

**SENATE AMENDMENTS**  
**2<sup>nd</sup> Printing**

By: Craddick

H.B. No. 2974

A BILL TO BE ENTITLED

1 AN ACT

2 relating to municipal and county hotel occupancy taxes and the  
3 authority of certain municipalities to receive certain tax revenue  
4 derived from a hotel and convention center project and to pledge  
5 certain tax revenue for the payment of obligations related to the  
6 project; authorizing the imposition of taxes.

7 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

8 SECTION 1. Section 334.0082, Local Government Code, is  
9 amended by adding Subsections (d), (e), (f), and (g) to read as  
10 follows:

11 (d) Notwithstanding Subsection (a) and subject to this  
12 subsection, this section also applies to a municipality that has a  
13 population of at least 70,000 but not more than 180,000 and that is  
14 located in a county that borders the United Mexican States and the  
15 Gulf of Mexico. A municipality described by this subsection may  
16 impose a tax as authorized under Subsection (b)(2) only to finance a  
17 convention center constructed before January 1, 2023. The  
18 authority of the municipality to impose the tax as authorized under  
19 Subsection (b)(2) expires on the earlier of:

20 (1) the date the debt issued for the convention center  
21 described by this subsection is repaid; or

22 (2) January 1, 2054.

23 (e) Subsection (d) and this subsection expire January 1,  
24 2054.

1        (f) Notwithstanding Subsection (a) and subject to this  
2 subsection, this section also applies to a municipality that has a  
3 population of not more than 25,000, that contains a cultural  
4 heritage museum, and that is located in a county that borders the  
5 United Mexican States and the Gulf of Mexico. A municipality  
6 described by this subsection may impose a tax as authorized under  
7 Subsection (b)(2) only to finance a convention center constructed  
8 before January 1, 2025. The authority of the municipality to impose  
9 the tax as authorized under Subsection (b)(2) expires on the  
10 earlier of:

11                (1) the date the debt issued for the convention center  
12 described by this subsection is repaid; or

13                (2) January 1, 2056.

14        (g) Subsection (f) and this subsection expire January 1,  
15 2056.

16        SECTION 2. Sections 351.101(a) and (q), Tax Code, are  
17 amended to read as follows:

18        (a) Revenue from the municipal hotel occupancy tax may be  
19 used only to promote tourism and the convention and hotel industry,  
20 and that use is limited to the following:

21                (1) the acquisition of sites for and the construction,  
22 improvement, enlarging, equipping, repairing, operation, and  
23 maintenance of convention center facilities or visitor information  
24 centers, or both;

25                (2) the furnishing of facilities, personnel, and  
26 materials for the registration of convention delegates or  
27 registrants;

1           (3) advertising and conducting solicitations and  
2 promotional programs to attract tourists and convention delegates  
3 or registrants to the municipality or its vicinity;

4           (4) the encouragement, promotion, improvement, and  
5 application of the arts, including instrumental and vocal music,  
6 dance, drama, folk art, creative writing, architecture, design and  
7 allied fields, painting, sculpture, photography, graphic and craft  
8 arts, motion pictures, radio, television, tape and sound recording,  
9 and other arts related to the presentation, performance, execution,  
10 and exhibition of these major art forms;

11           (5) historical restoration and preservation projects  
12 or activities or advertising and conducting solicitations and  
13 promotional programs to encourage tourists and convention  
14 delegates to visit preserved historic sites or museums:

15                 (A) at or in the immediate vicinity of convention  
16 center facilities or visitor information centers; or

17                 (B) located elsewhere in the municipality or its  
18 vicinity that would be frequented by tourists and convention  
19 delegates;

20           (6) expenses, including promotion expenses, directly  
21 related to a sporting event in which the majority of participants  
22 are tourists who substantially increase economic activity at hotels  
23 and motels within the municipality or its vicinity if:

24                 (A) the municipality is located in a county with  
25 a population of one million or less;

26                 (B) the municipality has a population of more  
27 than 67,000 and is located in two counties with 90 percent of the

municipality's territory located in a county with a population of at least 800,000, and the remaining territory located in a county with a population of at least four million; ~~or~~

(C) the municipality has a population of at least 200,000 and shares a border with:

(i) a municipality with a population of at least 62,000 that:

(a) borders Lake Ray Hubbard; and

(b) is located in two counties, one of which has a population of less than 110,000; and

(ii) Lake Ray Hubbard; or

(D) the municipality:

(i) has a population of at least 9,000;

(ii) is wholly located in a county in which the State Capitol is located; and

(iii) is adjacent to or bisected by State Highway 71;

(7) subject to Section 351.1076, the promotion of tourism by the enhancement and upgrading of existing sports facilities or fields if:

(A) the municipality owns the facilities or fields;

(B) the municipality:

(i) has a population of 80,000 or more and is located in a county that has a population of 610,000 or less;

(ii) has a population of at least 80,000 but not more than 125,000 and is located in a county that has a

1 population of less than 240,000 but more than 233,500;

2 (iii) has:

3 (a) a population of at least 10,000  
4 and is located in a county that has a population of more than 70,000  
5 and borders Lake Livingston; or

6 (b) a population of 36,000 or more and  
7 is located in a county with a population of less than 95,000 that  
8 borders Oklahoma;

9 (iv) has a population of at least 13,000 but  
10 less than 48,000 and is located in a county that has a population of  
11 at least 200,000;

12 (v) has a population of at least 70,000 but  
13 less than 90,000 and no part of which is located in a county with a  
14 population greater than 150,000;

15 (vi) is located in a county that:

16 (a) is adjacent to the Texas-Mexico  
17 border;

18 (b) has a population of at least  
19 500,000; and

20 (c) does not have a municipality with  
21 a population greater than 500,000;

22 (vii) is located in a county that has a  
23 population of 100,000 or less and the municipality has a population  
24 of:

25 (a) more than 24,400 and less than  
26 25,000; or

27 (b) more than 28,150 and less than

1 31,000;

2 (viii) is located in a county that has a  
3 population of ~~[not]~~ more than 90,000, is adjacent to a bay connected  
4 to the Gulf of Mexico, and contains a portion of the Guadalupe River  
5 ~~[300,000 and in which a component university of the University of~~  
6 ~~Houston System is located]~~;

7 (ix) has a population of at least 40,000 and  
8 the San Marcos River flows through the municipality;

9 (x) has a population of more than 67,000 and  
10 is located in two counties with 90 percent of the municipality's  
11 territory located in a county with a population of at least 800,000,  
12 and the remaining territory located in a county with a population of  
13 at least four million;

14 (xi) contains an intersection of  
15 Interstates 35E and 35W and at least two public universities; or

16 (xii) is described by Subdivision (6)(C);

17 and

18 (C) the sports facilities and fields have been  
19 used, in the preceding calendar year, a combined total of more than  
20 10 times for district, state, regional, or national sports  
21 tournaments;

22 (8) for a municipality with a population of at least  
23 70,000 but less than 90,000, no part of which is located in a county  
24 with a population greater than 150,000, the construction,  
25 improvement, enlarging, equipping, repairing, operation, and  
26 maintenance of a coliseum or multiuse facility;

27 (9) signage directing the public to sights and

1 attractions that are visited frequently by hotel guests in the  
2 municipality;

3 (10) the construction, improvement, enlarging,  
4 equipping, repairing, operation, and maintenance of a coliseum or  
5 multiuse facility, if the municipality:

6 (A) has a population of at least 90,000 but less  
7 than 120,000; and

8 (B) is located in two counties, at least one of  
9 which contains the headwaters of the San Gabriel River; and

10 (11) for a municipality with a population of more than  
11 175,000 but less than 225,000 that is located in two counties, each  
12 of which has a population of less than 200,000, the construction,  
13 improvement, enlarging, equipping, repairing, operation, and  
14 maintenance of a coliseum or multiuse facility and related  
15 infrastructure or a venue, as defined by Section 334.001(4), Local  
16 Government Code, that is related to the promotion of tourism.

17 (q) In addition to the purposes provided by Subsections (a)  
18 and (e), a municipality described by Section 351.152(75) or a  
19 municipality with a population of more than 10,000 that has a city  
20 hall located less than three miles from a space center operated by  
21 an agency of the federal government and that is wholly located in a  
22 county with a population of four million or more may use revenue  
23 from the hotel occupancy tax for the construction, improvement,  
24 enlarging, equipping, renovating, repairing, operation, and  
25 maintenance of a coliseum or multiuse facility and related  
26 infrastructure or a venue, as defined by Section 334.001(4), Local  
27 Government Code, that is related to the promotion of tourism,

1 including a hotel, resort, or convention center facility located on  
2 land owned by the municipality or a nonprofit corporation acting on  
3 behalf of the municipality. This subsection does not authorize a  
4 municipality described by Section 351.152(75) to use revenue from  
5 the hotel occupancy tax for the construction, improvement,  
6 enlarging, equipping, renovating, repairing, operation, or  
7 maintenance of a road, street, or water or sewer facility.

8 SECTION 3. Section 351.1066(a), Tax Code, is amended to  
9 read as follows:

10 (a) This section applies only to:

11 (1) a municipality with a population of at least 3,500  
12 but less than 5,500 that is the county seat of a county with a  
13 population of less than 50,000 that borders a county with a  
14 population of more than 1.6 million;

15 (2) a municipality with a population of at least 2,800  
16 but less than 3,500 that is the county seat of a county with a  
17 population of less than 22,000 that is bordered by the Trinity River  
18 and includes a state park and a portion of a wildlife management  
19 area;

20 (3) a municipality with a population of at least 8,000  
21 that is located in a county that borders the Pecos River and that  
22 has a population of not more than 15,000;

23 (4) a municipality with a population of not more than  
24 15,000 that is located in a county through which the Frio River  
25 flows and an interstate highway crosses, and that has a population  
26 of at least 15,000;

27 (5) a municipality with a population of not less than



1 7,500 that is located in a county with a population of not less than  
2 40,000 but less than 250,000 that is adjacent to a county with a  
3 population of less than 750;

4 (6) a municipality that is the county seat of a county  
5 with a population of at least 8,500 and that county contains part of  
6 the Chaparral Wildlife Management Area; ~~and~~

7 (7) a municipality that has a population of not more  
8 than 25,000, that contains a cultural heritage museum, and that is  
9 located in a county that borders the United Mexican States and the  
10 Gulf of Mexico;

11 (8) a municipality that:

12 (A) has a population of at least 9,000;

13 (B) is wholly located in a county in which the  
14 State Capitol is located; and

15 (C) is adjacent to or bisected by State Highway  
16 71; and

17 (9) a municipality that is the county seat of a county  
18 with a population of more than 10,000 that contains a state park  
19 featuring sandhills.

