

# SENATE AMENDMENTS

2<sup>nd</sup> Printing

By: Anderson

H.B. No. 3727

A BILL TO BE ENTITLED

AN ACT

relating to municipal and county hotel occupancy taxes.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Sections 351.001(2), (6), (8), and (10), Tax Code, are amended to read as follows:

(2) "Convention center facilities" or "convention center complex" means facilities that are primarily used to host conventions and meetings. The term means civic centers, civic center buildings, auditoriums, exhibition halls, and coliseums that are owned by the municipality or other governmental entity or that are managed in whole or part by the municipality. In a municipality with a population of 1.5 million or more, "convention center facilities" or "convention center complex" means civic centers, civic center buildings, auditoriums, exhibition halls, and coliseums that are owned by the municipality or other governmental entity or that are managed in part by the municipality, hotels owned by the municipality or a nonprofit municipally sponsored local government corporation created under Chapter 431, Transportation Code, within 1,000 feet of a convention center owned by the municipality, or a historic hotel owned by the municipality or a nonprofit municipally sponsored local government corporation created under Chapter 431, Transportation Code, within one mile of a convention center owned by the municipality. The term includes parking areas or facilities that are for the parking or

1 storage of conveyances and that are located at or within 1,500 feet  
2 of the [~~in the vicinity of other~~] convention center facilities. The  
3 term also includes a hotel owned by or located on land that is owned  
4 by an eligible central municipality or by a nonprofit corporation  
5 acting on behalf of an eligible central municipality and that is  
6 located within 1,000 feet of a convention center facility owned by  
7 the municipality. The term also includes a hotel that is owned in  
8 part by an eligible central municipality described by Subdivision  
9 (7)(D) and that is located within 1,000 feet of a convention center  
10 facility. For purposes of this subdivision, "meetings" means  
11 gatherings [~~of people~~] that:

12 (A) are attended by:

13 (i) tourists; or

14 (ii) individuals who spend the night at a  
15 hotel or attend a meeting at a hotel; and

16 (B) enhance and promote tourism and the  
17 convention and hotel industry.

18 (6) "Tourist" means an individual who travels from the  
19 individual's residence to a different municipality, county, state,  
20 or country for business, pleasure, recreation, education, or  
21 culture.

22 (8) "Visitor information center" or "tourism  
23 information center" means a building or a portion of a building that  
24 is primarily used to distribute or disseminate information to  
25 tourists.

26 (10) "Multiuse facility" means a facility at which the  
27 majority of events attract tourists who substantially increase

1 economic activity at hotels in the municipality in which the  
2 facility is located. [~~"Revenue" includes any interest derived from~~  
3 ~~the revenue.~~]

4 SECTION 2. Section 351.009, Tax Code, is amended to read as  
5 follows:

6 Sec. 351.009. ANNUAL REPORT TO COMPTROLLER. (a) Not  
7 later than March 1 [~~February 20~~] of each year, a municipality that  
8 imposes the tax authorized by this chapter shall report to the  
9 comptroller:

10 (1) the rate of:

11 (A) the tax imposed by the municipality under  
12 this chapter; and

13 (B) if applicable, the tax imposed by the  
14 municipality under Subchapter H, Chapter 334, Local Government  
15 Code;

16 (2) the amount of revenue collected during the  
17 municipality's preceding fiscal year from:

18 (A) the tax imposed by the municipality under  
19 this chapter; and

20 (B) if applicable, the tax imposed by the  
21 municipality under Subchapter H, Chapter 334, Local Government  
22 Code; [~~and~~]

23 (3) the amount and percentage of the revenue described  
24 by Subdivision (2)(A) allocated by the municipality to each use  
25 authorized by this chapter for which the municipality used the  
26 revenue [~~described by Sections 351.101(a)(1), (2), (3), (4), (5),~~  
27 ~~and (9)] during the municipality's preceding fiscal year, stated~~

1 separately as an amount and percentage for each applicable use; and  
2 (4) the total amount of any revenue described by  
3 Subdivision (2)(A) collected in any preceding fiscal year of the  
4 municipality that has not yet been spent by the municipality and the  
5 amount of that unexpended revenue, if any, that remains in the  
6 municipality's possession in the fiscal year in which the report is  
7 due [~~of those subdivisions~~].

8 (b) The municipality must make the report required by this  
9 section by[+]

10 [~~(1)~~] submitting the report to the comptroller on a  
11 form prescribed by the comptroller[~~, or~~

12 [~~(2) providing the comptroller a direct link to, or a~~  
13 ~~clear statement describing the location of, the information~~  
14 ~~required to be reported that is posted on the Internet website of~~  
15 ~~the municipality~~].

16 (c) The [~~Subject to Subsection (b)(2), the~~] comptroller  
17 shall prescribe the form a municipality must use for the report  
18 required to be submitted under this section.

19 (d) A municipality that is required to make a report to the  
20 comptroller under this section may use a portion of the revenue  
21 described by Subsection (a)(2)(A) for the costs incurred by the  
22 municipality in making and submitting the report. The amount of  
23 revenue a municipality may use each year for the purpose authorized  
24 by this subsection may not exceed:

25 (1) \$1,000 if the municipality has a population of  
26 less than 10,000; or

27 (2) \$2,500 if the municipality has a population of



1 10,000 or more.

2 (e) The comptroller may adopt rules necessary to administer  
3 this section.

4 SECTION 3. Section 351.101, Tax Code, is amended by adding  
5 Subsection (f-1) to read as follows:

6 (f-1) A municipality may not use municipal hotel occupancy  
7 tax revenue for a visitor information center under Subsection  
8 (a)(1) to acquire a site for, construct, improve, enlarge, equip,  
9 repair, staff, operate, or maintain any part of a building or  
10 facility that is not primarily used to distribute or disseminate  
11 tourism-related information to tourists.

