

## **BILL ANALYSIS**

Senate Research Center  
89R9099 RDS-D

H.B. 2974  
By: Craddick (King)  
Economic Development  
5/20/2025  
Engrossed

### **AUTHOR'S / SPONSOR'S STATEMENT OF INTENT**

Under current law, certain municipalities are authorized to use municipal hotel occupancy tax revenue to finance the construction of hotel and convention center projects and are eligible to receive state tax rebates related to those projects. Additionally, all cities and municipalities are authorized to implement a hotel occupancy tax; however, counties must seek authorization to implement a hotel occupancy tax. H.B. 2974 is an omnibus bill that seeks to expand the list of municipalities authorized to use hotel occupancy tax on and receive rebates related to qualified hotel projects. In addition, this bill expands the list of counties authorized to implement hotel occupancy taxes.

H.B. 2974 amends current law relating to municipal and county hotel occupancy taxes and 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 and authorizes the imposition of taxes.

### **RULEMAKING AUTHORITY**

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

### **SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Section 334.0082, Local Government Code, by adding Subsections (d), (e), (f), and (g), as follows:

(d) Provides that, notwithstanding Subsection (a) (relating to providing that this section applies only to a municipality that meets certain criteria) and subject to this subsection, Section 334.0082 (Venue Projects in Certain Municipalities) also applies to a municipality that has a population of at least 70,000 but not more than 180,000 and that is located in a county that borders the United Mexican States and the Gulf of Mexico. Provides that a municipality described by this subsection is authorized to impose a tax as authorized under Subsection (b)(2) (relating to imposing a tax at a rate not to exceed two percent of the cost of a room) only to finance a convention center constructed before January 1, 2023. Provides that the authority of the municipality to impose the tax as authorized under Subsection (b)(2) expires on the earlier of the date the debt issued for the convention center described by this subsection is repaid or January 1, 2054.

(e) Provides that Subsection (d) and this subsection expire January 1, 2054.

(f) Provides that, notwithstanding Subsection (a) and subject to this subsection, this section also applies to a municipality that has a population of not more than 25,000, that contains a cultural heritage museum, and that is located in a county that borders the United Mexican States and the Gulf of Mexico. Provides that a municipality described by this subsection is authorized to impose a tax as authorized under Subsection (b)(2) only to finance a convention center constructed before January 1, 2025. Provides that the authority of the municipality to impose the tax as authorized under Subsection (b)(2)

expires on the earlier of the date the debt issued for the convention center described by this subsection is repaid or January 1, 2056.

(g) Provides that Subsection (f) and this subsection expire January 1, 2056.

SECTION 2. Amends Sections 351.101(a) and (q), Tax Code, as follows:

(a) Provides that revenue from the municipal hotel occupancy tax is authorized to be used only to promote tourism and the convention and hotel industry, and that use is limited to certain purposes, and expenses, including promotion expenses, directly related to a sporting event in which the majority of participants are tourists who substantially increase economic activity at hotels and motels within the municipality or its vicinity if the municipality has a population of at least 9,000, is wholly located in a county in which the State Capitol is located, and is adjacent to or bisected by State Highway 71, and, subject to Section 351.1076 (Allocation of Revenue: Certain Municipalities), the promotion of tourism by the enhancement and upgrading of existing sports facilities or fields if the municipality is located in a county that has a population of more than 90,000, is adjacent to a bay connected to the Gulf of Mexico, and contains a portion of the Guadalupe River, rather than not more than 300,000 and in which a component university of the University of Houston System is located.

(q) Authorizes certain municipalities, including a municipality described by Section 351.152(75), in addition to the purposes provided by certain provisions, to use revenue from the hotel occupancy tax for certain purposes relating to a coliseum or multiuse facility and related infrastructure or a venue, as defined by Section 334.001(4) (relating to defining "venue"), Local Government Code, that is related to the promotion of tourism, including a hotel, resort, or convention center facility located on land owned by the municipality or a nonprofit corporation acting on behalf of the municipality. Provides that this subsection does not authorize a municipality described by Section 351.152(75) to use revenue from the hotel occupancy tax for the construction, improvement, enlarging, equipping, renovating, repairing, operation, or maintenance of a road, street, or water or sewer facility.

SECTION 3. Amends Section 351.1066(a), Tax Code, to provide that Section 351.1066 (Allocation of Revenue: Certain Municipalities) applies only to certain municipalities, including a municipality that has a population of at least 9,000, is wholly located in a county in which the State Capitol is located, and is adjacent to or bisected by State Highway 71 and a municipality that is the county seat of a county with a population of more than 10,000 that contains a state park featuring sandhills.