20 SECTION 4. Section 351.10712(a), Tax Code, is amended to  
21 read as follows:

22 (a) This section applies only to:

23 (1) a municipality with a population of at least  
24 95,000 that is located in a county that is bisected by United States  
25 Highway 385 and has a population of not more than 170,000; and

26 (2) a municipality located in a county that has a  
27 population of ~~not~~ more than 90,000, is adjacent to a bay connected

1 to the Gulf of Mexico, and contains a portion of the Guadalupe River  
2 [300,000 and in which a component university of the University of  
3 Houston System is located].

4 SECTION 5. Subchapter B, Chapter 351, Tax Code, is amended  
5 by adding Section 351.111 to read as follows:

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

10 (b) Subject to Subsections (c) and (e), in addition to other  
11 authorized uses, a municipality to which this section applies may  
12 use revenue from the municipal hotel occupancy tax for the  
13 promotion of tourism by funding public improvement projects that  
14 directly benefit the hotel and tourism industry.

15 (c) A municipality to which this section applies may not use  
16 municipal hotel occupancy tax revenue under this section:

17 (1) to fund more than 25 percent of the total costs of  
18 a public improvement project described by Subsection (b); or

19 (2) in an amount that causes the total amount of  
20 municipal hotel occupancy tax revenue used for the purposes  
21 described by Section 351.101(a) during a calendar year to be less  
22 than the average annual amount of municipal hotel occupancy tax  
23 revenue used by the municipality for those purposes during the  
24 36-month period preceding the municipality's use of the revenue  
25 under Subsection (b).

26 (d) Notwithstanding any other law, on or after the eighth  
27 anniversary of the date a municipality first uses municipal hotel

occupancy tax revenue for a public improvement project described by Subsection (b), the municipality may not impose a municipal hotel occupancy tax at a rate that exceeds two percent of the price paid for a room in a hotel.

(e) A municipality to which this section applies may not use municipal hotel occupancy tax revenue for a public improvement project described by Subsection (b) after December 31, 2034.

SECTION 6. Section 351.152, Tax Code, is amended to read as follows:

Sec. 351.152. APPLICABILITY. This subchapter applies only to:

(1) a municipality described by Section 351.001(7)(B);

(2) a municipality described by Section 351.001(7)(D);

(3) a municipality described by Section 351.001(7)(E);

(3-a) a municipality described by Section 351.001(11);

(4) a municipality described by Section 351.102(e)(3);

(5) a municipality that contains more than 70 percent of the population of a county with a population of 1.5 million or more;

(6) a municipality with a population of 175,000 or more but less than 200,000 that is partially located in at least one county with a population of 125,000 or more;

1           (7) a municipality with a population of 250,000 or  
2 more but less than one million that is located in one county with a  
3 population of 2.5 million or more;

4           (8) a municipality with a population of 180,000 or  
5 more that:

6                 (A) is located in two counties, each with a  
7 population of 100,000 or more; and

8                 (B) contains an American Quarter Horse Hall of  
9 Fame and Museum;

10           (9) a municipality with a population of 96,000 or more  
11 that is located in a county that borders Lake Palestine;

12           (10) a municipality with a population of 96,000 or  
13 more that is located in a county that contains the headwaters of the  
14 San Gabriel River;

15           (11) a municipality with a population of at least  
16 95,000 that is located in a county that is bisected by United States  
17 Highway 385 and has a population of not more than 170,000;

18           (12) a municipality with a population of 110,000 or  
19 more but less than 135,000 at least part of which is located in a  
20 county with a population of less than 135,000;

21           (13) a municipality with a population of 28,000 or  
22 more but less than 31,000 that is located in two counties, each of  
23 which has a population of 900,000 or more and a southern border with  
24 a county with a population of 2.5 million or more;

25           (14) a municipality with a population of 200,000 or  
26 more but less than 300,000 that contains a component institution of  
27 the Texas Tech University System;

1           (15) a municipality with a population of 95,000 or  
2 more that:

3                   (A) is located in more than one county; and

4                   (B) borders Lake Lewisville;

5           (16) a municipality with a population of 45,000 or  
6 more that:

7                   (A) contains a portion of Cedar Hill State Park;

8                   (B) is located in two counties, one of which has a  
9 population of 2.5 million or more and one of which has a population  
10 of 190,000 or more; and

11                   (C) has adopted a capital improvement plan for  
12 the construction or expansion of a convention center facility;

13           (17) a municipality with a population of less than  
14 10,000 that:

15                   (A) is almost wholly located in a county with a  
16 population of 900,000 or more that is adjacent to a county with a  
17 population of 2.5 million or more;

18                   (B) is partially located in a county with a  
19 population of 2.1 million or more that is adjacent to a county with  
20 a population of 2.5 million or more;

21                   (C) has a visitor center and museum located in a  
22 19th-century rock building in the municipality's downtown; and

23                   (D) has a waterpark open to the public;

24           (18) a municipality with a population of 60,000 or  
25 more that:

26                   (A) borders Lake Ray Hubbard; and

27                   (B) is located in two counties, one of which has a

1 population of less than 110,000;

2 (19) a municipality with a population of 110,000 or  
3 more that:

4 (A) borders Clear Lake; and

5 (B) is primarily located in a county with a  
6 population of less than 355,000;

7 (20) a municipality with a population of less than  
8 2,000 that:

9 (A) is located adjacent to a bay connected to the  
10 Gulf of Mexico;

11 (B) is located in a county with a population of  
12 290,000 or more that is adjacent to a county with a population of  
13 four million or more; and

14 (C) has a boardwalk on the bay;

15 (21) a municipality with a population of 75,000 or  
16 more that:

17 (A) is located wholly in one county with a  
18 population of 800,000 or more that is adjacent to a county with a  
19 population of four million or more; and

20 (B) has adopted a capital improvement plan for  
21 the construction or expansion of a convention center facility;

22 (22) a municipality with a population of less than  
23 70,000 that is located in three counties, at least one of which has  
24 a population of four million or more;

25 (23) an eligible coastal municipality with a  
26 population of 2,900 or more but less than 5,000;

27 (24) a municipality with a population of [~~90,000 or~~

1 ~~more but~~] less than 70,000 that is in three counties, at least one  
2 of which has a population of at least four million ~~[150,000 that:~~

3 ~~[(A) is located in three counties; and~~

4 ~~[(B) contains a branch campus of a component~~  
5 ~~institution of the University of Houston System];~~

6 (25) a municipality that is:

7 (A) primarily located in a county with a  
8 population of four million or more; and

9 (B) connected by a bridge to a municipality  
10 described by Subdivision (20);

11 (26) a municipality with a population of 25,000 or  
12 more but less than 30,000 that:

13 (A) contains a portion of Mustang Bayou; and

14 (B) is wholly located in a county with a  
15 population of less than 500,000;

16 (27) a municipality with a population of 70,000 or  
17 more but less than 90,000 that is located in two counties, one of  
18 which has a population of four million or more and the other of  
19 which has a population of less than 50,000;

20 (28) a municipality with a population of 10,000 or  
21 more that:

22 (A) is wholly located in a county with a  
23 population of four million or more; and

24 (B) has a city hall located less than three miles  
25 from a space center operated by an agency of the federal government;

26 (29) a municipality that is the county seat of a  
27 county:

1 (A) through which the Pedernales River flows; and

2 (B) in which the birthplace of a president of the  
3 United States is located;

4 (30) a municipality that contains a portion of U.S.  
5 Highway 79 and State Highway 130;

6 (31) a municipality with a population of 70,000 or  
7 more but less than 115,000 that is located in two counties, one of  
8 which has a population of 1.1 million or more but less than 1.9  
9 million;

10 (32) a municipality with a population of less than  
11 25,000 that contains a museum of Western American art;

12 (33) a municipality with a population of 50,000 or  
13 more that is the county seat of a county that contains a portion of  
14 the Sam Houston National Forest;

15 (34) a municipality with a population of less than  
16 25,000 that:

17 (A) contains a cultural heritage museum; and

18 (B) is located in a county that borders the  
19 United Mexican States and the Gulf of Mexico;

20 (35) a municipality that is the county seat of a county  
21 that:

22 (A) has a population of 115,000 or more;

23 (B) is adjacent to a county with a population of  
24 2.1 million or more; and

25 (C) hosts an annual peach festival;

26 (36) a municipality that is the county seat of a county  
27 that:



1 (A) has a population of 800,000 or more; and

2 (B) is adjacent to a county with a population of  
3 four million or more;

4 (37) a municipality with a population of less than  
5 10,000 that:

6 (A) contains a component university of The Texas  
7 A&M University System; and

8 (B) is located in a county adjacent to a county  
9 that borders Oklahoma;

10 (38) a municipality with a population of less than  
11 17,000 that:

12 (A) is located in two counties, each of which has  
13 a population of 900,000 or more but less than two million; and

14 (B) hosts an annual Cajun Festival;

15 (39) a municipality with a population of 13,000 or  
16 more that:

17 (A) is located on an international border; and

18 (B) is located in a county:

19 (i) with a population of less than 400,000;

20 and

21 (ii) in which at least one World Birding  
22 Center site is located;

23 (40) a municipality with a population of 3,200 or more  
24 that:

25 (A) is located on an international border; and

26 (B) is located not more than five miles from a  
27 state historic site that serves as a visitor center for a state park

1 that contains 300,000 or more acres of land;

2 (41) a municipality with a population of 36,000 or  
3 more that is adjacent to at least two municipalities described by  
4 Subdivision (15);

5 (42) a municipality with a population of 28,000 or  
6 more that is located in a county with a population of 240,000 or  
7 more that contains a portion of the Blanco River and in which is  
8 located a historic railroad depot and heritage center;

9 (43) a municipality located in a county that has a  
10 population of ~~[not]~~ more than 90,000, is adjacent to a bay connected  
11 to the Gulf of Mexico, and contains a portion of the Guadalupe River  
12 ~~[300,000 and in which a component university of the University of~~  
13 ~~Houston System is located]~~;

14 (44) a municipality with a population of less than  
15 500,000 that is:

16 (A) located in two counties; and

17 (B) adjacent to a municipality described by  
18 Subdivision (31);

19 (45) a municipality that:

20 (A) has a population of more than 67,000; and

21 (B) is located in two counties with 90 percent of  
22 the municipality's territory located in a county with a population  
23 of at least 800,000, and the remaining territory located in a county  
24 with a population of at least four million;

25 (46) a municipality that:

26 (A) has a population of 100,000 or more; and

27 (B) is wholly located in, but is not the county

1 seat of, a county with a population of one million or more:

2 (i) in which all or part of a municipality  
3 with a population of one million or more is located; and

4 (ii) that is adjacent to a county with a  
5 population of 2.5 million or more;

