

BILL ANALYSIS

Senate Research Center
89R32350 RDS-D

C.S.H.B. 2974
By: Craddick (King)
Economic Development
5/21/2025
Committee Report (Substituted)

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

(Original Author's/Sponsor's Statement of Intent)

C.S.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 Section 156.2511, Tax Code, by adding Subsections (a-1) and (b-1) and amending Subsection (b), as follows:

(a-1) Requires an eligible coastal municipality that receives a warrant issued under Subsection (a) (relating to requiring the Comptroller of Public Accounts of the State of Texas (comptroller) to compute certain revenues and issue certain warrants) to transfer the full amount of the warrant to the park board of trustees created by the municipality not later than the last day of the calendar month immediately following the date the municipality received the warrant.

(b) Provides that money received under Section 156.2511 (Allocation of Certain Revenue) is authorized to be used only to clean and maintain public beaches in the eligible coastal municipality. Deletes existing text providing that an eligible coastal municipality is authorized to use money received under this section only to clean and maintain public beaches in that municipality.

(b-1) Provides that the comptroller is authorized to issue a warrant under this section only if the eligible coastal municipality has met certain criteria.

SECTION 3. Amends Section 351.101, Tax Code, by amending Subsections (a) and (q) and adding Subsection (b-1), 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 the following:

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

(6) 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, or the sporting event is conducted at a facility located in an owned by a municipality located in a county with a population of 2.2 million or more and that is adjunct to a county with a population of more than 850,000 and with a population of more than 51,000 but less than 57,000 or less than 1.3 million and that is bisected by Interstate Highway 20 and U.S. Highway 67;

(7) 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; and

(8)-(11) makes no changes to these subdivisions.

(b-1) Prohibits revenue derived from the tax authorized by Chapter 351 (Municipal Hotel Occupancy Taxes), notwithstanding Subsection (a) (relating to providing that revenue from the municipal hotel occupancy tax is authorized to be used only for certain purposes), from being expended in a manner or by a program or activity that discriminates or prioritizes on the basis of race, color, disability, sex, religion, age, or national origin.

(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 4. Amends Section 351.1015, Tax Code, by adding Subsection (m), as follows:

(m) Provides that, notwithstanding any other provision of Section 351.1015 (Certain Qualified Projects), a municipality is authorized to pledge or commit revenue under this section for only one qualified project. Prohibits the municipality, after a municipality pledges or commits revenue under this section for a qualified project, from ever again pledging or committing revenue for a subsequent qualified project under this section. Provides that, for purposes of this subsection, the term "municipality" includes a local government corporation created to aid and act on behalf of the municipality. Prohibits this subsection from being construed to prohibit a municipality from pledging or committing revenue under this section for a subsequent qualified project that is authorized by an act of the legislature that becomes law on or after January 1, 2026.

SECTION 5. Amends Section 351.102, Tax Code, by adding Subsections (a-1), (b-1), and (b-2), as follows:

(a-1) Prohibits a municipality with a population of more than 1.5 million, notwithstanding Subsection (a) (relating to authorizing a municipality to pledge certain revenue for certain bonds), from pledging or committing revenue under that subsection for the payment of principal of or interest on bonds or other obligations issued to pay the cost of the acquisition and construction of a convention center hotel or the cost of acquisition, remodeling, or rehabilitation of a historic hotel structure if the acquisition, construction, remodeling, or rehabilitation is commenced after December 1, 2016. Prohibits this subsection from being construed to prohibit a municipality with a population of more than 1.5 million from pledging or committing revenue under Subsection (a) for the payment of principal of or interest on bonds or other obligations for the acquisition, construction, remodeling, or rehabilitation of a historic hotel structure if the pledge or commitment of revenue for that purpose is authorized by an act of the legislature that becomes law on or after January 1, 2026.

(b-1) Provides that, notwithstanding certain provisions and except as provided by Subsection (b-2), a municipality is authorized to pledge or commit revenue under Subsection (b) (relating to authorizing a certain municipality to pledge the revenue derived from the tax imposed from certain hotel project meeting certain criteria for the payment of certain bonds) for only one hotel project. Prohibits the municipality, after a municipality pledges or commits revenue under Subsection (b) for a hotel project, from ever again pledging or committing revenue for a subsequent hotel project under that subsection. Prohibits this subsection from being construed to prohibit a municipality from pledging or committing revenue under Subsection (b) for a subsequent hotel project that is authorized by an act of the legislature that becomes law on or after January 1, 2026.

(b-2) Provides that a municipality that before January 1, 2025, pledged or committed revenue under Section 351.102 (Pledge for Bonds) for more than one hotel project is not subject to Subsection (b-1) and, on or after January 1, 2025, is prohibited from pledging or committing revenue under Subsection (b) for another hotel project unless that hotel project is authorized by an act of the legislature that becomes law on or after January 1, 2026.