SECTION 4. Amends Section 351.10712(a), Tax Code, to provide that Section 351.10712 (Allocation of Revenue for Construction and Maintenance of Sports-Related Facilities by Certain Municipalities) applies only to certain municipalities, including a municipality located in a county that has a population of more than 90,000, is adjacent to a bay connected to the Gulf of Mexico, and contains a portion of the Guadalupe River, rather than not more than 300,000 and in which a component university of the University of Houston System is located.

SECTION 5. Amends Subchapter B, Chapter 351, Tax Code, by adding Section 351.111, as follows:

Sec. 351.111. ALLOCATION OF REVENUE: CERTAIN MUNICIPALITIES. (a) Provides that this section applies only to a municipality that is the county seat of a county that borders New Mexico and contains a portion of a state park that is located in two counties.

(b) Authorizes a municipality to which this section applies, subject to certain provisions, in addition to other authorized uses, to use revenue from the municipal hotel occupancy tax for the promotion of tourism by funding public improvement projects that directly benefit the hotel and tourism industry.

(c) Prohibits a municipality to which this section applies from using municipal hotel occupancy tax revenue under this section to fund more than 25 percent of the total costs of a public improvement project described by Subsection (b) or in an amount that causes the total amount of municipal hotel occupancy tax revenue used for the purposes described by Section 351.101(a) during a calendar year to be less than the average annual amount of municipal hotel occupancy tax revenue used by the municipality for those purposes during the 36-month period preceding the municipality's use of the revenue under Subsection (b).

(d) Prohibits the municipality, notwithstanding any other law, on or after the eighth anniversary of the date a municipality first uses municipal hotel occupancy tax revenue for a public improvement project described by Subsection (b), from imposing a municipal hotel occupancy tax at a rate that exceeds two percent of the price paid for a room in a hotel.

(e) Prohibits a municipality to which this section applies from using municipal hotel occupancy tax revenue for a public improvement project described by Subsection (b) after December 31, 2034.

SECTION 6. Amends Section 351.152, Tax Code, as follows:

Sec. 351.152. APPLICABILITY. Provides that Subchapter C (Municipal Hotel and Convention Center Projects), Chapter 351 (Municipal Hotel Occupancy Taxes), applies only to:

(1)-(3) makes no changes to these subdivisions;

(3-a) a municipality described by Section 351.001(11) (relating to defining "eligible barrier island coastal municipality");

(4)-(23) makes no changes to these subdivisions

(24) a municipality with a population of less than 70,000 that is in three counties, at least one of which has a population of at least four million, rather than a municipality with a population of 90,000 or more but less than 150,000 that is located in three counties and contains a branch campus of a component institution of the University of Houston System;

(25)-(42) makes no changes to these subdivisions;

(43) a municipality located in a county that has a population of more than 90,000, is adjacent to a bay connected to the Gulf of Mexico, and contains a portion of the Guadalupe River, rather than a population of not more than 300,000 and in which a component university of the University of Houston System is located;

(44)-(62) makes no changes to these subdivisions;

(63)-(64) makes nonsubstantive changes to these subdivisions;

(65) a municipality through which the Comal River flows;

(66) a municipality with a population of 7,000 or more that contains Lake Marble Falls;

(67) a municipality that has a population of more than 130,000 but less than 1.3 million and is located in three counties, each of which has a population of more than 900,000;

(68) a municipality with a population of 47,000 or more that is located in two counties, one of which has a population of 2.1 million or more and one of which has a population of 179,000 or more and is bisected by State Highway 174;

(69) a municipality with a population of more than 240,000 but less than 270,000 that borders a man-made lake that has a surface area of more than 20,000 acres;

(70) a municipality that is the county seat of a county that has a population of 600,000 or more and is adjacent to the county that contains the State Capitol;

(71) a municipality described by Section 334.0082(a)(2) (relating to a municipality that is located in a county adjacent to the Texas-Mexico border that meets certain criteria), Local Government Code;

(72) a municipality that has a population of 10,000 or more but less than 75,000; is located in two counties, one of which is a county in which the State Capitol is located and hosts an annual German festival;

(73) a municipality that is located in a county with a population of 600,000 or more that is adjacent to the county that contains the State Capitol and has a population of more than 16,000 but less than 27,000;

(74) a municipality with a population of more than 16,000 but less than 18,000 that is located in a county with a population of more than 2.5 million that is adjacent to a county with a population of more than 2.1 million;

(75) a municipality with a population of more than 285,000 that is wholly located in two counties, each with a population of more than 900,000; and

(76) a municipality with a population of 15,000 or more but less than 30,000, that is bisected by United States Highway 75, and that is wholly located in a county with a population of 750,000 or more, in which all or part of a municipality with a population of one million or more is located, and that is adjacent to a county with a population of two million or more.

SECTION 7. Amends Section 351.153(a), Tax Code, to provide that Section 351.153 applies only to a municipality described by certain provisions, including Section 351.152(22) (relating to a municipality with a population of less than 70,000 that is located in three counties, at least one of which has a population of four million or more).