6 (47) a municipality that is the county seat of a county  
7 bordering the Gulf of Mexico and the United Mexican States;

8 (48) a municipality that is bisected by the Guadalupe  
9 River and is the county seat of a county with a population of  
10 170,000 or more;

11 (49) a municipality with a population of 70,000 or  
12 more but less than 150,000 that borders Joe Pool Lake;

13 (50) a municipality with a population of 115,000 or  
14 more that borders the Neches River;

15 (51) a municipality described by Section 351.101(k);

16 (52) a municipality that is the county seat of a  
17 county:

18 (A) through which the Brazos River flows; and

19 (B) in which a national monument is located;

20 (53) a municipality with a population of 45,000 or  
21 more that:

22 (A) is not the county seat of a county;

23 (B) is located in a single county; and

24 (C) contains a portion of Lake Lewisville;

25 (54) a municipality that is the county seat of a county  
26 with a population of more than 900,000 that is adjacent to two  
27 counties, each of which has a population of more than 1.8 million;

1           (55) a municipality that hosts an annual wine festival  
2 and is located in three counties, each of which has a population of  
3 more than 900,000;

4           (56) a municipality that has a population of at least  
5 150,000 but less than 1,300,000 and is partially located in a county  
6 that contains a portion of Cedar Creek Reservoir;

7           (57) a municipality that is located in a county that  
8 contains a portion of Cedar Creek Reservoir and in which a private  
9 college is located;

10          (58) a municipality that is the county seat of a  
11 county:

12                   (A) with a population of one million or more;

13                   (B) in which all or part of a municipality with a  
14 population of one million or more is located; and

15                   (C) that is located adjacent to a county with a  
16 population of 2.5 million or more;

17          (59) a municipality that is the county seat of a county  
18 that contains a portion of Cedar Creek Reservoir and borders a  
19 county with a population of more than 240,000;

20          (60) a municipality with a population of more than  
21 80,000 but less than 150,000 that is located in a county with a  
22 population of more than 369,000 but less than 864,000 that contains  
23 part of an active duty United States Army installation;

24          (61) a municipality with a population of 750,000 or  
25 more that is located in a county with a population of 1.5 million or  
26 less;

27          (62) a municipality with a population of less than

1 7,000 that contains a country music hall of fame;

2 (63) a municipality with a population of 35,000 or  
3 more that contains a railroad museum and is located in a county  
4 that:

5 (A) has a population of 800,000 or more; and

6 (B) is adjacent to a county with a population of  
7 four million or more; ~~and~~

8 (64) a municipality:

9 (A) that is the county seat of a county:

10 (i) with a population of 60,000 or less; and

11 (ii) that borders the Rio Grande; and

12 (B) in which is located a United States military  
13 fort listed in the National Register of Historic Places;

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

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

18 (67) a municipality that:

19 (A) has a population of more than 130,000 but  
20 less than 1.3 million; and

21 (B) is located in three counties, each of which  
22 has a population of more than 900,000;

23 (68) a municipality with a population of 47,000 or  
24 more that:

25 (A) is located in two counties, one of which has a  
26 population of 2.1 million or more and one of which has a population  
27 of 179,000 or more; and

1                   (B) is bisected by State Highway 174;

2                   (69) a municipality with a population of more than  
3 240,000 but less than 270,000 that borders a man-made lake that has  
4 a surface area of more than 20,000 acres;

5                   (70) a municipality that is the county seat of a county  
6 that:

7                   (A) has a population of 600,000 or more; and

8                   (B) is adjacent to the county that contains the  
9 State Capitol;

10                   (71) a municipality described by Section  
11 334.0082(a)(2), Local Government Code;

12                   (72) a municipality that:

13                   (A) has a population of 10,000 or more but less  
14 than 75,000;

15                   (B) is located in two counties, one of which is a  
16 county in which the State Capitol is located; and

17                   (C) hosts an annual German festival;

18                   (73) a municipality that:

19                   (A) is located in a county with a population of  
20 600,000 or more that is adjacent to the county that contains the  
21 State Capitol; and

22                   (B) has a population of more than 16,000 but less  
23 than 27,000;

24                   (74) a municipality with a population of more than  
25 16,000 but less than 18,000 that is located in a county with a  
26 population of more than 2.5 million that is adjacent to a county  
27 with a population of more than 2.1 million;

1           (75) a municipality with a population of more than  
2 285,000 that is wholly located in two counties, each with a  
3 population of more than 900,000; and

4           (76) a municipality with a population of 15,000 or  
5 more but less than 30,000, that is bisected by United States Highway  
6 75, and that is wholly located in a county:

7                   (A) with a population of 750,000 or more;

8                   (B) in which all or part of a municipality with a  
9 population of one million or more is located; and

10                   (C) that is adjacent to a county with a  
11 population of two million or more.

12           SECTION 7. Section 351.153(a), Tax Code, is amended to read  
13 as follows:

14           (a) This section applies only to a municipality described by  
15 Section 351.152(5), (6), (22), (29), or (58).

16           SECTION 8. Subchapter C, Chapter 351, Tax Code, is amended  
17 by adding Section 351.1535 to read as follows:

18           Sec. 351.1535. EXCEPTIONS APPLICABLE TO ELIGIBLE BARRIER  
19 ISLAND COASTAL MUNICIPALITY. (a) This section applies only to a  
20 municipality described by Section 351.001(11).

21           (b) Sections 351.151(2)(B) and (C) do not apply to a  
22 facility:

23                   (1) that otherwise meets the requirements of a  
24 qualified convention center facility under Section 351.151;

25                   (2) that is:

26                           (A) wholly owned by a municipality to which this  
27 section applies or the county in which a municipality to which this

1 section applies is located; and

2 (B) not owned in undivided interest;

3 (3) for which the nearest qualified hotel is located  
4 near a natural impediment, including open water or protected  
5 wetlands, that makes it impractical for the facility to be located  
6 not more than 1,000 feet from the nearest exterior wall of the  
7 qualified hotel; and

8 (4) that has an exterior wall that is located not more  
9 than 2,000 feet from the nearest exterior wall of a qualified hotel.

10 (c) Sections 351.151(3)(A) and (B) do not apply to a hotel:

11 (1) that otherwise meets the requirements of a  
12 qualified hotel under Section 351.151;

13 (2) that is located on land owned by the designating  
14 municipality or the county in which the designating municipality is  
15 located;

16 (3) for which the nearest qualified convention center  
17 facility is located near a natural impediment, including open water  
18 or protected wetlands, that makes it impractical for the hotel to be  
19 located not more than 1,000 feet from the nearest exterior wall of  
20 the qualified convention center facility; and

21 (4) that has an exterior wall that is located not more  
22 than 2,000 feet from the nearest exterior wall of a qualified  
23 convention center facility.

24 (d) Notwithstanding Section 351.151(4)(B)(i)(b), a parking  
25 area or structure that otherwise meets the requirements of a  
26 qualified project under Section 351.151 may be located not more  
27 than 2,000 feet from the nearest property line of a qualified



1 convention center facility or qualified hotel if the facility or  
2 hotel is located near a natural impediment, including open water or  
3 protected wetlands, that makes it impractical to acquire, lease,  
4 construct, repair, remodel, expand, or equip a parking area or  
5 structure located not more than 1,000 feet from the facility or  
6 hotel.

7 (e) Section 351.151(4)(B)(ii)(b) does not apply to  
8 infrastructure:

9 (1) for which the qualified convention center facility  
10 or qualified hotel is located near a natural impediment, including  
11 open water or protected wetlands, that makes it impractical to  
12 acquire, construct, repair, remodel, or expand infrastructure  
13 located not more than 1,000 feet from the facility or hotel; and

14 (2) that is located not more than 2,000 feet from the  
15 nearest property line of the qualified convention center facility  
16 or qualified hotel.

17 SECTION 9. Section 351.155(d), Tax Code, is amended to read  
18 as follows:

19 (d) Subsection (c) does not apply to:

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

22 (2) a municipality described by Section 351.152(12)  
23 that has a population of 130,000 or more.

24 SECTION 10. Section 351.157, Tax Code, is amended by  
25 amending Subsection (a) and adding Subsection (b-1) to read as  
26 follows:

27 (a) In this section, "qualified establishment" means an

1 establishment:

2 (1) that is located on land:

3 (A) owned by a municipality; or

4 (B) owned by:

5 (i) any person if the establishment is  
6 located in a municipality described by Section 351.152(3) or (22);

7 (ii) the federal government if the  
8 establishment is located in a municipality described by Section  
9 351.152(6); or

10 (iii) a nonprofit corporation, including a  
11 public facility corporation, that is acting as or on behalf of, or  
12 that is controlled by, a municipality, if the establishment is  
13 located in a municipality described by Section 351.152(5);

14 (2) the nearest exterior wall of which is located not  
15 more than 1,000 feet from the nearest exterior wall of a qualified  
16 hotel or qualified convention center facility;

17 (3) that is constructed:

18 (A) on or after the date the municipality  
19 commences a qualified project under this subchapter; or

20 (B) at any time if the establishment is located  
21 in a municipality described by Section 351.152(3);

22 (4) that is not a sports stadium; and

23 (5) that is the type of establishment described by  
24 Subsection (c-1) from which the municipality is entitled to receive  
25 revenue under Subsection (d).

26 (b-1) In addition to the municipalities described by  
27 Subsection (b), this section applies to a municipality described by

1 Section 351.155(d)(2).

2 SECTION 11. Section 351.158, Tax Code, is amended to read as  
3 follows:

4 Sec. 351.158. PERIOD OF ENTITLEMENT. (a) Except as  
5 provided by Subsection (b), a [A] municipality is entitled to  
6 receive revenue as provided by Sections 351.156 and 351.157 until  
7 the 10th anniversary of the date the qualified hotel to which the  
8 entitlement relates is open for initial occupancy.

9 (b) A municipality described by Section 351.152(46) is  
10 entitled to receive revenue as provided by Sections 351.156 and  
11 351.157 until the 20th anniversary of the date the qualified hotel  
12 to which the entitlement relates is open for initial occupancy.

13 SECTION 12. Section 351.161(a), Tax Code, as added by  
14 Chapter 1030 (S.B. 627), Acts of the 88th Legislature, Regular  
15 Session, 2023, is amended to read as follows:

16 (a) This section applies only to a municipality described by  
17 Section 351.152(5) or (75).