12 SECTION 4. Section 351.1021(a)(3), Tax Code, is amended to  
13 read as follows:

14 (3) "Multipurpose convention center facility project"  
15 means a project that consists of a hotel owned by an eligible  
16 municipality or another person and a multipurpose convention center  
17 facility, the nearest exterior wall of which is located not more  
18 than 2,500 feet from the nearest exterior wall of the hotel. A  
19 multipurpose convention center facility project may include:

20 (A) each new or existing business located in the  
21 municipality, regardless of who owns the business or the property  
22 on which the business is located, the nearest exterior wall of which  
23 is located not more than 2,500 feet from the nearest exterior wall  
24 of the multipurpose convention center facility or the hotel that is  
25 part of the project;

26 (B) a parking shuttle or transportation system  
27 used primarily by tourists; and

1 (C) any parking area or structure located in the  
2 municipality, regardless of who owns the area or structure or the  
3 property on which the area or structure is located, the nearest  
4 property line of which is located not more than two miles from the  
5 nearest exterior wall of the multipurpose convention center  
6 facility.

7 SECTION 5. Sections 351.103(a), (b), and (c), Tax Code, are  
8 amended to read as follows:

9 (a) A municipality [~~At least 50 percent of the hotel~~  
10 ~~occupancy tax revenue collected by a municipality with a population~~  
11 ~~of 200,000 or greater must be allocated for the purposes provided by~~  
12 ~~Section 351.101(a)(3). For municipalities]~~ with a population of  
13 less than 200,000 shall allocate [~~, allocations]~~ for the purposes  
14 provided by Section 351.101(a)(3) an amount of hotel occupancy tax  
15 revenue collected by the municipality that is [~~are as follows:~~

16 [~~(1) if the tax rate in a municipality is not more than~~  
17 ~~three percent of the cost paid for a room, not less than the amount~~  
18 ~~of revenue received by the municipality from the tax at a rate of~~  
19 ~~one-half of one percent of the cost of the room, or~~

20 [~~(2) if the tax in a municipality exceeds three~~  
21 ~~percent of the cost of a room,~~] not less than the amount of revenue  
22 received by the municipality from the tax at a rate of one percent  
23 of the cost of a room. [~~This subsection does not apply to a~~  
24 ~~municipality, regardless of population, that before October 1,~~  
25 ~~1989, adopted an ordinance providing for the allocation of an~~  
26 ~~amount in excess of 50 percent of the hotel occupancy tax revenue~~  
27 ~~collected by the municipality for one or more specific purposes~~

1 ~~provided by Section 351.101(a)(1) until the ordinance is repealed~~  
2 ~~or expires or until the revenue is no longer used for those specific~~  
3 ~~purposes in an amount in excess of 50 percent of the tax revenue.]~~

4 (b) A ~~[Subsection (a) does not apply to a municipality in a~~  
5 ~~fiscal year of the municipality if the total amount of hotel~~  
6 ~~occupancy tax collected by the municipality in the most recent~~  
7 ~~calendar year that ends at least 90 days before the date the fiscal~~  
8 ~~year begins exceeds \$2 million. A municipality excepted from the~~  
9 ~~application of Subsection (a) by this subsection shall allocate~~  
10 ~~hotel occupancy tax revenue by ordinance, consistent with the other~~  
11 ~~limitations of this section. The portion of the tax revenue~~  
12 ~~allocated by a]~~ municipality with a population of more than 1.6  
13 million shall allocate at least 23 percent of the hotel occupancy  
14 tax revenue collected by the municipality for the purposes provided  
15 by Section 351.101(a)(3) ~~[may not be less than 23 percent]~~, except  
16 that the allocation is subject to and may not impair the authority  
17 of the municipality to:

18 (1) pledge all or any portion of that tax revenue to  
19 the payment of bonds as provided by Section 351.102(a) or bonds  
20 issued to refund bonds secured by that pledge; or

21 (2) spend all or any portion of that tax revenue for  
22 the payment of operation and maintenance expenses of convention  
23 center facilities.

24 (c) Not more than 15 percent of the hotel occupancy tax  
25 revenue collected by a municipality, other than a municipality  
26 having a population of more than 1.6 million, or the amount of tax  
27 received by the municipality at the rate of one percent of the cost

1 of a room, whichever is greater, may be used for the purposes  
2 provided by Section 351.101(a)(4). Not more than 19.30 percent of  
3 the hotel occupancy tax revenue collected by a municipality having  
4 a population of more than 1.6 million, or the amount of tax received  
5 by the municipality at the rate of one percent of the cost of a room,  
6 whichever is greater, may be used for the purposes provided by  
7 Section 351.101(a)(4). Not more than 15 percent of the hotel  
8 occupancy tax revenue collected by a municipality [~~having a~~  
9 ~~population of more than 125,000~~] may be used for the purposes  
10 provided by Section 351.101(a)(5). A municipality that before  
11 January 1, 2023, adopted in accordance with state law an ordinance  
12 providing for the allocation of an amount in excess of 15 percent of  
13 the hotel occupancy tax revenue collected by the municipality for  
14 one or more of the specific purposes provided by Section  
15 351.101(a)(5) may allocate tax revenue as provided by that  
16 ordinance until the ordinance is repealed or expires or until the  
17 revenue is no longer used for those specific purposes.

18 SECTION 6. Section 351.110(c), Tax Code, is amended to read  
19 as follows:

20 (c) This section does not authorize the use of revenue  
21 derived from the tax imposed under this chapter for a  
22 transportation system that serves the general public other than for  
23 a system [~~that transports tourists as~~] described by Subsection (a)  
24 that is primarily used by tourists.

25 SECTION 7. Subchapter C, Chapter 351, Tax Code, is amended  
26 by adding Sections 351.161, 351.162, and 351.163 to read as  
27 follows:

1       Sec. 351.161. APPLICATION OF OTHER LAW. This subchapter  
2 may not be construed as authorizing the taking of private property  
3 for economic development purposes in a manner inconsistent with the  
4 requirements of Section 17, Article I, Texas Constitution, or  
5 Section 2206.001, Government Code.

