BILL ANALYSIS

BACKGROUND AND PURPOSE

The bill sponsor has informed the committee that there is a need to ensure that certain coastal municipalities that receive municipal hotel occupancy tax revenue allocate that revenue appropriately and maintain fiscal responsibility. S.B. 2532 seeks to achieve this goal and promote transparency and proper allocation of tax revenue by adjusting the calculation of the voter-approval tax rate for these municipalities by taking into account hotel occupancy tax revenue spent by the municipality for a purpose not authorized by law.

CRIMINAL JUSTICE IMPACT

It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision.

RULEMAKING AUTHORITY

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

S.B. 2532 amends the Tax Code to establish the following as the formulas according to which the voter-approval tax rate (VATR) for a home-rule municipality that borders on the Gulf of Mexico, has a population of less than 80,000, and has created a park board of trustees under applicable Local Government Code provisions is calculated:
- generally, the VATR equals the sum of the following:
  - the product of 1.035 and the no-new-revenue (NNR) maintenance and operations (M&O) rate; and
  - the sum of the current debt rate and the unused increment rate, less the misspent hotel occupancy tax revenue rate;
- in the first year in which an additional sales and use tax is required to be collected by an applicable municipality, the VATR equals the sum of the following:
  - the product of 1.035 and the NNR M&O rate; and
  - the sum of the current debt rate and the unused increment rate, less the sales tax gain rate and the misspent hotel occupancy tax revenue rate;
- except as otherwise provided by law, in a year in which an applicable municipality imposes an additional sales and use tax, the VATR equals the sum of the following, regardless of whether the municipality levied a property tax in the preceding year:
  - the quotient of:
    - the product of 1.035 and last year's M&O expense; and
    - the current total value less the new property value; and
  - the sum of the current debt rate and the unused increment rate, less the sales tax revenue rate and the misspent hotel occupancy tax revenue rate; and

- in a year in which an applicable municipality that has been imposing an additional sales and use tax ceases to impose such an additional tax, the VATR equals the sum of the following:
  - the quotient of:
    - the product of 1.035 and last year's M&O expense; and
    - the current total value less the new property value; and
  - the sum of the current debt rate and the unused increment rate, less the misspent hotel occupancy tax revenue rate.

For these purposes, the bill defines the following terms:
- "misspent hotel occupancy tax revenue" as an amount equal to the sum of the following:
  - the amount of revenue received from municipal hotel occupancy taxes by an applicable municipality during the preceding tax year that was spent by the municipality for a purpose not authorized by statutory provisions relating to municipal hotel occupancy taxes; and
  - the amount of money not described by that provision that was received by an applicable municipality from the municipality's park board of trustees and spent by the municipality during the preceding tax year; and
- "misspent hotel occupancy tax revenue rate" as the rate expressed in dollars per $100 of taxable value, where the misspent hotel occupancy tax revenue rate equals the quotient of the misspent hotel occupancy tax revenue and the current total value.

S.B. 2532 applies only to property taxes imposed for a property tax year that begins on or after the bill's effective date.

<u>EFFECTIVE DATE</u>

January 1, 2026.