18 SECTION 13. Section 351.162, Tax Code, is amended by  
19 amending Subsections (b) and (c) and adding Subsection (b-1) to  
20 read as follows:

21 (b) Except as provided by Subsection (b-1), on [On] the 20th  
22 anniversary of the date a hotel designated as a qualified hotel by a  
23 municipality as part of a qualified project to which this section  
24 applies is open for initial occupancy, the comptroller shall  
25 determine:

26 (1) the total amount of state tax revenue received  
27 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 10th anniversary of the date the qualified hotel opened for initial occupancy and ending on the 20th anniversary of that date from the same sources from which the municipality received the revenue described by Subdivision (1).

(b-1) 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, the comptroller shall 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) If the amount determined under Subsection (b)(1) or (b-1)(1), as applicable, exceeds the amount determined under Subsection (b)(2) or (b-1)(2), as applicable, the comptroller shall promptly provide written notice to the municipality stating that

1 the municipality must remit to the comptroller the difference  
2 between those two amounts in the manner provided by this  
3 subsection. The municipality shall, using money lawfully available  
4 to the municipality for the purpose, remit monthly payments to the  
5 comptroller in an amount equal to the total amount of municipal  
6 hotel occupancy tax revenue received by the municipality from the  
7 qualified hotel in the preceding month until the amount remitted to  
8 the comptroller equals the total amount due as stated in the notice.  
9 The first payment required under this subsection must be made not  
10 later than the 30th day after the date the municipality receives the  
11 notice from the comptroller. Subsequent payments are due on the  
12 20th day of each month until the total amount stated in the notice  
13 is paid. The comptroller shall prescribe the procedure a  
14 municipality must use to remit a payment required by this  
15 subsection to the comptroller.

16 SECTION 14. Section 352.002, Tax Code, is amended by  
17 amending Subsection (a) and adding Subsections (gg), (hh), (jj),  
18 and (kk) to read as follows:

19 (a) The commissioners courts of the following counties by  
20 the adoption of an order or resolution may impose a tax on a person  
21 who, under a lease, concession, permit, right of access, license,  
22 contract, or agreement, pays for the use or possession or for the  
23 right to the use or possession of a room that is in a hotel, costs \$2  
24 or more each day, and is ordinarily used for sleeping:

25 (1) a county that has a population of more than 3.3  
26 million;

27 (2) a county that has a population of 90,000 or more,

1 borders the United Mexican States, does not border the Gulf of  
2 Mexico, and does not have four or more cities that each have a  
3 population of more than 25,000;

4 (3) a county in which there is no municipality;

5 (4) a county in which there is located an Indian  
6 reservation under the jurisdiction of the United States government;

7 (5) a county that has a population of 30,000 or less,  
8 that has no more than one municipality with a population of less  
9 than 2,500, and that borders two counties located wholly in the  
10 Edwards Aquifer Authority established by Chapter 626, Acts of the  
11 73rd Legislature, Regular Session, 1993;

12 (6) a county that borders the Gulf of Mexico, other  
13 than a county authorized to impose the tax under Subdivision (30);

14 (7) a county that has a population of less than 5,000,  
15 that borders the United Mexican States, and in which there is  
16 located a major observatory;

17 (8) a county that has a population of 12,000 or less  
18 and borders the Toledo Bend Reservoir;

19 (9) a county that has a population of less than 12,500  
20 and an area of less than 275 square miles and does not border a  
21 county that borders Arkansas and Louisiana;

22 (10) a county that has a population of 30,000 or less  
23 and borders Possum Kingdom Lake;

24 (11) a county that borders a county with a population  
25 of more than 300,000 and the United Mexican States and has a  
26 population of more than 300,000 and less than 900,000;

27 (12) a county that has a population of 35,000 or more

1 and borders or contains a portion of Lake Fork Reservoir;

2 (13) a county that borders the United Mexican States  
3 and in which there is located a national recreation area;

4 (14) a county that borders the United Mexican States  
5 and in which there is located a national park of more than 400,000  
6 acres;

7 (15) a county that has a population of 28,000 or less,  
8 that has no more than four municipalities, and that is located  
9 wholly in the Edwards Aquifer Authority established by Chapter 626,  
10 Acts of the 73rd Legislature, Regular Session, 1993;

11 (16) a county that has a population of 25,000 or less,  
12 whose territory is less than 750 square miles, and that has two  
13 incorporated municipalities, each with a population of 800 or less,  
14 at least one of which is located on the Frio River;

15 (17) a county that has a population of 34,000 or more  
16 and borders Lake Buchanan;

17 (18) a county that has a population of more than 45,000  
18 and less than 75,000, that borders the United Mexican States, and  
19 that borders or contains a portion of Falcon Lake;

20 (19) a county with a population of 22,000 or less that  
21 borders the Neches River and in which there is located a national  
22 preserve;

23 (20) a county that has a population of 28,000 or less  
24 and that borders or contains a portion of Lake Livingston;

25 (21) a county through which the Pedernales River flows  
26 and in which the birthplace or the childhood home of a president of  
27 the United States is located;

1           (22) a county that has a population of 35,000 or less  
2 and borders Lake Buchanan;

3           (23) a county with a population of less than 11,000  
4 that is bordered by the Sulphur River;

5           (24) a county that has a population of 16,000 or more  
6 and borders the entire north shore of Lake Somerville;

7           (25) a county that has a population of 20,000 or less  
8 and that is bordered by the Brazos and Navasota Rivers;

9           (26) a county that has a population of more than 15,000  
10 and less than 25,000 and is located on the Trinity and Navasota  
11 Rivers;

12           (27) a county that has a population of less than 15,000  
13 and that is bordered by the Trinity and Navasota Rivers;

14           (28) a county that borders or contains a portion of the  
15 Neches River, the Sabine River, and Sabine Lake; ~~and~~

16           (29) a county that borders Whitney Lake; and

17           (30) a county that has a population of more than  
18 90,000, is located adjacent to a bay connected to the Gulf of  
19 Mexico, and contains a portion of the Guadalupe River.

20           (gg) The commissioners court of a county in which the  
21 headwaters of the Guadalupe River are located may impose a tax as  
22 provided by Subsection (a). A tax imposed under this subsection  
23 does not apply to a hotel located in a municipality that imposes a  
24 tax under Chapter 351 applicable to the hotel.

25           (hh) The commissioners court of a county in which the  
26 confluence of the Llano River and the James River is located may  
27 impose a tax as provided by Subsection (a). 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) 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 may impose a tax as provided by Subsection (a). This subsection expires September 1, 2030.

(kk) 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 may impose a tax as provided by Subsection (a).

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

(ff) The tax rate in a county authorized to impose the tax under Section 352.002(jj) may not exceed two percent of the price paid for a room in a hotel. This subsection expires September 1, 2030.

(gg) The tax rate in a county authorized to impose the tax under Section 352.002(kk) may not exceed seven percent of the price paid for a room in a hotel, except that the tax rate may not exceed two percent of the price paid for a room in a hotel if the hotel is located in:

(1) a municipality that imposes a tax under Chapter 351 applicable to the hotel; or

(2) the extraterritorial jurisdiction of a municipality that imposes a tax under Section 351.0025 applicable to the hotel.

1        (hh) The tax rate in a county authorized to impose the tax  
2 under Section 352.002(a)(30) may not exceed seven percent of the  
3 price paid for a room in a hotel, except that the tax rate may not  
4 exceed two percent of the price paid for a room in a hotel if the  
5 hotel is located in:

6            (1) a municipality that imposes a tax under Chapter  
7 351 applicable to the hotel; or

8            (2) the extraterritorial jurisdiction of a  
9 municipality that imposes a tax under Section 351.0025 applicable  
10 to the hotel.

11        SECTION 16. Subchapter B, Chapter 352, Tax Code, is amended  
12 by adding Sections 352.119 and 352.120 to read as follows:

13        Sec. 352.119. USE OF REVENUE: CERTAIN COUNTIES BORDERING  
14 THE NAVASOTA RIVER. In addition to the purposes authorized by this  
15 chapter, the revenue from a tax imposed under this chapter by a  
16 county authorized to impose the tax under Section 352.002(kk) may  
17 be used for:

18            (1) the construction, enlarging, equipping,  
19 improvement, maintenance, repairing, and operation of a civic  
20 center with an arena used for rodeos, livestock shows, or  
21 agricultural expositions to enhance hotel activity and encourage  
22 tourism;

23            (2) advertising and conducting solicitations and  
24 promotional programs to attract tourists or convention delegates to  
25 the county, any of which may be conducted by the county or through a  
26 contract with a person or organization selected by the county; and

27            (3) encouraging, promoting, and improving historical

1 preservation and restoration efforts.

2       Sec. 352.120. USE OF REVENUE: CERTAIN COUNTIES THROUGH  
3 WHICH GUADALUPE RIVER FLOWS. (a) In addition to the purposes  
4 authorized by this chapter, the revenue from a tax imposed under  
5 this chapter by a county authorized to impose the tax under Section  
6 352.002(a)(30) may be used to make repairs and improvements to the  
7 county airport or to provide reimbursement for repairs and  
8 improvements to the airport.

9       (b) A county to which this section applies may not use  
10 revenue from a tax imposed under this chapter for a purpose  
11 described by Subsection (a) in a total amount that would exceed the  
12 amount of hotel revenue in the county that is likely to be  
13 reasonably attributed to guests traveling through the airport  
14 during the 20-year period beginning on the date the county first  
15 uses the tax revenue for that purpose.

16       (c) A county to which this section applies may not use  
17 revenue from a tax imposed under this chapter for a purpose  
18 described by Subsection (a) after the 20th anniversary of the date  
19 the county first uses the revenue for that purpose.

20       SECTION 17. (a) Section 351.1035, Tax Code, is repealed.

21       (b) The change in law made by this section applies only to  
22 revenue collected on or after the effective date of this Act.  
23 Revenue collected before the effective date of this Act is governed  
24 by the law in effect when the revenue was collected, and the former  
25 law is continued in effect for that purpose.

26       SECTION 18. It is the intent of the 89th Legislature,  
27 Regular Session, 2025, that the amendments made by this Act be

1 harmonized with another Act of the 89th Legislature, Regular  
2 Session, 2025, relating to nonsubstantive additions to and  
3 corrections in enacted codes.

4       SECTION 19. This Act takes effect immediately if it  
5 receives a vote of two-thirds of all the members elected to each  
6 house, as provided by Section 39, Article III, Texas Constitution.  
7 If this Act does not receive the vote necessary for immediate  
8 effect, this Act takes effect September 1, 2025.

APPROVED

MAY 25 2024

John L. Smith  
Secretary of the Senate

By: Craddick/King

H.B. No. 2974

Substitute the following for H.B. No. 2974:

By: C. Schwab

C.S. H.B. No. 2974

A BILL TO BE ENTITLED

1 AN ACT

2 relating to municipal and county hotel occupancy taxes and the  
3 authority of certain municipalities to receive certain tax revenue  
4 derived from a hotel and convention center project and to pledge  
5 certain tax revenue for the payment of obligations related to the  
6 project; authorizing the imposition of taxes.

