings/(Cost) from General Revenue Fund 1</i>	<i>Probable Revenue Gain/(Loss) from General Revenue Fund 1</i>	<i>Change in Number of State Employees from FY 2023</i>
2024	(\$1,352,464)	\$1,000,000	3.0
2025	(\$212,467)	\$1,040,000	3.0
2026	(\$212,467)	\$1,082,000	3.0
2027	(\$212,467)	\$1,125,000	3.0
2028	(\$212,467)	\$1,167,000	3.0

Fiscal Analysis

The bill would amend Chapter 156 of the Tax Code, regarding state hotel occupancy tax, to require an accommodations intermediary to collect state hotel tax on each booking charge. An accommodations intermediary, as defined by the bill, that has already entered into a written agreement with the Comptroller to pay hotel taxes on each booking would be exempt from the provisions of the bill.

The bill would amend Chapter 351 of the Tax Code (Municipal Hotel Occupancy Taxes) to require an accommodations intermediary to collect municipal hotel tax on each booking charge. An accommodations intermediary that has already entered into a written agreement with a municipality with written notice of agreement to the Comptroller to pay municipal hotel taxes on each booking would be exempt from the provisions of the bill. An accommodations intermediary would be required to report and remit all local hotel taxes to the Comptroller, who would be required to remit the tax into a trust account for each municipality, and

send the municipality's share of the taxes (the Comptroller would deduct 1 percent of the taxes up to \$50,000 for a state service charges) a minimum of 12 times per fiscal year to the municipality.

The bill would amend Chapter 352 of the Tax Code (County Hotel Occupational Taxes) to require an accommodations intermediary to collect county or other political subdivision hotel tax on each booking charge. An accommodations intermediary that has already entered into a written agreement with a county or other political subdivision with written notice of agreement to the Comptroller to pay county or other political subdivision hotel taxes on each booking would be exempt from the provisions of the bill. An accommodations intermediary would be required to report and remit all local hotel taxes to the Comptroller, who would be required to remit the tax into a trust account for each county or other political subdivision, and send the county's or other political subdivision's share of the taxes (the Comptroller would deduct 1 percent of the taxes up to \$50,000 for a state service charges) a minimum of 12 times per fiscal year to the county.

The bill would amend Chapters 334 (Sports and Community Venues) to make conforming changes.

Methodology

Under current law, the state collects and administers the state hotel occupancy tax only. The state does not collect nor administer the hotel occupancy taxes levied in this state by municipalities, counties, and other jurisdictions.

The bill would require the Comptroller to create local hotel tax forms and/or returns, specifically for use by accommodations intermediaries, as the Comptroller does not currently administer or collect any local hotel taxes for any taxpayer. The Comptroller would then be required to administer local hotel tax collections associated with the bill's provisions, deposit taxes collected in numerous suspense accounts outside of the treasury, and remit taxes back to the local entities at least 12 times during the fiscal year.

Prior to sending any money to the local entity the Comptroller would deduct and deposit to the credit of the General Revenue Fund an amount equal to one percent of the amount of the taxes collected from booking charges associated with this bill's provisions; but could not deduct from the distributions to a local entity more than \$50,000 in each state fiscal year.

The Comptroller anticipates needing to hire three Account Examiner IIIs to administer the provisions of the bill. This analysis assumes staffing related costs of \$200,464 in fiscal year 2024 and \$212,467 in each subsequent year. The administrative costs include one-time technology costs of \$1,152,000 in fiscal year 2024.

Technology

The administrative costs include one-time technology costs of \$1,152,000 in fiscal year 2024 for 7,680 hours of programming to update the systems needed to implement the provisions of the bill.

Local Government Impact

Passage of the bill would require the Comptroller collect county and municipal hotel occupancy taxes from accommodations intermediaries on behalf of counties and municipalities. As a result county and municipal hotel occupancy could increase to the extent that the local taxing units are not currently collecting hotel occupancy taxes on rooms booked using accommodations intermediaries.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JMc, KK, SD, BRI