6       Sec. 351.162. RECAPTURE OF LOST STATE TAX REVENUE FROM  
7 CERTAIN MUNICIPALITIES. (a) This section applies only to a  
8 qualified project that is first commenced on or after:

9           (1) January 1, 2024, unless Subdivision (2) applies to  
10 the qualified project; or

11           (2) January 1, 2027, if the qualified project was  
12 authorized before January 1, 2023, by a municipality with a  
13 population of 175,000 or more.

14       (b) On the 20th anniversary of the date a hotel designated  
15 as a qualified hotel by a municipality as part of a qualified  
16 project to which this section applies is open for initial  
17 occupancy, the comptroller shall determine:

18           (1) the total amount of state tax revenue received  
19 under Section 351.156 and, if applicable, under Section 351.157 by  
20 the municipality from the qualified project during the period for  
21 which the municipality was entitled to receive that revenue; and

22           (2) the total amount of state tax revenue described by  
23 Subdivision (1) received by the state during the period beginning  
24 on the 10th anniversary of the date the qualified hotel opened for  
25 initial occupancy and ending on the 20th anniversary of that date  
26 from the same sources from which the municipality received the  
27 revenue described by Subdivision (1).

1       (c) If the amount determined under Subsection (b)(1)  
2 exceeds the amount determined under Subsection (b)(2), the  
3 comptroller shall promptly provide written notice to the  
4 municipality stating that the municipality must remit to the  
5 comptroller the difference between those two amounts in the manner  
6 provided by this subsection. The municipality shall, using money  
7 lawfully available to the municipality for the purpose, remit  
8 monthly payments to the comptroller in an amount equal to the total  
9 amount of municipal hotel occupancy tax revenue received by the  
10 municipality from the qualified hotel in the preceding month until  
11 the amount remitted to the comptroller equals the total amount due  
12 as stated in the notice. The first payment required under this  
13 subsection must be made not later than the 30th day after the date  
14 the municipality receives the notice from the comptroller.  
15 Subsequent payments are due on the 20th day of each month until the  
16 total amount stated in the notice is paid. The comptroller shall  
17 prescribe the procedure a municipality must use to remit a payment  
18 required by this subsection to the comptroller.

19       (d) The comptroller shall deposit revenue received under  
20 this section in the manner prescribed by Section 156.251.

21       Sec. 351.163. REPORT ON QUALIFIED PROJECTS. (a) Not later  
22 than December 1 of each even-numbered year, the comptroller shall  
23 prepare a report on the status of each qualified project.

24       (b) The report must include, for each qualified project:

25           (1) the location and a description of the project,  
26 including the current status of the project;

27           (2) the number of qualified hotels and qualified

1 convention center facilities associated with the project;

2 (3) the total amount of tax revenue received by a  
3 municipality under Section 351.156 and, if applicable, Section  
4 351.157 as a result of the project;

5 (4) the amount of state tax revenue generated by the  
6 project that has been received by the state after the period of  
7 entitlement for the project as prescribed by Section 351.158 has  
8 ended; and

9 (5) whether the municipality is required to remit  
10 payments to the comptroller under Section 351.162 as a result of the  
11 project.

12 (c) The comptroller may include in the report any additional  
13 information the comptroller determines is necessary to evaluate the  
14 effect of each qualified project on the economy of this state.

15 (d) The comptroller shall:

16 (1) post a copy of the report on the comptroller's  
17 Internet website; and

18 (2) provide a copy of the report to the lieutenant  
19 governor, the speaker of the house of representatives, and each  
20 other member of the legislature.

21 SECTION 8. Section 352.009, Tax Code, is amended to read as  
22 follows:

23 Sec. 352.009. ANNUAL REPORT TO COMPTROLLER. (a) Not  
24 later than March 1 [~~February 20~~] of each year, a county that imposes  
25 the tax authorized by this chapter shall report to the comptroller:

26 (1) the rate of:

27 (A) the tax imposed by the county under this

1 chapter; and

2 (B) if applicable, the tax imposed by the county  
3 under Subchapter H, Chapter 334, Local Government Code; ~~and~~

4 (2) the amount of revenue collected during the  
5 county's preceding fiscal year from:

6 (A) the tax imposed by the county under this  
7 chapter; and

8 (B) if applicable, the tax imposed by the county  
9 under Subchapter H, Chapter 334, Local Government Code;

10 (3) the amount and percentage of the revenue described  
11 by Subdivision (2)(A) allocated by the county to each use  
12 authorized by this chapter for which the county used the revenue  
13 during the county's preceding fiscal year, stated separately as an  
14 amount and percentage for each applicable use; and

15 (4) the total amount of any revenue described by  
16 Subdivision (2)(A) collected in any preceding fiscal year of the  
17 county that has not yet been spent by the county and the amount of  
18 that unexpended revenue, if any, that remains in the county's  
19 possession in the fiscal year in which the report is due.

20 (b) The county must make the report required by this section  
21 by~~+~~

22 ~~[(1)]~~ submitting the report to the comptroller on a  
23 form prescribed by the comptroller~~[, or~~

24 ~~[(2) providing the comptroller a direct link to, or a~~  
25 ~~clear statement describing the location of, the information~~  
26 ~~required to be reported that is posted on the Internet website of~~  
27 ~~the county].~~



1 (c) The [~~Subject to Subsection (b)(2), the~~] comptroller  
2 shall prescribe the form a county must use for the report required  
3 to be submitted under this section.

4 (d) A county that is required to make a report to the  
5 comptroller under this section may use a portion of the revenue  
6 described by Subsection (a)(2)(A) for the costs incurred by the  
7 county in making and submitting the report. The amount of revenue a  
8 county may use each year for the purpose authorized by this  
9 subsection may not exceed:

10 (1) \$1,000 if the county has a population of less than  
11 10,000; or

12 (2) \$2,500 if the county has a population of 10,000 or  
13 more.

14 (e) The comptroller may adopt rules necessary to administer  
15 this section.

16 SECTION 9. The following provisions of the Tax Code are  
17 repealed:

18 (1) Sections 351.103(d) and (e); and

19 (2) Section 351.110(b).