7 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

8 SECTION 1. Section 334.0082, Local Government Code, is  
9 amended by adding Subsections (d), (e), (f), and (g) to read as  
10 follows:

11 (d) Notwithstanding Subsection (a) and subject to this  
12 subsection, this section also applies to a municipality that has a  
13 population of at least 70,000 but not more than 180,000 and that is  
14 located in a county that borders the United Mexican States and the  
15 Gulf of Mexico. A municipality described by this subsection may  
16 impose a tax as authorized under Subsection (b)(2) only to finance a  
17 convention center constructed before January 1, 2023. The  
18 authority of the municipality to impose the tax as authorized under  
19 Subsection (b)(2) expires on the earlier of:

20 (1) the date the debt issued for the convention center  
21 described by this subsection is repaid; or

22 (2) January 1, 2054.

23 (e) Subsection (d) and this subsection expire January 1,  
24 2054.

1        (f) Notwithstanding Subsection (a) and subject to this  
2 subsection, this section also applies to a municipality that has a  
3 population of not more than 25,000, that contains a cultural  
4 heritage museum, and that is located in a county that borders the  
5 United Mexican States and the Gulf of Mexico. A municipality  
6 described by this subsection may impose a tax as authorized under  
7 Subsection (b)(2) only to finance a convention center constructed  
8 before January 1, 2025. The authority of the municipality to impose  
9 the tax as authorized under Subsection (b)(2) expires on the  
10 earlier of:

11                (1) the date the debt issued for the convention center  
12 described by this subsection is repaid; or

13                (2) January 1, 2056.

14        (g) Subsection (f) and this subsection expire January 1,  
15 2056.

16        SECTION 2. Section 156.2511, Tax Code, is amended by adding  
17 Subsections (a-1) and (b-1) and amending Subsection (b) to read as  
18 follows:

19        (a-1) An eligible coastal municipality that receives a  
20 warrant issued under Subsection (a) shall transfer the full amount  
21 of the warrant to the park board of trustees created by the  
22 municipality not later than the last day of the calendar month  
23 immediately following the date the municipality received the  
24 warrant.

25        (b) Money ~~[An eligible coastal municipality may use money]~~  
26 received under this section may be used only to clean and maintain  
27 public beaches in the eligible coastal ~~[that]~~ municipality.

1        (b-1) The comptroller may issue a warrant under this section  
2 only if the eligible coastal municipality has:

3            (1) allocated at least one percent of the tax imposed  
4 by the municipality under Chapter 351 to clean and maintain public  
5 beaches in the municipality;

6            (2) either:

7            (A) applied for state funds under Subchapter C,  
8 Chapter 61, Natural Resources Code; or

9            (B) made available to the comptroller the same  
10 information required to be contained in an application under  
11 Section 61.069, Natural Resources Code; and

12           (3) on the request of the comptroller, submitted to  
13 the comptroller:

14           (A) financial data necessary to demonstrate that  
15 the municipality has satisfied the requirements of Subdivision (1);  
16 and

17           (B) a signed attestation stating that the  
18 municipality has satisfied the requirements of this subsection.

19        SECTION 3. Section 351.101, Tax Code, is amended by  
20 amending Subsections (a) and (q) and adding Subsection (b-1) to  
21 read as follows:

22        (a) Revenue from the municipal hotel occupancy tax may be  
23 used only to promote tourism and the convention and hotel industry,  
24 and that use is limited to the following:

25           (1) the acquisition of sites for and the construction,  
26 improvement, enlarging, equipping, repairing, operation, and  
27 maintenance of convention center facilities or visitor information

1 centers, or both;

2 (2) the furnishing of facilities, personnel, and  
3 materials for the registration of convention delegates or  
4 registrants;

5 (3) advertising and conducting solicitations and  
6 promotional programs to attract tourists and convention delegates  
7 or registrants to the municipality or its vicinity;

8 (4) the encouragement, promotion, improvement, and  
9 application of the arts, including instrumental and vocal music,  
10 dance, drama, folk art, creative writing, architecture, design and  
11 allied fields, painting, sculpture, photography, graphic and craft  
12 arts, motion pictures, radio, television, tape and sound recording,  
13 and other arts related to the presentation, performance, execution,  
14 and exhibition of these major art forms;

15 (5) historical restoration and preservation projects  
16 or activities or advertising and conducting solicitations and  
17 promotional programs to encourage tourists and convention  
18 delegates to visit preserved historic sites or museums:

19 (A) at or in the immediate vicinity of convention  
20 center facilities or visitor information centers; or

21 (B) located elsewhere in the municipality or its  
22 vicinity that would be frequented by tourists and convention  
23 delegates;

24 (6) expenses, including promotion expenses, directly  
25 related to a sporting event in which the majority of participants  
26 are tourists who substantially increase economic activity at hotels  
27 and motels within the municipality or its vicinity if:



1                   (A) the municipality is located in a county with  
2 a population of one million or less;

3                   (B) the municipality has a population of more  
4 than 67,000 and is located in two counties with 90 percent of the  
5 municipality's territory located in a county with a population of  
6 at least 800,000, and the remaining territory located in a county  
7 with a population of at least four million; [~~or~~]

8                   (C) the municipality has a population of at least  
9 200,000 and shares a border with:

10                   (i) a municipality with a population of at  
11 least 62,000 that:

12                               (a) borders Lake Ray Hubbard; and  
13                               (b) is located in two counties, one of  
14 which has a population of less than 110,000; and

15                   (ii) Lake Ray Hubbard;

16                   (D) the municipality:

17                               (i) has a population of at least 9,000;  
18                               (ii) is wholly located in a county in which  
19 the State Capitol is located; and

20                               (iii) is adjacent to or bisected by State  
21 Highway 71; or

22                   (E) the sporting event is conducted at a facility  
23 located in and owned by a municipality:

24                               (i) located in a county with a population of  
25 2.2 million or more and that is adjacent to a county with a  
26 population of more than 850,000; and

27                               (ii) with a population of:



1 population greater than 150,000;

2 (vi) is located in a county that:

3 (a) is adjacent to the Texas-Mexico

4 border;

5 (b) has a population of at least

6 500,000; and

7 (c) does not have a municipality with

8 a population greater than 500,000;

9 (vii) is located in a county that has a

10 population of 100,000 or less and the municipality has a population

11 of:

12 (a) more than 24,400 and less than

13 25,000; or

14 (b) more than 28,150 and less than

15 31,000;

16 (viii) is located in a county that has a

17 population of ~~[not]~~ more than 90,000, is adjacent to a bay connected

18 to the Gulf of Mexico, and contains a portion of the Guadalupe River

19 ~~[300,000 and in which a component university of the University of~~

20 ~~Houston System is located]~~;

21 (ix) has a population of at least 40,000 and

22 the San Marcos River flows through the municipality;

23 (x) has a population of more than 67,000 and

24 is located in two counties with 90 percent of the municipality's

25 territory located in a county with a population of at least 800,000,

26 and the remaining territory located in a county with a population of

27 at least four million;

(xi) contains an intersection of Interstates 35E and 35W and at least two public universities; or  
(xii) is described by Subdivision (6)(C);  
and

(C) the sports facilities and fields have been used, in the preceding calendar year, a combined total of more than 10 times for district, state, regional, or national sports tournaments;

(8) for a municipality with a population of at least 70,000 but less than 90,000, no part of which is located in a county with a population greater than 150,000, the construction, improvement, enlarging, equipping, repairing, operation, and maintenance of a coliseum or multiuse facility;

(9) signage directing the public to sights and attractions that are visited frequently by hotel guests in the municipality;

(10) the construction, improvement, enlarging, equipping, repairing, operation, and maintenance of a coliseum or multiuse facility, if the municipality:

(A) has a population of at least 90,000 but less than 120,000; and

(B) is located in two counties, at least one of which contains the headwaters of the San Gabriel River; and

(11) for a municipality with a population of more than 175,000 but less than 225,000 that is located in two counties, each of which has a population of less than 200,000, the construction, improvement, enlarging, equipping, repairing, operation, and

1 maintenance of a coliseum or multiuse facility and related  
2 infrastructure or a venue, as defined by Section 334.001(4), Local  
3 Government Code, that is related to the promotion of tourism.

4 (b-1) Notwithstanding Subsection (a), revenue derived from  
5 the tax authorized by this chapter may not be expended in a manner  
6 or by a program or activity that discriminates or prioritizes on the  
7 basis of race, color, disability, sex, religion, age, or national  
8 origin.

9 (q) In addition to the purposes provided by Subsections (a)  
10 and (e), a municipality described by Section 351.152(75) or a  
11 municipality with a population of more than 10,000 that has a city  
12 hall located less than three miles from a space center operated by  
13 an agency of the federal government and that is wholly located in a  
14 county with a population of four million or more may use revenue  
15 from the hotel occupancy tax for the construction, improvement,  
16 enlarging, equipping, renovating, repairing, operation, and  
17 maintenance of a coliseum or multiuse facility and related  
18 infrastructure or a venue, as defined by Section 334.001(4), Local  
19 Government Code, that is related to the promotion of tourism,  
20 including a hotel, resort, or convention center facility located on  
21 land owned by the municipality or a nonprofit corporation acting on  
22 behalf of the municipality. This subsection does not authorize a  
23 municipality described by Section 351.152(75) to use revenue from  
24 the hotel occupancy tax for the construction, improvement,  
25 enlarging, equipping, renovating, repairing, operation, or  
26 maintenance of a road, street, or water or sewer facility.

27 SECTION 4. Section 351.1015, Tax Code, is amended by adding

1 Subsection (m) to read as follows:

2       (m) Notwithstanding any other provision of this section, a  
3 municipality may pledge or commit revenue under this section for  
4 only one qualified project. After a municipality pledges or  
5 commits revenue under this section for a qualified project, the  
6 municipality may not ever again pledge or commit revenue for a  
7 subsequent qualified project under this section. For purposes of  
8 this subsection, the term "municipality" includes a local  
9 government corporation created to aid and act on behalf of the  
10 municipality. This subsection may not be construed to prohibit a  
11 municipality from pledging or committing revenue under this section  
12 for a subsequent qualified project that is authorized by an act of  
13 the legislature that becomes law on or after January 1, 2026.