SECTION 6. Amends Section 351.1021, Tax Code, by adding Subsection (f), as follows:

(f) Provides that an eligible municipality is authorized to pledge or commit revenue under Section 351.1021 (Pledge or Commitment of Certain Tax Revenue for Certain Projects) for only one multipurpose convention center facility project. Provides that the municipality, after an eligible municipality pledges or commits revenue under this section for a multipurpose convention center facility project, is never again authorized to pledge or commit revenue under this section for a subsequent multipurpose convention center facility project. Provides that, for purposes of this subsection, the term "eligible municipality" includes a local government corporation created to aid and act on behalf of the municipality. Prohibits this subsection from being construed to prohibit a municipality from pledging or committing revenue under this section for a subsequent multipurpose convention center facility project that is authorized by an act of the legislature that becomes law on or after January 1, 2026.

SECTION 7. Amends Section 351.1022, Tax Code, by adding Subsection (f), as follows:

(f) Provides that a municipality is authorized to pledge or commit revenue under Section 351.1022 (Pledge or Commitment of Certain Tax Revenue by Certain Municipalities with Sports Stadiums) for only one hotel project. Provides that the municipality, after a municipality pledges or commits revenue under this section for a hotel project, is never again authorized to pledge or commit revenue under this section for a subsequent hotel project. Prohibits this subsection from being construed to prohibit a municipality from pledging or committing revenue under this section for a subsequent hotel project that is authorized by an act of the legislature that becomes law on or after January 1, 2026.

SECTION 8. Amends Section 351.106, Tax Code, by adding Subsection (d) to define "qualified project."

SECTION 9. 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 10. 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 11. Amends Section 351.152, Tax Code, as follows:

Sec. 351.152. **APPLICABILITY.** Provides that Subchapter C (Municipal Hotel and Convention Center Projects), 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 125,000 or more but less than 132,000, 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 12. 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 Section 351.151(2)(C) (relating to providing that "qualified convention center facility" means a facility that has been or will be constructed and that is connected to a qualified hotel or has an exterior wall that is located not more than 1,000 feet from the nearest exterior wall of a qualified hotel) does not apply to a facility that meets certain criteria.

(c) Provides that Section 351.151(3)(B) (relating to providing that a qualified hotel is authorized to consist of two or more towers that meet certain criteria) 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 13. Amends Section 351.155, Tax Code, by amending Subsection (c) and adding Subsection (c-1), as follows:

(c) Prohibits this subsection from being construed to prohibit a municipality from pledging or committing revenue under Section 351.155 (Pledge or Commitment of Certain Tax Revenue for Obligations for Qualified Project) for a qualified project that is authorized by an act of the legislature that becomes law on or after January 1, 2026.

(c-1) Provides that this subsection applies only to a municipality described by Section 351.152(12) (relating to a municipality with a population of 110,000 or more but less than 135,000 at least part of which is located in a county with a population of less than 135,000) that has a population of 130,000 or more. Provides that, notwithstanding Subsection (c) (relating to providing that a municipality is authorized to pledge or commit revenue under this section for only one qualified project), a municipality to which this subsection applies is authorized to pledge or commit revenue under this section for only two qualified projects.

SECTION 14. Amends Section 351.157, Tax Code, by amending Subsection (b) and adding Subsection (b-1), as follows:

(b) Provides that Section 351.157 (Additional Entitlement for Certain Municipalities) applies only to certain municipalities, including a municipality described by Section 351.152(9) (relating to a municipality with a population of 96,000 or more that is located

in a county that borders Lake Palestine) and a municipality described by Section 351.152(51) (relating to a municipality that is described by Section 351.101(k)).

(b-1) Provides that, in addition to the municipalities described by Subsection (b), this section applies to a municipality described by Section 351.155(c-1).

SECTION 15. 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 16. 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.

(ii) Authorizes the commissioners court of a county that borders Oklahoma and is bisected by United States Highway 62 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 17. 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 18. Amends Subchapter B, Chapter 352, Tax Code, by adding Section 352.119, 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.

SECTION 19. (a) Repealer: Section 351.1035 (Allocation of Revenue: Certain Municipalities in Border Counties), Tax Code.

Repealer: Section 351.155(d) (relating to providing that Subsection (c) does not apply to a municipality with a population of 175,000 or more), Tax Code.

(b) Makes the repeal by this section of Section 351.1035, Tax Code, prospective.

(c) Provides that the repeal by this section of Section 351.155(d), Tax Code, does not affect the validity of a bond, contractual obligation, or other obligation for which revenue was pledged, committed, or authorized by a municipality under Subchapter C, Chapter 351, Tax Code, before the effective date of this Act. Provides that bonds, contractual obligations, or other obligations for which revenue was pledged or committed before that date are governed by the law in effect when the revenue was pledged or committed, and that law is continued in effect for the purposes of the validity of those bonds, contractual obligations, and other obligations.

SECTION 20. 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 21. Effective date: upon passage or September 1, 2025.