20 SECTION 10. The comptroller of public accounts shall  
21 prescribe the form of the report required under Sections 351.009  
22 and 352.009, Tax Code, as amended by this Act, not later than  
23 January 1, 2024. A municipality or county required to make a report  
24 under those sections must submit the 2024 report using the form  
25 prescribed by the comptroller under this section.

26 SECTION 11. This Act takes effect immediately if it  
27 receives a vote of two-thirds of all the members elected to each

H.B. No. 3727

1 house, as provided by Section 39, Article III, Texas Constitution.  
2 If this Act does not receive the vote necessary for immediate  
3 effect, this Act takes effect September 1, 2023.

**ADOPTED**

**MAY 23 2023**

By: Simon B. Sudwell Secretary of the Senate

H.B. No. 3727

Substitute the following for H.B. No. 3727:

By: Simon B. Sudwell

C.S. H.B. No. 3727

A BILL TO BE ENTITLED

AN ACT

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SECTION 1. Sections 351.001(2), (6), (8), and (10), Tax Code, are amended to read as follows:

(2) "Convention center facilities" or "convention center complex" means facilities that are primarily used to host conventions and meetings. The term means civic centers, civic center buildings, auditoriums, exhibition halls, and coliseums that are owned by the municipality or other governmental entity or that are managed in whole or part by the municipality. In a municipality with a population of 1.5 million or more, "convention center facilities" or "convention center complex" means civic centers, civic center buildings, auditoriums, exhibition halls, and coliseums that are owned by the municipality or other governmental entity or that are managed in part by the municipality, hotels owned by the municipality or a nonprofit municipally sponsored local government corporation created under Chapter 431, Transportation Code, within 1,000 feet of a convention center owned by the municipality, or a historic hotel owned by the municipality or a nonprofit municipally sponsored local government corporation created under Chapter 431, Transportation Code, within one mile of a convention center owned by the municipality. The term includes parking areas or facilities that are for the parking or

1 storage of conveyances and that are located at or within 1,500 feet  
2 of the [~~in the vicinity of other~~] convention center facilities. The  
3 term also includes a hotel owned by or located on land that is owned  
4 by an eligible central municipality or by a nonprofit corporation  
5 acting on behalf of an eligible central municipality and that is  
6 located within 1,000 feet of a convention center facility owned by  
7 the municipality. The term also includes a hotel that is owned in  
8 part by an eligible central municipality described by Subdivision  
9 (7)(D) and that is located within 1,000 feet of a convention center  
10 facility. For purposes of this subdivision, "meetings" means  
11 gatherings [~~of people~~] that:

12 (A) are attended by:

13 (i) tourists; or

14 (ii) individuals who spend the night at a  
15 hotel or attend a meeting at a hotel; and

16 (B) enhance and promote tourism and the  
17 convention and hotel industry.

18 (6) "Tourist" means an individual who travels from the  
19 individual's residence to a different municipality, county, state,  
20 or country for business, pleasure, recreation, education, or  
21 culture.

22 (8) "Visitor information center" or "tourism  
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24 is primarily used to distribute or disseminate information to  
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27 majority of events attract tourists who substantially increase

1 economic activity at hotels in the municipality in which the  
2 facility is located. [~~"Revenue" includes any interest derived from~~  
3 ~~the revenue.~~]

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8 imposes the tax authorized by this chapter shall report to the  
9 comptroller:

10 (1) the rate of:

11 (A) the tax imposed by the municipality under  
12 this chapter; and

13 (B) if applicable, the tax imposed by the  
14 municipality under Subchapter H, Chapter 334, Local Government  
15 Code;

16 (2) the amount of revenue collected during the  
17 municipality's preceding fiscal year from:

18 (A) the tax imposed by the municipality under  
19 this chapter; and

20 (B) if applicable, the tax imposed by the  
21 municipality under Subchapter H, Chapter 334, Local Government  
22 Code; [~~and~~]

23 (3) the amount and percentage of the revenue described  
24 by Subdivision (2)(A) allocated by the municipality to each use  
25 authorized by this chapter for which the municipality used the  
26 revenue [~~described by Sections 351.101(a)(1), (2), (3), (4), (5),~~  
27 ~~and (9)~~] during the municipality's preceding fiscal year, stated

1 separately as an amount and percentage for each applicable use; and  
2 (4) the total amount of any revenue described by  
3 Subdivision (2)(A) collected in any preceding fiscal year of the  
4 municipality that has not yet been spent by the municipality and the  
5 amount of that unexpended revenue, if any, that remains in the  
6 municipality's possession in the fiscal year in which the report is  
7 due [of those subdivisions].

8 (b) The municipality must make the report required by this  
9 section by[+

10 [~~(1)~~] submitting the report to the comptroller on a  
11 form prescribed by the comptroller[~~, or~~

12 [~~(2) providing the comptroller a direct link to, or a~~  
13 ~~clear statement describing the location of, the information~~  
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17 shall prescribe the form a municipality must use for the report  
18 required to be submitted under this section.

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21 described by Subsection (a)(2)(A) for the costs incurred by the  
22 municipality in making and submitting the report. The amount of  
23 revenue a municipality may use each year for the purpose authorized  
24 by this subsection may not exceed:

25 (1) \$1,000 if the municipality has a population of  
26 less than 10,000; or

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1 10,000 or more.

2       (e) The comptroller may adopt rules necessary to administer  
3 this section.

4       SECTION 3. Section 351.101, Tax Code, is amended by adding  
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7 tax revenue for a visitor information center under Subsection  
8 (a)(1) to acquire a site for, construct, improve, enlarge, equip,  
9 repair, staff, operate, or maintain any part of a building or  
10 facility that is not primarily used to distribute or disseminate  
11 tourism-related information to tourists.