14       SECTION 5. Section 351.102, Tax Code, is amended by adding  
15 Subsections (a-1), (b-1), and (b-2) to read as follows:

16       (a-1) Notwithstanding Subsection (a), a municipality with a  
17 population of more than 1.5 million may not pledge or commit revenue  
18 under that subsection for the payment of principal of or interest on  
19 bonds or other obligations issued to pay the cost of the acquisition  
20 and construction of a convention center hotel or the cost of  
21 acquisition, remodeling, or rehabilitation of a historic hotel  
22 structure if the acquisition, construction, remodeling, or  
23 rehabilitation is commenced after December 1, 2016. This  
24 subsection may not be construed to prohibit a municipality with a  
25 population of more than 1.5 million from pledging or committing  
26 revenue under Subsection (a) for the payment of principal of or  
27 interest on bonds or other obligations for the acquisition,

1 construction, remodeling, or rehabilitation of a historic hotel  
2 structure if the pledge or commitment of revenue for that purpose is  
3 authorized by an act of the legislature that becomes law on or after  
4 January 1, 2026.

5 (b-1) Notwithstanding Subsection (b) or (c) and except as  
6 provided by Subsection (b-2), a municipality may pledge or commit  
7 revenue under Subsection (b) for only one hotel project. After a  
8 municipality pledges or commits revenue under Subsection (b) for a  
9 hotel project, the municipality may not ever again pledge or commit  
10 revenue for a subsequent hotel project under that subsection. This  
11 subsection may not be construed to prohibit a municipality from  
12 pledging or committing revenue under Subsection (b) for a  
13 subsequent hotel project that is authorized by an act of the  
14 legislature that becomes law on or after January 1, 2026.

15 (b-2) A municipality that before January 1, 2025, pledged or  
16 committed revenue under this section for more than one hotel  
17 project:

18 (1) is not subject to Subsection (b-1); and  
19 (2) may not on or after January 1, 2025, pledge or  
20 commit revenue under Subsection (b) for another hotel project  
21 unless that hotel project is authorized by an act of the legislature  
22 that becomes law on or after January 1, 2026.

23 SECTION 6. Section 351.1021, Tax Code, is amended by adding  
24 Subsection (f) to read as follows:

25 (f) An eligible municipality may pledge or commit revenue  
26 under this section for only one multipurpose convention center  
27 facility project. After an eligible municipality pledges or

1 commits revenue under this section for a multipurpose convention  
2 center facility project, the municipality may never again pledge or  
3 commit revenue under this section for a subsequent multipurpose  
4 convention center facility project. For purposes of this  
5 subsection, the term "eligible municipality" includes a local  
6 government corporation created to aid and act on behalf of the  
7 municipality. This subsection may not be construed to prohibit a  
8 municipality from pledging or committing revenue under this section  
9 for a subsequent multipurpose convention center facility project  
10 that is authorized by an act of the legislature that becomes law on  
11 or after January 1, 2026.

12       SECTION 7. Section 351.1022, Tax Code, is amended by adding  
13 Subsection (f) to read as follows:

14       (f) A municipality may pledge or commit revenue under this  
15 section for only one hotel project. After a municipality pledges or  
16 commits revenue under this section for a hotel project, the  
17 municipality may never again pledge or commit revenue under this  
18 section for a subsequent hotel project. This subsection may not be  
19 construed to prohibit a municipality from pledging or committing  
20 revenue under this section for a subsequent hotel project that is  
21 authorized by an act of the legislature that becomes law on or after  
22 January 1, 2026.

23       SECTION 8. Section 351.106, Tax Code, is amended by adding  
24 Subsection (d) to read as follows:

25       (d) In this subsection, "qualified project" has the meaning  
26 assigned by Section 351.1015. Notwithstanding any other provision  
27 of this section, a municipality may pledge or commit revenue under



1 this section for only one qualified project. After a municipality  
2 pledges or commits revenue under this section for a qualified  
3 project, the municipality may not ever again pledge or commit  
4 revenue for a qualified project. This subsection may not be  
5 construed to prohibit a municipality from pledging or committing  
6 revenue under this section for a qualified project that is  
7 authorized by an act of the legislature that becomes law on or after  
8 January 1, 2026.

9 SECTION 9. Section 351.1066(a), Tax Code, is amended to  
10 read as follows:

11 (a) This section applies only to:

12 (1) a municipality with a population of at least 3,500  
13 but less than 5,500 that is the county seat of a county with a  
14 population of less than 50,000 that borders a county with a  
15 population of more than 1.6 million;

16 (2) a municipality with a population of at least 2,800  
17 but less than 3,500 that is the county seat of a county with a  
18 population of less than 22,000 that is bordered by the Trinity River  
19 and includes a state park and a portion of a wildlife management  
20 area;

21 (3) a municipality with a population of at least 8,000  
22 that is located in a county that borders the Pecos River and that  
23 has a population of not more than 15,000;

24 (4) a municipality with a population of not more than  
25 15,000 that is located in a county through which the Frio River  
26 flows and an interstate highway crosses, and that has a population  
27 of at least 15,000;

1           (5) a municipality with a population of not less than  
2 7,500 that is located in a county with a population of not less than  
3 40,000 but less than 250,000 that is adjacent to a county with a  
4 population of less than 750;

5           (6) a municipality that is the county seat of a county  
6 with a population of at least 8,500 and that county contains part of  
7 the Chaparral Wildlife Management Area; ~~and~~

8           (7) a municipality that has a population of not more  
9 than 25,000, that contains a cultural heritage museum, and that is  
10 located in a county that borders the United Mexican States and the  
11 Gulf of Mexico;

12           (8) a municipality that:

13                   (A) has a population of at least 9,000;

14                   (B) is wholly located in a county in which the  
15 State Capitol is located; and

16                   (C) is adjacent to or bisected by State Highway  
17 71; and

18           (9) a municipality that is the county seat of a county  
19 with a population of more than 10,000 that contains a state park  
20 featuring sandhills.

21           SECTION 10. Section 351.10712(a), Tax Code, is amended to  
22 read as follows:

23           (a) This section applies only to:

24                   (1) a municipality with a population of at least  
25 95,000 that is located in a county that is bisected by United States  
26 Highway 385 and has a population of not more than 170,000; and

27                   (2) a municipality located in a county that has a

1 population of ~~[not]~~ more than 90,000, is adjacent to a bay connected  
2 to the Gulf of Mexico, and contains a portion of the Guadalupe River  
3 ~~[300,000 and in which a component university of the University of~~  
4 ~~Houston System is located]~~.

5 SECTION 11. Section 351.152, Tax Code, is amended to read as  
6 follows:

7 Sec. 351.152. APPLICABILITY. This subchapter applies only  
8 to:

9 (1) a municipality described by Section  
10 351.001(7)(B);

11 (2) a municipality described by Section  
12 351.001(7)(D);

13 (3) a municipality described by Section  
14 351.001(7)(E);

15 (3-a) a municipality described by Section  
16 351.001(11);

17 (4) a municipality described by Section  
18 351.102(e)(3);

19 (5) a municipality that contains more than 70 percent  
20 of the population of a county with a population of 1.5 million or  
21 more;

22 (6) a municipality with a population of 175,000 or  
23 more but less than 200,000 that is partially located in at least one  
24 county with a population of 125,000 or more;

25 (7) a municipality with a population of 250,000 or  
26 more but less than one million that is located in one county with a  
27 population of 2.5 million or more;

1           (8) a municipality with a population of 180,000 or  
2 more that:

3           (A) is located in two counties, each with a  
4 population of 100,000 or more; and

5           (B) contains an American Quarter Horse Hall of  
6 Fame and Museum;

7           (9) a municipality with a population of 96,000 or more  
8 that is located in a county that borders Lake Palestine;

9           (10) a municipality with a population of 96,000 or  
10 more that is located in a county that contains the headwaters of the  
11 San Gabriel River;

12           (11) a municipality with a population of at least  
13 95,000 that is located in a county that is bisected by United States  
14 Highway 385 and has a population of not more than 170,000;

15           (12) a municipality with a population of 110,000 or  
16 more but less than 135,000 at least part of which is located in a  
17 county with a population of less than 135,000;

18           (13) a municipality with a population of 28,000 or  
19 more but less than 31,000 that is located in two counties, each of  
20 which has a population of 900,000 or more and a southern border with  
21 a county with a population of 2.5 million or more;

22           (14) a municipality with a population of 200,000 or  
23 more but less than 300,000 that contains a component institution of  
24 the Texas Tech University System;

25           (15) a municipality with a population of 95,000 or  
26 more that:

27           (A) is located in more than one county; and

1 (B) borders Lake Lewisville;

2 (16) a municipality with a population of 45,000 or  
3 more that:

4 (A) contains a portion of Cedar Hill State Park;

5 (B) is located in two counties, one of which has a  
6 population of 2.5 million or more and one of which has a population  
7 of 190,000 or more; and

8 (C) has adopted a capital improvement plan for  
9 the construction or expansion of a convention center facility;

10 (17) a municipality with a population of less than  
11 10,000 that:

12 (A) is almost wholly located in a county with a  
13 population of 900,000 or more that is adjacent to a county with a  
14 population of 2.5 million or more;

15 (B) is partially located in a county with a  
16 population of 2.1 million or more that is adjacent to a county with  
17 a population of 2.5 million or more;

18 (C) has a visitor center and museum located in a  
19 19th-century rock building in the municipality's downtown; and

20 (D) has a waterpark open to the public;

21 (18) a municipality with a population of 60,000 or  
22 more that:

23 (A) borders Lake Ray Hubbard; and

24 (B) is located in two counties, one of which has a  
25 population of less than 110,000;

26 (19) a municipality with a population of 110,000 or  
27 more that:

1 (A) borders Clear Lake; and  
2 (B) is primarily located in a county with a  
3 population of less than 355,000;  
4 (20) a municipality with a population of less than  
5 2,000 that:  
6 (A) is located adjacent to a bay connected to the  
7 Gulf of Mexico;  
8 (B) is located in a county with a population of  
9 290,000 or more that is adjacent to a county with a population of  
10 four million or more; and  
11 (C) has a boardwalk on the bay;  
12 (21) a municipality with a population of 75,000 or  
13 more that:  
14 (A) is located wholly in one county with a  
15 population of 800,000 or more that is adjacent to a county with a  
16 population of four million or more; and  
17 (B) has adopted a capital improvement plan for  
18 the construction or expansion of a convention center facility;  
19 (22) a municipality with a population of less than  
20 70,000 that is located in three counties, at least one of which has  
21 a population of four million or more;  
22 (23) an eligible coastal municipality with a  
23 population of 2,900 or more but less than 5,000;  
24 (24) a municipality with a population of 125,000  
25 [~~90,000~~] or more but less than 132,000 [~~150,000 that~~];  
26 [~~(A) is located in three counties, and~~]  
27 [~~(B) contains a branch campus of a component~~]

1 ~~institution of the University of Houston System];~~  
2           (25) a municipality that is:  
3               (A) primarily located in a county with a  
4 population of four million or more; and  
5               (B) connected by a bridge to a municipality  
6 described by Subdivision (20);  
7           (26) a municipality with a population of 25,000 or  
8 more but less than 30,000 that:  
9               (A) contains a portion of Mustang Bayou; and  
10              (B) is wholly located in a county with a  
11 population of less than 500,000;  
12           (27) a municipality with a population of 70,000 or  
13 more but less than 90,000 that is located in two counties, one of  
14 which has a population of four million or more and the other of  
15 which has a population of less than 50,000;  
16           (28) a municipality with a population of 10,000 or  
17 more that:  
18               (A) is wholly located in a county with a  
19 population of four million or more; and  
20               (B) has a city hall located less than three miles  
21 from a space center operated by an agency of the federal government;  
22           (29) a municipality that is the county seat of a  
23 county:  
24               (A) through which the Pedernales River flows; and  
25               (B) in which the birthplace of a president of the  
26 United States is located;  
27           (30) a municipality that contains a portion of U.S.

