

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 89TH LEGISLATIVE REGULAR SESSION

May 8, 2025

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

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HB4682 by Leach (relating to the use of municipal hotel occupancy tax revenue and certain tax revenue derived from a hotel and convention center project by certain municipalities.), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for HB4682, Committee Report 1st House, Substituted: an impact of \$0 through the biennium ending August 31, 2027.

However, there would be a negative impact of (\$3,834,000) in the biennium ending August 31, 2029. The negative impact would begin in fiscal year 2028 and continue for 10 years.

General Revenue-Related Funds, Five- Year Impact:

<i>Fiscal Year</i>	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2026	\$0
2027	\$0
2028	(\$1,879,000)
2029	(\$1,955,000)
2030	(\$2,033,000)

All Funds, Five-Year Impact:

<i>Fiscal Year</i>	Probable Revenue Gain/(Loss) from General Revenue Fund 1
2026	\$0
2027	\$0
2028	(\$1,879,000)
2029	(\$1,955,000)
2030	(\$2,033,000)

Fiscal Analysis

The bill would add 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, 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.

The Comptroller would be required, on the 20th anniversary of the date a hotel designated as a qualified hotel by a municipality added by provisions of the bill as part of a qualified project, to determine the total state tax revenue received by the municipality from the qualified project under Sections 351.156 and 351.157 of the Tax

Code and the amount of revenue received by state between the 10th and 20th anniversary of the same sources from which the municipality received revenue under Sections 351.156 and 351.157. If the amount received by the municipality under sections 351.156 and 351.157 exceeds the amount received by the state between the 10th and 20th anniversary of the initial opening date of the qualified hotel, the municipality would be required to remit the difference to the Comptroller from certain municipal revenues.

Methodology

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

Plano 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. Plano 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 city of Plano has plans for a qualified hotel and 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, 2027, a comparison and review of revenues paid to the owners of extant qualified hotel projects, and estimated attributes of such prospective hotel.

The difference in the state revenue that the city of Plano would receive by the 10th anniversary of the initial opening date of the qualified hotel and the revenue that state would collect between the 10th and 20th anniversary of the initial opening date of the qualified hotel is unknown; however, assuming any positive average rate of inflation after the 10th anniversary of the project, no revenue would be expected due to the state under Section 351.161.

Local Government Impact

Plano 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. Plano 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.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JMc, KK, BRI, RStu, SD