12       SECTION 4. Section 351.1021(a)(3), Tax Code, is amended to  
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16 municipality or another person and a multipurpose convention center  
17 facility, the nearest exterior wall of which is located not more  
18 than 2,500 feet from the nearest exterior wall of the hotel. A  
19 multipurpose convention center facility project may include:

20               (A) each new or existing business located in the  
21 municipality, regardless of who owns the business or the property  
22 on which the business is located, the nearest exterior wall of which  
23 is located not more than 2,500 feet from the nearest exterior wall  
24 of the multipurpose convention center facility or the hotel that is  
25 part of the project;

26               (B) a parking shuttle or transportation system  
27 used primarily by tourists; and

1 (C) any parking area or structure located in the  
2 municipality, regardless of who owns the area or structure or the  
3 property on which the area or structure is located, the nearest  
4 property line of which is located not more than two miles from the  
5 nearest exterior wall of the multipurpose convention center  
6 facility.

7 SECTION 5. Sections 351.103(a), (b), and (c), Tax Code, are  
8 amended to read as follows:

9 (a) A municipality [~~At least 50 percent of the hotel~~  
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13 less than 200,000 shall allocate[~~, allocations~~] for the purposes  
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19 ~~one-half of one percent of the cost of the room, or~~

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27 ~~collected by the municipality for one or more specific purposes~~



1 ~~provided by Section 351.101(a)(1) until the ordinance is repealed~~  
2 ~~or expires or until the revenue is no longer used for those specific~~  
3 ~~purposes in an amount in excess of 50 percent of the tax revenue.]~~

4 (b) A ~~[Subsection (a) does not apply to a municipality in a~~  
5 ~~fiscal year of the municipality if the total amount of hotel~~  
6 ~~occupancy tax collected by the municipality in the most recent~~  
7 ~~calendar year that ends at least 90 days before the date the fiscal~~  
8 ~~year begins exceeds \$2 million. A municipality excepted from the~~  
9 ~~application of Subsection (a) by this subsection shall allocate~~  
10 ~~hotel occupancy tax revenue by ordinance, consistent with the other~~  
11 ~~limitations of this section. The portion of the tax revenue~~  
12 ~~allocated by a] municipality with a population of more than 1.6~~  
13 ~~million shall allocate at least 23 percent of the hotel occupancy~~  
14 ~~tax revenue collected by the municipality for the purposes provided~~  
15 ~~by Section 351.101(a)(3) [may not be less than 23 percent], except~~  
16 ~~that the allocation is subject to and may not impair the authority~~  
17 ~~of the municipality to:~~

18 (1) pledge all or any portion of that tax revenue to  
19 the payment of bonds as provided by Section 351.102(a) or bonds  
20 issued to refund bonds secured by that pledge; or

21 (2) spend all or any portion of that tax revenue for  
22 the payment of operation and maintenance expenses of convention  
23 center facilities.

24 (c) Not more than 15 percent of the hotel occupancy tax  
25 revenue collected by a municipality, other than a municipality  
26 having a population of more than 1.6 million, or the amount of tax  
27 received by the municipality at the rate of one percent of the cost

1 of a room, whichever is greater, may be used for the purposes  
2 provided by Section 351.101(a)(4). Not more than 19.30 percent of  
3 the hotel occupancy tax revenue collected by a municipality having  
4 a population of more than 1.6 million, or the amount of tax received  
5 by the municipality at the rate of one percent of the cost of a room,  
6 whichever is greater, may be used for the purposes provided by  
7 Section 351.101(a)(4). Not more than 15 percent of the hotel  
8 occupancy tax revenue collected by a municipality [~~having a~~  
9 ~~population of more than 125,000~~] may be used for the purposes  
10 provided by Section 351.101(a)(5). A municipality that before  
11 January 1, 2023, adopted in accordance with state law an ordinance  
12 providing for the allocation of an amount in excess of 15 percent of  
13 the hotel occupancy tax revenue collected by the municipality for  
14 one or more of the specific purposes provided by Section  
15 351.101(a)(5) may allocate tax revenue as provided by that  
16 ordinance until the ordinance is repealed or expires or until the  
17 revenue is no longer used for those specific purposes.

18 SECTION 6. Section 351.110(c), Tax Code, is amended to read  
19 as follows:

20 (c) This section does not authorize the use of revenue  
21 derived from the tax imposed under this chapter for a  
22 transportation system that serves the general public other than for  
23 a system [~~that transports tourists as~~] described by Subsection (a)  
24 that is primarily used by tourists.

25 SECTION 7. Subchapter C, Chapter 351, Tax Code, is amended  
26 by adding Sections 351.161, 351.162, and 351.163 to read as  
27 follows:

1       Sec. 351.161. APPLICATION OF OTHER LAW. This subchapter  
2 may not be construed as authorizing the taking of private property  
3 for economic development purposes in a manner inconsistent with the  
4 requirements of Section 17, Article I, Texas Constitution, or  
5 Section 2206.001, Government Code.

6       Sec. 351.162. RECAPTURE OF LOST STATE TAX REVENUE FROM  
7 CERTAIN MUNICIPALITIES. (a) This section:

8           (1) applies only to a qualified project that is first  
9 commenced on or after:

10           (A) January 1, 2024, unless Paragraph (B) applies  
11 to the qualified project; or

12           (B) January 1, 2027, if the qualified project was  
13 authorized before January 1, 2023, by a municipality with a  
14 population of 175,000 or more; and

15           (2) notwithstanding Subdivision (1), does not apply to  
16 a qualified project that is the subject of an economic development  
17 agreement authorized by Chapter 380, Local Government Code, entered  
18 into on or before January 1, 2022.

19       (b) On the 20th anniversary of the date a hotel designated  
20 as a qualified hotel by a municipality as part of a qualified  
21 project to which this section applies is open for initial  
22 occupancy, the comptroller shall determine:

23           (1) the total amount of state tax revenue received  
24 under Section 351.156 and, if applicable, under Section 351.157 by  
25 the municipality from the qualified project during the period for  
26 which the municipality was entitled to receive that revenue; and

27           (2) the total amount of state tax revenue described by

1 Subdivision (1) received by the state during the period beginning  
2 on the 10th anniversary of the date the qualified hotel opened for  
3 initial occupancy and ending on the 20th anniversary of that date  
4 from the same sources from which the municipality received the  
5 revenue described by Subdivision (1).