1 Highway 79 and State Highway 130;

2 (31) a municipality with a population of 70,000 or  
3 more but less than 115,000 that is located in two counties, one of  
4 which has a population of 1.1 million or more but less than 1.9  
5 million;

6 (32) a municipality with a population of less than  
7 25,000 that contains a museum of Western American art;

8 (33) a municipality with a population of 50,000 or  
9 more that is the county seat of a county that contains a portion of  
10 the Sam Houston National Forest;

11 (34) a municipality with a population of less than  
12 25,000 that:

13 (A) contains a cultural heritage museum; and

14 (B) is located in a county that borders the  
15 United Mexican States and the Gulf of Mexico;

16 (35) a municipality that is the county seat of a county  
17 that:

18 (A) has a population of 115,000 or more;

19 (B) is adjacent to a county with a population of  
20 2.1 million or more; and

21 (C) hosts an annual peach festival;

22 (36) a municipality that is the county seat of a county  
23 that:

24 (A) has a population of 800,000 or more; and

25 (B) is adjacent to a county with a population of  
26 four million or more;

27 (37) a municipality with a population of less than



1 10,000 that:

2 (A) contains a component university of The Texas  
3 A&M University System; and

4 (B) is located in a county adjacent to a county  
5 that borders Oklahoma;

6 (38) a municipality with a population of less than  
7 17,000 that:

8 (A) is located in two counties, each of which has  
9 a population of 900,000 or more but less than two million; and

10 (B) hosts an annual Cajun Festival;

11 (39) a municipality with a population of 13,000 or  
12 more that:

13 (A) is located on an international border; and

14 (B) is located in a county:

15 (i) with a population of less than 400,000;  
16 and

17 (ii) in which at least one World Birding  
18 Center site is located;

19 (40) a municipality with a population of 3,200 or more  
20 that:

21 (A) is located on an international border; and

22 (B) is located not more than five miles from a  
23 state historic site that serves as a visitor center for a state park  
24 that contains 300,000 or more acres of land;

25 (41) a municipality with a population of 36,000 or  
26 more that is adjacent to at least two municipalities described by  
27 Subdivision (15);

1           (42) a municipality with a population of 28,000 or  
2 more that is located in a county with a population of 240,000 or  
3 more that contains a portion of the Blanco River and in which is  
4 located a historic railroad depot and heritage center;

5           (43) a municipality located in a county that has a  
6 population of ~~[not]~~ more than 90,000, is adjacent to a bay connected  
7 to the Gulf of Mexico, and contains a portion of the Guadalupe River  
8 ~~[300,000 and in which a component university of the University of~~  
9 ~~Houston System is located]~~;

10           (44) a municipality with a population of less than  
11 500,000 that is:

12                   (A) located in two counties; and

13                   (B) adjacent to a municipality described by  
14 Subdivision (31);

15           (45) a municipality that:

16                   (A) has a population of more than 67,000; and

17                   (B) is located in two counties with 90 percent of  
18 the municipality's territory located in a county with a population  
19 of at least 800,000, and the remaining territory located in a county  
20 with a population of at least four million;

21           (46) a municipality that:

22                   (A) has a population of 100,000 or more; and

23                   (B) is wholly located in, but is not the county  
24 seat of, a county with a population of one million or more:

25                           (i) in which all or part of a municipality  
26 with a population of one million or more is located; and

27                           (ii) that is adjacent to a county with a

1 population of 2.5 million or more;

2 (47) a municipality that is the county seat of a county  
3 bordering the Gulf of Mexico and the United Mexican States;

4 (48) a municipality that is bisected by the Guadalupe  
5 River and is the county seat of a county with a population of  
6 170,000 or more;

7 (49) a municipality with a population of 70,000 or  
8 more but less than 150,000 that borders Joe Pool Lake;

9 (50) a municipality with a population of 115,000 or  
10 more that borders the Neches River;

11 (51) a municipality described by Section 351.101(k);

12 (52) a municipality that is the county seat of a  
13 county:

14 (A) through which the Brazos River flows; and  
15 (B) in which a national monument is located;

16 (53) a municipality with a population of 45,000 or  
17 more that:

18 (A) is not the county seat of a county;  
19 (B) is located in a single county; and  
20 (C) contains a portion of Lake Lewisville;

21 (54) a municipality that is the county seat of a county  
22 with a population of more than 900,000 that is adjacent to two  
23 counties, each of which has a population of more than 1.8 million;

24 (55) a municipality that hosts an annual wine festival  
25 and is located in three counties, each of which has a population of  
26 more than 900,000;

27 (56) a municipality that has a population of at least

1 150,000 but less than 1,300,000 and is partially located in a county  
2 that contains a portion of Cedar Creek Reservoir;

3 (57) a municipality that is located in a county that  
4 contains a portion of Cedar Creek Reservoir and in which a private  
5 college is located;

6 (58) a municipality that is the county seat of a  
7 county:

8 (A) with a population of one million or more;

9 (B) in which all or part of a municipality with a  
10 population of one million or more is located; and

11 (C) that is located adjacent to a county with a  
12 population of 2.5 million or more;

13 (59) a municipality that is the county seat of a county  
14 that contains a portion of Cedar Creek Reservoir and borders a  
15 county with a population of more than 240,000;

16 (60) a municipality with a population of more than  
17 80,000 but less than 150,000 that is located in a county with a  
18 population of more than 369,000 but less than 864,000 that contains  
19 part of an active duty United States Army installation;

20 (61) a municipality with a population of 750,000 or  
21 more that is located in a county with a population of 1.5 million or  
22 less;

23 (62) a municipality with a population of less than  
24 7,000 that contains a country music hall of fame;

25 (63) a municipality with a population of 35,000 or  
26 more that contains a railroad museum and is located in a county  
27 that:

1                   (A) has a population of 800,000 or more; and  
2                   (B) is adjacent to a county with a population of  
3 four million or more; ~~[and]~~  
4                   (64) a municipality:  
5                   (A) that is the county seat of a county:  
6                         (i) with a population of 60,000 or less; and  
7                         (ii) that borders the Rio Grande; and  
8                   (B) in which is located a United States military  
9 fort listed in the National Register of Historic Places;  
10                  (65) a municipality through which the Comal River  
11 flows;  
12                  (66) a municipality with a population of 7,000 or more  
13 that contains Lake Marble Falls;  
14                  (67) a municipality that:  
15                         (A) has a population of more than 130,000 but  
16 less than 1.3 million; and  
17                         (B) is located in three counties, each of which  
18 has a population of more than 900,000;  
19                  (68) a municipality with a population of 47,000 or  
20 more that:  
21                         (A) is located in two counties, one of which has a  
22 population of 2.1 million or more and one of which has a population  
23 of 179,000 or more; and  
24                         (B) is bisected by State Highway 174;  
25                  (69) a municipality with a population of more than  
26 240,000 but less than 270,000 that borders a man-made lake that has  
27 a surface area of more than 20,000 acres;

1           (70) a municipality that is the county seat of a county  
2 that:  
3           (A) has a population of 600,000 or more; and  
4           (B) is adjacent to the county that contains the  
5 State Capitol;  
6           (71) a municipality described by Section  
7 334.0082(a)(2), Local Government Code;  
8           (72) a municipality that:  
9           (A) has a population of 10,000 or more but less  
10 than 75,000;  
11           (B) is located in two counties, one of which is a  
12 county in which the State Capitol is located; and  
13           (C) hosts an annual German festival;  
14           (73) a municipality that:  
15           (A) is located in a county with a population of  
16 600,000 or more that is adjacent to the county that contains the  
17 State Capitol; and  
18           (B) has a population of more than 16,000 but less  
19 than 27,000;  
20           (74) a municipality with a population of more than  
21 16,000 but less than 18,000 that is located in a county with a  
22 population of more than 2.5 million that is adjacent to a county  
23 with a population of more than 2.1 million;  
24           (75) a municipality with a population of more than  
25 285,000 that is wholly located in two counties, each with a  
26 population of more than 900,000; and  
27           (76) a municipality with a population of 15,000 or

1 more but less than 30,000, that is bisected by United States Highway  
2 75, and that is wholly located in a county:

3 (A) with a population of 750,000 or more;

4 (B) in which all or part of a municipality with a  
5 population of one million or more is located; and

6 (C) that is adjacent to a county with a  
7 population of two million or more.

8 SECTION 12. Subchapter C, Chapter 351, Tax Code, is amended  
9 by adding Section 351.1535 to read as follows:

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

13 (b) Section 351.151(2)(C) does not apply to a facility:

14 (1) that otherwise meets the requirements of a  
15 qualified convention center facility under Section 351.151;

16 (2) for which the nearest qualified hotel is located  
17 near a natural impediment, including open water or protected  
18 wetlands, that makes it impractical for the facility to be located  
19 not more than 1,000 feet from the nearest exterior wall of the  
20 qualified hotel; and

21 (3) that has an exterior wall that is located not more  
22 than 2,000 feet from the nearest exterior wall of a qualified hotel.

23 (c) Section 351.151(3)(B) does not apply to a hotel:

24 (1) that otherwise meets the requirements of a  
25 qualified hotel under Section 351.151;

26 (2) for which the nearest qualified convention center  
27 facility is located near a natural impediment, including open water

1 or protected wetlands, that makes it impractical for the hotel to be  
2 located not more than 1,000 feet from the nearest exterior wall of  
3 the qualified convention center facility; and

4 (3) that has an exterior wall that is located not more  
5 than 2,000 feet from the nearest exterior wall of a qualified  
6 convention center facility.