SECTION 8. Amends Subchapter C, Chapter 351, Tax Code, by adding Section 351.1535, as follows:

Sec. 351.1535. EXCEPTIONS APPLICABLE TO ELIGIBLE BARRIER ISLAND COASTAL MUNICIPALITY. (a) Provides that this section applies only to a municipality described by Section 351.001(11).

(b) Provides that certain provisions do not apply to a facility that meets certain criteria.

(c) Provides that certain provisions do not apply to a hotel that meets certain criteria.

(d) Authorizes a parking area or structure that otherwise meets the requirements of a qualified project under Section 351.151 (Definitions), notwithstanding Section 351.151(4)(B)(i)(b) (relating to providing that a "qualified project" means a project that is authorized to include taking certain actions relating to a parking area or structure which meets certain criteria), to be located not more than 2,000 feet from the nearest property line of a qualified convention center facility or qualified hotel if the facility or hotel is located near a natural impediment,

including open water or protected wetlands, that makes it impractical to acquire, lease, construct, repair, remodel, expand, or equip a parking area or structure located not more than 1,000 feet from the facility or hotel.

(e) Provides that Section 351.151(4)(B)(ii)(b) (relating to providing that a "qualified project" means a project that is authorized to include taking certain actions relating to infrastructure that is located within a certain area) does not apply to infrastructure for which the qualified convention center facility or qualified hotel is located near a natural impediment, including open water or protected wetlands, that makes it impractical to acquire, construct, repair, remodel, or expand infrastructure located not more than 1,000 feet from the facility or hotel and that is located not more than 2,000 feet from the nearest property line of the qualified convention center facility or qualified hotel.

SECTION 9. Amends Section 351.155(d), Tax Code, as follows:

(d) Provides that Subsection (c) (relating to restrictions on a municipality pledging or committing revenue to certain projects) does not apply to:

(1) a municipality with a population of 175,000 or more; or

(2) a municipality described by Section 351.152(12) (relating to a municipality with a population between 110,000 and 135,000 in a county with a population of less than 135,000) that has a population of 130,000 or more.

Makes nonsubstantive changes to this subsection.

SECTION 10. Amends Section 351.157, Tax Code, by amending Subsection (a) and adding Subsection (b-1), as follows:

(a) Redefines "qualified establishment."

(b-1) Provides that, in addition to the municipalities described by Subsection (b) (relating to providing that this section applies to certain municipalities), Section 351.157 (Additional Entitlement for Certain Municipalities) applies to a municipality described by Section 351.155(d)(2).

SECTION 11. Amends Section 351.158, Tax Code, as follows:

Sec. 351.158. PERIOD OF ENTITLEMENT. (a) Creates this subsection from existing text and creates an exception under Subsection (b).

(b) Entitles a municipality described by Section 351.152(46) (relating to a municipality that has a population of 100,000 or more and is wholly located in, but is not the county seat of, a county with a population of one million or more that meets certain criteria) to receive revenue as provided by Sections 351.156 (Entitlement to Certain Tax Revenue) and 351.157 until the 20th anniversary of the date the qualified hotel to which the entitlement relates is open for initial occupancy.

SECTION 12. Amends Section 351.161(a), Tax Code, as added by Chapter 1030 (S.B. 627), Acts of the 88th Legislature, Regular Session, 2023, to provide that Section 351.161 (Application of Other Law) applies only to a municipality described by certain provisions, including Section 351.152(75).

SECTION 13. Amends Section 351.162, Tax Code, by amending Subsections (b) and (c) and adding Subsection (b-1), as follows:

(b) Creates an exception under Subsection (b-1).

(b-1) Requires the Comptroller of Public Accounts of the State of Texas (comptroller), on the 40th anniversary of the date a hotel designated as a qualified hotel by a municipality described by Section 351.152(46) as part of a qualified project to which this section applies is open for initial occupancy, to determine:

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

(2) the total amount of state tax revenue described by Subdivision (1) received by the state during the period beginning on the 20th anniversary of the date the qualified hotel opened for initial occupancy and ending on the 40th anniversary of that date from the same sources from which the municipality received the revenue described by Subdivision (1).

(c) Requires the comptroller, if the amount determined under Subsection (b)(1) (relating to the total amount of state tax revenue received under certain provisions from the qualified project during the period for which the municipality was entitled to receive that revenue) or (b-1)(1), as applicable, exceeds the amount determined under Subsection (b)(2) (relating to the total amount of state tax revenue received by the state during a certain period) or (b-1)(2), as applicable, to promptly provide written notice to the municipality stating that the municipality is required to remit to the comptroller the difference between those two amounts in the manner provided by this subsection.