6 (c) If the amount determined under Subsection (b)(1)  
7 exceeds the amount determined under Subsection (b)(2), the  
8 comptroller shall promptly provide written notice to the  
9 municipality stating that the municipality must remit to the  
10 comptroller the difference between those two amounts in the manner  
11 provided by this subsection. The municipality shall, using money  
12 lawfully available to the municipality for the purpose, remit  
13 monthly payments to the comptroller in an amount equal to the total  
14 amount of municipal hotel occupancy tax revenue received by the  
15 municipality from the qualified hotel in the preceding month until  
16 the amount remitted to the comptroller equals the total amount due  
17 as stated in the notice. The first payment required under this  
18 subsection must be made not later than the 30th day after the date  
19 the municipality receives the notice from the comptroller.  
20 Subsequent payments are due on the 20th day of each month until the  
21 total amount stated in the notice is paid. The comptroller shall  
22 prescribe the procedure a municipality must use to remit a payment  
23 required by this subsection to the comptroller.

24 (d) The comptroller shall deposit revenue received under  
25 this section in the manner prescribed by Section 156.251.

26 Sec. 351.163. REPORT ON QUALIFIED PROJECTS. (a) Not later  
27 than December 1 of each even-numbered year, the comptroller shall

1 prepare a report on the status of each qualified project.

2 (b) The report must include, for each qualified project:

3 (1) the location and a description of the project,  
4 including the current status of the project;

5 (2) the number of qualified hotels and qualified  
6 convention center facilities associated with the project;

7 (3) the total amount of tax revenue received by a  
8 municipality under Section 351.156 and, if applicable, Section  
9 351.157 as a result of the project;

10 (4) the amount of state tax revenue generated by the  
11 project that has been received by the state after the period of  
12 entitlement for the project as prescribed by Section 351.158 has  
13 ended; and

14 (5) whether the municipality is required to remit  
15 payments to the comptroller under Section 351.162 as a result of the  
16 project.

17 (c) The comptroller may include in the report any additional  
18 information the comptroller determines is necessary to evaluate the  
19 effect of each qualified project on the economy of this state.

20 (d) The comptroller shall:

21 (1) post a copy of the report on the comptroller's  
22 Internet website; and

23 (2) provide a copy of the report to the lieutenant  
24 governor, the speaker of the house of representatives, and each  
25 other member of the legislature.

26 SECTION 8. Section 352.009, Tax Code, is amended to read as  
27 follows:

1           Sec. 352.009. ANNUAL REPORT TO COMPTROLLER. (a) Not  
2 later than March 1 [~~February 20~~] of each year, a county that imposes  
3 the tax authorized by this chapter shall report to the comptroller:

4           (1) the rate of:

5                   (A) the tax imposed by the county under this  
6 chapter; and

7                   (B) if applicable, the tax imposed by the county  
8 under Subchapter H, Chapter 334, Local Government Code; [~~and~~]

9           (2) the amount of revenue collected during the  
10 county's preceding fiscal year from:

11                   (A) the tax imposed by the county under this  
12 chapter; and

13                   (B) if applicable, the tax imposed by the county  
14 under Subchapter H, Chapter 334, Local Government Code;

15           (3) the amount and percentage of the revenue described  
16 by Subdivision (2)(A) allocated by the county to each use  
17 authorized by this chapter for which the county used the revenue  
18 during the county's preceding fiscal year, stated separately as an  
19 amount and percentage for each applicable use; and

20           (4) the total amount of any revenue described by  
21 Subdivision (2)(A) collected in any preceding fiscal year of the  
22 county that has not yet been spent by the county and the amount of  
23 that unexpended revenue, if any, that remains in the county's  
24 possession in the fiscal year in which the report is due.

25           (b) The county must make the report required by this section  
26 by[+]

27           [~~(1)~~] submitting the report to the comptroller on a

1 form prescribed by the comptroller [~~or~~

2 [~~(2) providing the comptroller a direct link to, or a~~  
3 ~~clear statement describing the location of, the information~~  
4 ~~required to be reported that is posted on the Internet website of~~  
5 ~~the county].~~

6 (c) The [~~Subject to Subsection (b)(2), the~~] comptroller  
7 shall prescribe the form a county must use for the report required  
8 to be submitted under this section.

9 (d) A county that is required to make a report to the  
10 comptroller under this section may use a portion of the revenue  
11 described by Subsection (a)(2)(A) for the costs incurred by the  
12 county in making and submitting the report. The amount of revenue a  
13 county may use each year for the purpose authorized by this  
14 subsection may not exceed:

15 (1) \$1,000 if the county has a population of less than  
16 10,000; or

17 (2) \$2,500 if the county has a population of 10,000 or  
18 more.

19 (e) The comptroller may adopt rules necessary to administer  
20 this section.

21 SECTION 9. The following provisions of the Tax Code are  
22 repealed:

23 (1) Sections 351.103(d) and (e); and

24 (2) Section 351.110(b).

25 SECTION 10. The comptroller of public accounts shall  
26 prescribe the form of the report required under Sections 351.009  
27 and 352.009, Tax Code, as amended by this Act, not later than

1 January 1, 2024. A municipality or county required to make a report  
2 under those sections must submit the 2024 report using the form  
3 prescribed by the comptroller under this section.

4 SECTION 11. This Act takes effect immediately if it  
5 receives a vote of two-thirds of all the members elected to each  
6 house, as provided by Section 39, Article III, Texas Constitution.  
7 If this Act does not receive the vote necessary for immediate  
8 effect, this Act takes effect September 1, 2023.



