

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 88TH LEGISLATIVE REGULAR SESSION

April 14, 2023

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

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: SB627 by Menéndez (relating to the entitlement of certain municipalities to certain tax revenue related to a hotel and convention center project.), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for SB627, Committee Report 1st House, Substituted : an impact of \$0 through the biennium ending August 31, 2025.

However, there would be a negative impact to General Revenue Related Funds beginning in fiscal year 2027.

General Revenue-Related Funds, Five- Year Impact:

<i>Fiscal Year</i>	<i>Probable Net Positive/(Negative) Impact to General Revenue Related Funds</i>
2024	\$0
2025	\$0
2026	\$0
2027	(\$4,427,000)
2028	(\$6,910,000)

All Funds, Five-Year Impact:

<i>Fiscal Year</i>	<i>Probable Revenue Gain/(Loss) from General Revenue Fund 1</i>
2024	\$0
2025	\$0
2026	\$0
2027	(\$4,427,000)
2028	(\$6,910,000)

Fiscal Analysis

The bill would amend Section 351.153(a) of the Tax Code (Municipal Hotel Occupancy Taxes; Exception to the Ownership Requirement), to exempt a nonprofit corporation, including a public facility corporation, that is acting on behalf of a municipality described by Section 351.152(5) (a municipality that contains more than 75 percent of the population of a county with a population of 1.5 million or more) from the requirement that qualified hotel project must be owned by and located on land owned by the municipality.

The bill would amend Section 351.157(b) to add (1-a), a municipality described by Section 351.152(5) (a municipality that contains more than 75 percent of the population of a county with a population of 1.5 million or more); and Section 351.157(c) to add (1-a), (for a municipality described by (b)(13)), restaurants, bars, spas,

retail establishments, and swimming pools and swimming facilities owned or operated by the related qualified hotel.

The bill would also add Section 351.161 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. Section 351.161 only applies 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.

Methodology

The bill's provisions would affect the city of San Antonio and any nonprofit corporation acting on behalf of San Antonio.

San Antonio would be eligible to receive funds under 351.157 (Additional Entitlement for Certain Municipalities) which provides, in relevant part, that a municipality to which the section applies is entitled to receive the revenue derived from the state sales and use taxes, and local mixed beverage taxes generated, paid, and collected from a qualified establishment. Section 351.158 (Period of Entitlement) would entitle San Antonio to receive the revenue until the tenth anniversary of the date the qualified hotel to which the entitlement relates is open for initial occupancy.

San Antonio could avail itself of the tax rebates should eligibility be acquired through this legislation. The estimate is based on a projected opening date of the additional entitlement of January 1, 2027, or state fiscal year 2027, a comparison and review of revenues paid to the owners of extant qualified hotel projects, and estimated attributes of such prospective hotel.

The recapture of lost state tax revenue provision would require applicable municipalities to reimburse the state, at some point in time after the 20th anniversary of initial entitlement, any tax payments that are not sustained after the initial entitlement period of 10 years.

Local Government Impact

The bill's provisions would affect the city of San Antonio and any nonprofit corporation acting on behalf of San Antonio.

San Antonio would be eligible to receive funds under 351.157 which provides, in relevant part, that a municipality to which the section applies is entitled to receive the revenue derived from the state sales and use taxes, and local mixed beverage taxes generated, paid, and collected from a qualified establishment.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JMc, MOc, SD, BRI, KK