

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 88TH LEGISLATIVE REGULAR SESSION

April 2, 2023

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

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: SB1167 by Birdwell (relating to the authority of certain municipalities to receive certain tax revenue derived from a hotel and convention center project and to pledge certain tax revenue for the payment of obligations related to the project.), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for SB1167, Committee Report 1st House, Substituted : an impact of \$0 through the biennium ending August 31, 2025.

General Revenue-Related Funds, Five- Year Impact:

<i>Fiscal Year</i>	Probable Net Positive/(Negative) Impact to <i>General Revenue Related Funds</i>
2024	\$0
2025	\$0
2026	\$0
2027	(\$530,000)
2028	(\$550,000)

All Funds, Five-Year Impact:

<i>Fiscal Year</i>	Probable Revenue Gain/(Loss) from <i>General Revenue Fund</i> 1
2024	\$0
2025	\$0
2026	\$0
2027	(\$530,000)
2028	(\$550,000)

Fiscal Analysis

The bill would amend Chapter 351 of the Tax Code, relating to Municipal Hotel Occupancy Taxes, to add Section 351.152(46), adding a municipality that is the county seat of a county through which the Brazos River flows and in which a national monument is located, to the list of municipalities that are entitled to receive certain tax revenue derived from a hotel and convention center project and to pledge certain revenue for the payment of obligations related to the project.

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 municipality described by Section 351.152(46).

Methodology

The bill's provisions would apply to the city of Waco.

Waco would be eligible to receive funds described in Sections 351.156 (Entitlement to Certain Tax Revenue) which provides, in relevant part, that a municipality to which Section 351.152 applies is entitled to receive from the qualified hotel and each restaurant, bar, and retail establishment located in or connected to the hotel or the related qualified convention center facility, the state sales and use tax and the state hotel occupancy tax. Section 351.158 (Period of Entitlement) would entitle Waco to receive the revenue until the tenth anniversary of the date the qualified hotel to which the entitlement relates is open for initial occupancy. The recapture of lost state tax revenue provision would require the city of Waco 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.

The city of Waco has no current plans for a qualified hotel but could avail itself of the tax rebates should eligibility be acquired through this legislation. The estimate is based on a projected opening date of September 1, 2026, 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.

Local Government Impact

The bill's provisions would apply to the city of Waco.

The city of Waco has no current plans for a qualified hotel but could avail itself of the tax rebates should eligibility be acquired through this legislation. The estimate is based on a projected opening date of September 1, 2026, 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.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JMc, SD, BRI, CMA