**ADOPTED**

FLOOR AMENDMENT NO. 1 <sup>VV</sup> MAY 23 2023 BY: Bidwell

*Lacey Spaw*  
Secretary of the Senate

1 Amend C.S.H.B. No. 3727 (senate committee printing) by adding  
2 the following appropriately numbered SECTION to the bill and  
3 renumbering the subsequent SECTIONS of the bill accordingly:

4 SECTION \_\_\_\_\_. Section 351.152, Tax Code, is amended to read  
5 as follows:

6 Sec. 351.152. APPLICABILITY. This subchapter applies only  
7 to:

8 (1) a municipality described by Section  
9 351.001(7)(B);

10 (2) a municipality described by Section  
11 351.001(7)(D);

12 (3) a municipality described by Section  
13 351.001(7)(E);

14 (4) a municipality described by Section  
15 351.102(e)(3);

16 (5) a municipality that contains more than 75 percent  
17 of the population of a county with a population of 1.5 million or  
18 more;

19 (6) a municipality with a population of 150,000 or  
20 more but less than 200,000 that is partially located in at least one  
21 county with a population of 125,000 or more;

22 (7) a municipality with a population of 150,000 or  
23 more but less than one million that is located in one county with a  
24 population of 2.3 million or more;

25 (8) a municipality with a population of 180,000 or  
26 more that:

27 (A) is located in two counties, each with a  
28 population of 100,000 or more; and

29 (B) contains an American Quarter Horse Hall of

1 Fame and Museum;

2 (9) a municipality with a population of 96,000 or more  
3 that is located in a county that borders Lake Palestine;

4 (10) a municipality with a population of 96,000 or  
5 more that is located in a county that contains the headwaters of the  
6 San Gabriel River;

7 (11) a municipality with a population of 99,900 or  
8 more but less than 111,000 that is located in a county with a  
9 population of 135,000 or more;

10 (12) a municipality with a population of 110,000 or  
11 more but less than 135,000 at least part of which is located in a  
12 county with a population of less than 135,000;

13 (13) a municipality with a population of 9,000 or more  
14 but less than 10,000 that is located in two counties, each of which  
15 has a population of 662,000 or more and a southern border with a  
16 county with a population of 2.3 million or more;

17 (14) a municipality with a population of 200,000 or  
18 more but less than 300,000 that contains a component institution of  
19 the Texas Tech University System;

20 (15) a municipality with a population of 95,000 or  
21 more that:

22 (A) is located in more than one county; and

23 (B) borders Lake Lewisville;

24 (16) a municipality with a population of 45,000 or  
25 more that:

26 (A) contains a portion of Cedar Hill State Park;

27 (B) is located in two counties, one of which has a  
28 population of two million or more and one of which has a population  
29 of 149,000 or more; and

30 (C) has adopted a capital improvement plan for  
31 the construction or expansion of a convention center facility;

1           (17) a municipality with a population of less than  
2 6,000 that:

3           (A) is almost wholly located in a county with a  
4 population of 600,000 or more that is adjacent to a county with a  
5 population of two million or more;

6           (B) is partially located in a county with a  
7 population of 1.8 million or more that is adjacent to a county with  
8 a population of two million or more;

9           (C) has a visitor center and museum located in a  
10 19th-century rock building in the municipality's downtown; and

11           (D) has a waterpark open to the public;

12           (18) a municipality with a population of 56,000 or  
13 more that:

14           (A) borders Lake Ray Hubbard; and

15           (B) is located in two counties, one of which has a  
16 population of less than 80,000;

17           (19) a municipality with a population of 83,000 or  
18 more that:

19           (A) borders Clear Lake; and

20           (B) is primarily located in a county with a  
21 population of less than 300,000;

22           (20) a municipality with a population of less than  
23 2,000 that:

24           (A) is located adjacent to a bay connected to the  
25 Gulf of Mexico;

26           (B) is located in a county with a population of  
27 290,000 or more that is adjacent to a county with a population of  
28 four million or more; and

29           (C) has a boardwalk on the bay;

30           (21) a municipality with a population of 75,000 or  
31 more that:

1 (A) is located wholly in one county with a  
2 population of 575,000 or more that is adjacent to a county with a  
3 population of four million or more; and

4 (B) has adopted a capital improvement plan for  
5 the construction or expansion of a convention center facility;

6 (22) a municipality with a population of less than  
7 75,000 that is located in three counties, at least one of which has  
8 a population of four million or more;

9 (23) an eligible coastal municipality with a  
10 population of 3,000 or more but less than 5,000;

11 (24) a municipality with a population of 90,000 or  
12 more but less than 150,000 that:

13 (A) is located in three counties; and

14 (B) contains a branch campus of a component  
15 institution of the University of Houston System;

16 (25) a municipality that is:

17 (A) primarily located in a county with a  
18 population of four million or more; and

19 (B) connected by a bridge to a municipality  
20 described by Subdivision (20);

21 (26) a municipality with a population of 20,000 or  
22 more but less than 25,000 that:

23 (A) contains a portion of Mustang Bayou; and

24 (B) is wholly located in a county with a  
25 population of less than 500,000;

26 (27) a municipality with a population of 70,000 or  
27 more but less than 90,000 that is located in two counties, one of  
28 which has a population of four million or more and the other of  
29 which has a population of less than 50,000;

30 (28) a municipality with a population of 10,000 or  
31 more that:

1 (A) is wholly located in a county with a  
2 population of four million or more; and  
3 (B) has a city hall located less than three miles  
4 from a space center operated by an agency of the federal government;  
5 (29) a municipality that is the county seat of a  
6 county:  
7 (A) through which the Pedernales River flows; and  
8 (B) in which the birthplace of a president of the  
9 United States is located;  
10 (30) a municipality that contains a portion of U.S.  
11 Highway 79 and State Highway 130;  
12 (31) a municipality with a population of 48,000 or  
13 more but less than 95,000 that is located in two counties, one of  
14 which has a population of 900,000 or more but less than 1.7 million;  
15 (32) a municipality with a population of less than  
16 25,000 that contains a museum of Western American art;  
17 (33) a municipality with a population of 50,000 or  
18 more that is the county seat of a county that contains a portion of  
19 the Sam Houston National Forest;  
20 (34) a municipality with a population of less than  
21 25,000 that:  
22 (A) contains a cultural heritage museum; and  
23 (B) is located in a county that borders the  
24 United Mexican States and the Gulf of Mexico;  
25 (35) a municipality that is the county seat of a county  
26 that:  
27 (A) has a population of 115,000 or more;  
28 (B) is adjacent to a county with a population of  
29 1.8 million or more; and  
30 (C) hosts an annual peach festival;  
31 (36) a municipality that is the county seat of a county