SECTION 14. Amends Section 352.002, Tax Code, by amending Subsection (a) and adding Subsections (gg), (hh), (jj), and (kk), as follows:

(a) Authorizes the commissioners courts of certain counties by the adoption of an order or resolution to impose a tax on a person who, under a lease, concession, permit, right of access, license, contract, or agreement, pays for the use or possession or for the right to the use or possession of a room that is in a hotel, costs \$2 or more each day, and is ordinarily used for sleeping, including a county that borders the Gulf of Mexico, other than a county authorized to impose the tax under Subdivision (30) (relating to a county that has a population of more than 90,000, is located adjacent to a bay connected to the Gulf of Mexico, and contains a portion of the Guadalupe River) and a county that has a population of more than 90,000, is located adjacent to a bay connected to the Gulf of Mexico, and contains a portion of the Guadalupe River. Makes a nonsubstantive change.

(gg) Authorizes the commissioners court of a county in which the headwaters of the Guadalupe River are located to impose a tax as provided by Subsection (a). Provides that a tax imposed under this subsection does not apply to a hotel located in a municipality that imposes a tax under Chapter 351 applicable to the hotel.

(hh) Authorizes the commissioners court of a county in which the confluence of the Llano River and the James River is located to impose a tax as provided by Subsection (a). Provides that a tax imposed under this subsection does not apply to a hotel located in a municipality that imposes a tax under Chapter 351 applicable to the hotel.

(jj) Authorizes the commissioners court of a county that has a population of more than 125,000, borders the Red River, and has a county seat with a population of more than 100,000 to impose a tax as provided by Subsection (a). Provides that this subsection expires September 1, 2030.

(kk) Authorizes the commissioners court of a county with a population of less than 100,000 that borders the Navasota River and in which an annual renaissance festival is held to impose a tax as provided by Subsection (a).

SECTION 15. Amends Section 352.003, Tax Code, by adding Subsections (ff), (gg), and (hh), as follows:

(ff) Prohibits the tax rate in a county authorized to impose the tax under Section 352.002(jj) from exceeding two percent of the price paid for a room in a hotel. Provides that this subsection expires September 1, 2030.

(gg) Prohibits the tax rate in a county authorized to impose the tax under Section 352.002(kk) from exceeding seven percent of the price paid for a room in a hotel, except that the tax rate is prohibited from exceeding two percent of the price paid for a room in a hotel if the hotel is located in a municipality that imposes a tax under Chapter 351 applicable to the hotel or the extraterritorial jurisdiction of a municipality that imposes a tax under Section 351.0025 (Extraterritorial Jurisdiction) applicable to the hotel.

(hh) Prohibits the tax rate in a county authorized to impose the tax under Section 352.002(a)(30) from exceeding seven percent of the price paid for a room in a hotel, except that the tax rate is prohibited from exceeding two percent of the price paid for a room in a hotel if the hotel is located in a municipality that imposes a tax under Chapter 351 applicable to the hotel or the extraterritorial jurisdiction of a municipality that imposes a tax under Section 351.0025 applicable to the hotel.

SECTION 16. Amends Subchapter B, Chapter 352, Tax Code, by adding Sections 352.119 and 352.120, as follows:

Sec. 352.119. USE OF REVENUE: CERTAIN COUNTIES BORDERING THE NAVASOTA RIVER. Authorizes the revenue from a tax imposed under Chapter 352 (County Hotel Occupancy Taxes) by a county authorized to impose the tax under Section 352.002(kk), in addition to the purposes authorized by this chapter, to be used for certain purposes.

Sec. 352.120. USE OF REVENUE: CERTAIN COUNTIES THROUGH WHICH GUADALUPE RIVER FLOWS. (a) Authorizes the revenue from a tax imposed under this chapter by a county authorized to impose the tax under Section 352.002(a)(30), in addition to the purposes authorized by this chapter, to be used to make repairs and improvements to the county airport or to provide reimbursement for repairs and improvements to the airport.

(b) Prohibits a county to which this section applies from using revenue from a tax imposed under this chapter for a purpose described by Subsection (a) in a total amount that would exceed the amount of hotel revenue in the county that is likely to be reasonably attributed to guests traveling through the airport during the 20-year period beginning on the date the county first uses the tax revenue for that purpose.

(c) Prohibits a county to which this section applies from using revenue from a tax imposed under this chapter for a purpose described by Subsection (a) after the 20th anniversary of the date the county first uses the revenue for that purpose.

SECTION 17. (a) Repealer: Section 351.1035 (Allocation of Revenue: Certain Municipalities in Border Counties), Tax Code.

(b) Makes application of this section prospective.

SECTION 18. Provides that it is the intent of the 89th Legislature, Regular Session, 2025, that the amendments made by this Act be harmonized with another Act of the 89th Legislature, Regular Session, 2025, relating to nonsubstantive additions to and corrections in enacted codes.

SECTION 19. Effective date: upon passage or September 1, 2025.