

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 89TH LEGISLATIVE REGULAR SESSION

April 5, 2025

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

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HB2974 by Craddick (Relating to the authority of certain municipalities to use certain tax revenue for a hotel and convention center project and to receive certain tax revenue related to the project.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2974, As Introduced: an impact of \$0 through the biennium ending August 31, 2027. However, there would be an impact of (\$1,232,000) in the biennium ending August 31, 2029.

Similar fiscal impacts would continue for 10 years after the date of entitlement.

General Revenue-Related Funds, Five- Year Impact:

<i>Fiscal Year</i>	Probable Net Positive/(Negative) Impact to <i>General Revenue Related Funds</i>
2026	\$0
2027	\$0
2028	(\$342,000)
2029	(\$890,000)
2030	(\$926,000)

All Funds, Five-Year Impact:

<i>Fiscal Year</i>	Probable Revenue Gain/(Loss) from <i>General Revenue Fund</i> 1
2026	\$0
2027	\$0
2028	(\$342,000)
2029	(\$890,000)
2030	(\$926,000)

Fiscal Analysis

The bill would amend Section 351.155(d) of the Tax Code to add (2), a municipality described by Section 351.152(12) that has a population of 130,000 or more.

The bill would amend Section 351.157 to add Subsection (b-1) to make Section 351.157 apply to a municipality described by Section 351.155 (d) (2).

Methodology

Midland would be 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. Midland would be entitled to receive the revenue derived from the state sales and use taxes, and local mixed beverage taxes generated, paid, and collected from a qualified establishment. Midland would be entitled 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 would allow the city of Midland to develop more than one qualified project.

The city of Midland has plans for two qualified hotels, but due to Section 351.157(e), which requires a municipality to commence a project before September 1, 2027, to receive additional entitlements from restaurants, bars, retail establishments, swimming pools and swimming facilities as provided under Section 351.157, the city could only avail itself of the tax rebates under section 351.157 for one of their projects should eligibility be acquired through this legislation. The estimate is based on a projected opening date of August 31, 2027, for one project, September 1, 2028, for the other, a comparison and review of revenues paid to the owners of extant qualified hotel projects, and estimated attributes of such prospective hotel.

Local Government Impact

The bill's provisions would affect the city of Midland.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JMc, KK, SD, BRI