1 that:

2 (A) has a population of 585,000 or more; and

3 (B) is adjacent to a county with a population of  
4 four million or more;

5 (37) a municipality with a population of less than  
6 10,000 that:

7 (A) contains a component university of The Texas  
8 A&M University System; and

9 (B) is located in a county adjacent to a county  
10 that borders Oklahoma;

11 (38) a municipality with a population of less than  
12 6,100 that:

13 (A) is located in two counties, each of which has  
14 a population of 600,000 or more but less than two million; and

15 (B) hosts an annual Cajun Festival;

16 (39) a municipality with a population of 13,000 or  
17 more that:

18 (A) is located on an international border; and

19 (B) is located in a county:

20 (i) with a population of less than 400,000;

21 and

22 (ii) in which at least one World Birding  
23 Center site is located;

24 (40) a municipality with a population of 4,000 or more  
25 that:

26 (A) is located on an international border; and

27 (B) is located not more than five miles from a  
28 state historic site that serves as a visitor center for a state park  
29 that contains 300,000 or more acres of land;

30 (41) a municipality with a population of 36,000 or  
31 more that is adjacent to at least two municipalities described by

1 Subdivision (15);

2 (42) a municipality with a population of 28,000 or  
3 more in which is located a historic railroad depot and heritage  
4 center;

5 (43) a municipality located in a county that has a  
6 population of not more than 300,000 and in which a component  
7 university of the University of Houston System is located;

8 (44) a municipality with a population of less than  
9 500,000 that is:

10 (A) located in two counties; and

11 (B) adjacent to a municipality described by  
12 Subdivision (31); ~~and~~

13 (45) a municipality that:

14 (A) has a population of more than 67,000; and

15 (B) is located in two counties with 90 percent of  
16 the municipality's territory located in a county with a population  
17 of at least 580,000, and the remaining territory located in a county  
18 with a population of at least four million; and

19 (46) a municipality that is the county seat of a  
20 county:

21 (A) through which the Brazos River flows; and

22 (B) in which a national monument is located.

**LEGISLATIVE BUDGET BOARD  
Austin, Texas**

**FISCAL NOTE, 88TH LEGISLATIVE REGULAR SESSION**

**May 24, 2023**

**TO:** Honorable Dade Phelan, Speaker of the House, House of Representatives

**FROM:** Jerry McGinty, Director, Legislative Budget Board

**IN RE: HB3727** by Anderson (Relating to municipal and county hotel occupancy taxes.), **As Passed 2nd House**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB3727, As Passed 2nd House : 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<br><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<br><i>General Revenue Fund</i><br>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.

This bill would amend Chapter 351 of the Tax Code (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 (Use of Tax Revenue) would be amended by adding Subsection (f-1) to provide that a municipality may not 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) (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 (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, and 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 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 (Allocation of Revenue for Certain Transportation Systems) would be amended to specify that this section does not authorize 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 351.162 (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 (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.

## **Methodology**

The bill would add the city of Waco to list of municipalities that 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 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 but there would be no state revenue implications.

The bill's provisions relating to Section 351.162 of the Tax Code (Recapture of Lost State Tax Revenue from Certain Municipalities) would likely not have any state revenue implications if there is any degree of inflation

during the 10 years of entitlement or in the 10 years following.

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 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.

The bill would add the city of Waco to list of municipalities that would be eligible to receive funds described in Sections 351.156. 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, MOc, SD, BRI, KK, CMA

**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

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

**LEGISLATIVE BUDGET BOARD**

**Austin, Texas**

**FISCAL NOTE, 88TH LEGISLATIVE REGULAR SESSION**

**May 15, 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.), **As Engrossed**

**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.

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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

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

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE, 88TH LEGISLATIVE REGULAR SESSION

April 20, 2023

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

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: **HB3727** by Anderson (relating to municipal and county hotel occupancy taxes.), **Committee Report 1st 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.

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Section 351.110, relating to Allocation of Revenue for Certain Transportation Systems, would be amended to specify that this section does not authorize 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.

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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

**LBB Staff:** JMc, KK, BRI, SD, CMA



**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 88TH LEGISLATIVE REGULAR SESSION**

**March 30, 2023**

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

**FROM:** Jerry McGinty, Director, Legislative Budget Board

**IN RE: HB3727** by Anderson (Relating to municipal and county hotel occupancy taxes.), **As Introduced**

|   |
|---|
| <b>No significant fiscal implication to the State is anticipated.</b> |
|---|

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.

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### **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

**LBB Staff:** JMc, KK, SD, BRI, CMA

**LEGISLATIVE BUDGET BOARD**

**Austin, Texas**

**TAX/FEE EQUITY NOTE**

**88TH LEGISLATIVE REGULAR SESSION**

**April 20, 2023**

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

**FROM:** Jerry McGinty, Director, Legislative Budget Board

**IN RE: HB3727** by Anderson (relating to municipal and county hotel occupancy taxes.), **Committee Report 1st House, Substituted**

No statistically significant impact on the overall distribution of a state tax or fee burden among individuals and businesses is anticipated from the provisions of this bill.

**Source**

**Agencies:**

**LBB Staff:** JMc, KK

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**TAX/FEE EQUITY NOTE**

**88TH LEGISLATIVE REGULAR SESSION**

**March 30, 2023**

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

**FROM:** Jerry McGinty, Director, Legislative Budget Board

**IN RE: HB3727** by Anderson (Relating to municipal and county hotel occupancy taxes.), **As Introduced**

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**Source**

**Agencies:**

**LBB Staff:** JMc, KK