7 (d) Notwithstanding Section 351.151(4)(B)(i)(b), a parking  
8 area or structure that otherwise meets the requirements of a  
9 qualified project under Section 351.151 may be located not more  
10 than 2,000 feet from the nearest property line of a qualified  
11 convention center facility or qualified hotel if the facility or  
12 hotel is located near a natural impediment, including open water or  
13 protected wetlands, that makes it impractical to acquire, lease,  
14 construct, repair, remodel, expand, or equip a parking area or  
15 structure located not more than 1,000 feet from the facility or  
16 hotel.

17 (e) Section 351.151(4)(B)(ii)(b) does not apply to  
18 infrastructure:

19 (1) for which the qualified convention center facility  
20 or qualified hotel is located near a natural impediment, including  
21 open water or protected wetlands, that makes it impractical to  
22 acquire, construct, repair, remodel, or expand infrastructure  
23 located not more than 1,000 feet from the facility or hotel; and

24 (2) that is located not more than 2,000 feet from the  
25 nearest property line of the qualified convention center facility  
26 or qualified hotel.

27 SECTION 13. Section 351.155, Tax Code, is amended by



1 amending Subsection (c) and adding Subsection (c-1) to read as  
2 follows:

3 (c) A municipality may pledge or commit revenue under this  
4 section for only one qualified project. After a municipality  
5 pledges or commits revenue under this section for a qualified  
6 project, the municipality may not ever again pledge or commit  
7 revenue for a qualified project. This subsection may not be  
8 construed to prohibit a municipality from pledging or committing  
9 revenue under this section for a qualified project that is  
10 authorized by an act of the legislature that becomes law on or after  
11 January 1, 2026.

12 (c-1) This subsection applies only to a municipality  
13 described by Section 351.152(12) that has a population of 130,000  
14 or more. Notwithstanding Subsection (c), a municipality to which  
15 this subsection applies may pledge or commit revenue under this  
16 section for only two qualified projects.

17 SECTION 14. Section 351.157, Tax Code, is amended by  
18 amending Subsection (b) and adding Subsection (b-1) to read as  
19 follows:

20 (b) This section applies only to:

21 (1) a municipality described by Section 351.152(3);

22 (1-a) a municipality described by Section 351.152(5);

23 (2) a municipality described by Section 351.152(6);

24 (3) a municipality described by Section 351.152(7);

25 (3-a) a municipality described by Section 351.152(9);

26 (4) a municipality described by Section 351.152(10);

27 (4-a) a municipality described by Section

1 351.152(14);  
2 (5) a municipality described by Section 351.152(16);  
3 (6) a municipality described by Section 351.152(22);  
4 (7) a municipality described by Section 351.152(25);  
5 (8) a municipality described by Section 351.152(34);  
6 (9) a municipality described by Section 351.152(35);  
7 (10) a municipality described by Section 351.152(36);  
8 (11) a municipality described by Section 351.152(38);  
9 (11-a) a municipality described by Section  
10 351.152(41);  
11 (12) a municipality described by Section 351.152(43);  
12 (13) a municipality described by Section 351.152(46);  
13 (14) a municipality described by Section 351.152(47);  
14 (15) a municipality described by Section 351.152(49);  
15 (15-a) a municipality described by Section  
16 351.152(51);  
17 (16) a municipality described by Section 351.152(53);  
18 (17) a municipality described by Section 351.152(54);  
19 (18) a municipality described by Section 351.152(56);  
20 and  
21 (19) a municipality described by Section 351.152(58).  
22 (b-1) In addition to the municipalities described by  
23 Subsection (b), this section applies to a municipality described by  
24 Section 351.155(c-1).  
25 SECTION 15. Section 351.161(a), Tax Code, as added by  
26 Chapter 1030 (S.B. 627), Acts of the 88th Legislature, Regular  
27 Session, 2023, is amended to read as follows:

1           (a) This section applies only to a municipality described by  
2 Section 351.152(5) or (75).

3           SECTION 16. Section 352.002, Tax Code, is amended by  
4 amending Subsection (a) and adding Subsections (gg), (hh), (ii),  
5 (jj), and (kk) to read as follows:

6           (a) The commissioners courts of the following counties by  
7 the adoption of an order or resolution may impose a tax on a person  
8 who, under a lease, concession, permit, right of access, license,  
9 contract, or agreement, pays for the use or possession or for the  
10 right to the use or possession of a room that is in a hotel, costs \$2  
11 or more each day, and is ordinarily used for sleeping:

12               (1) a county that has a population of more than 3.3  
13 million;

14               (2) a county that has a population of 90,000 or more,  
15 borders the United Mexican States, does not border the Gulf of  
16 Mexico, and does not have four or more cities that each have a  
17 population of more than 25,000;

18               (3) a county in which there is no municipality;

19               (4) a county in which there is located an Indian  
20 reservation under the jurisdiction of the United States government;

21               (5) a county that has a population of 30,000 or less,  
22 that has no more than one municipality with a population of less  
23 than 2,500, and that borders two counties located wholly in the  
24 Edwards Aquifer Authority established by Chapter 626, Acts of the  
25 73rd Legislature, Regular Session, 1993;

26               (6) a county that borders the Gulf of Mexico, other  
27 than a county authorized to impose the tax under Subdivision (30);

1           (7) a county that has a population of less than 5,000,  
2 that borders the United Mexican States, and in which there is  
3 located a major observatory;

4           (8) a county that has a population of 12,000 or less  
5 and borders the Toledo Bend Reservoir;

6           (9) a county that has a population of less than 12,500  
7 and an area of less than 275 square miles and does not border a  
8 county that borders Arkansas and Louisiana;

9           (10) a county that has a population of 30,000 or less  
10 and borders Possum Kingdom Lake;

11           (11) a county that borders a county with a population  
12 of more than 300,000 and the United Mexican States and has a  
13 population of more than 300,000 and less than 900,000;

14           (12) a county that has a population of 35,000 or more  
15 and borders or contains a portion of Lake Fork Reservoir;

16           (13) a county that borders the United Mexican States  
17 and in which there is located a national recreation area;

18           (14) a county that borders the United Mexican States  
19 and in which there is located a national park of more than 400,000  
20 acres;

21           (15) a county that has a population of 28,000 or less,  
22 that has no more than four municipalities, and that is located  
23 wholly in the Edwards Aquifer Authority established by Chapter 626,  
24 Acts of the 73rd Legislature, Regular Session, 1993;

25           (16) a county that has a population of 25,000 or less,  
26 whose territory is less than 750 square miles, and that has two  
27 incorporated municipalities, each with a population of 800 or less,

1 at least one of which is located on the Frio River;

2 (17) a county that has a population of 34,000 or more  
3 and borders Lake Buchanan;

4 (18) a county that has a population of more than 45,000  
5 and less than 75,000, that borders the United Mexican States, and  
6 that borders or contains a portion of Falcon Lake;

7 (19) a county with a population of 22,000 or less that  
8 borders the Neches River and in which there is located a national  
9 preserve;

10 (20) a county that has a population of 28,000 or less  
11 and that borders or contains a portion of Lake Livingston;

12 (21) a county through which the Pedernales River flows  
13 and in which the birthplace or the childhood home of a president of  
14 the United States is located;

15 (22) a county that has a population of 35,000 or less  
16 and borders Lake Buchanan;

17 (23) a county with a population of less than 11,000  
18 that is bordered by the Sulphur River;

19 (24) a county that has a population of 16,000 or more  
20 and borders the entire north shore of Lake Somerville;

21 (25) a county that has a population of 20,000 or less  
22 and that is bordered by the Brazos and Navasota Rivers;

23 (26) a county that has a population of more than 15,000  
24 and less than 25,000 and is located on the Trinity and Navasota  
25 Rivers;

26 (27) a county that has a population of less than 15,000  
27 and that is bordered by the Trinity and Navasota Rivers;

1           (28) a county that borders or contains a portion of the  
2 Neches River, the Sabine River, and Sabine Lake; ~~[and]~~

3           (29) a county that borders Whitney Lake; and

4           (30) a county that has a population of more than  
5 90,000, is located adjacent to a bay connected to the Gulf of  
6 Mexico, and contains a portion of the Guadalupe River.

7           (gg) The commissioners court of a county in which the  
8 headwaters of the Guadalupe River are located may impose a tax as  
9 provided by Subsection (a). A tax imposed under this subsection  
10 does not apply to a hotel located in a municipality that imposes a  
11 tax under Chapter 351 applicable to the hotel.

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

17           (ii) The commissioners court of a county that borders  
18 Oklahoma and is bisected by United States Highway 62 may impose a  
19 tax as provided by Subsection (a). A tax imposed under this  
20 subsection does not apply to a hotel located in a municipality that  
21 imposes a tax under Chapter 351 applicable to the hotel.

22           (jj) The commissioners court of a county that has a  
23 population of more than 125,000, borders the Red River, and has a  
24 county seat with a population of more than 100,000 may impose a tax  
25 as provided by Subsection (a). This subsection expires September  
26 1, 2030.

27           (kk) The commissioners court of a county with a population

1 of less than 100,000 that borders the Navasota River and in which an  
2 annual renaissance festival is held may impose a tax as provided by  
3 Subsection (a).

4 SECTION 17. Section 352.003, Tax Code, is amended by adding  
5 Subsections (ff), (gg), and (hh) to read as follows:

6 (ff) The tax rate in a county authorized to impose the tax  
7 under Section 352.002(jj) may not exceed two percent of the price  
8 paid for a room in a hotel. This subsection expires September 1,  
9 2030.

10 (gg) The tax rate in a county authorized to impose the tax  
11 under Section 352.002(kk) may not exceed seven percent of the price  
12 paid for a room in a hotel, except that the tax rate may not exceed  
13 two percent of the price paid for a room in a hotel if the hotel is  
14 located in:

15 (1) a municipality that imposes a tax under Chapter  
16 351 applicable to the hotel; or

17 (2) the extraterritorial jurisdiction of a  
18 municipality that imposes a tax under Section 351.0025 applicable  
19 to the hotel.

20 (hh) The tax rate in a county authorized to impose the tax  
21 under Section 352.002(a)(30) may not exceed seven percent of the  
22 price paid for a room in a hotel, except that the tax rate may not  
23 exceed two percent of the price paid for a room in a hotel if the  
24 hotel is located in:

25 (1) a municipality that imposes a tax under Chapter  
26 351 applicable to the hotel; or

27 (2) the extraterritorial jurisdiction of a

1 municipality that imposes a tax under Section 351.0025 applicable  
2 to the hotel.

3 SECTION 18. Subchapter B, Chapter 352, Tax Code, is amended  
4 by adding Section 352.119 to read as follows:

5 Sec. 352.119. USE OF REVENUE: CERTAIN COUNTIES BORDERING  
6 NAVASOTA RIVER. In addition to the purposes authorized by this  
7 chapter, the revenue from a tax imposed under this chapter by a  
8 county authorized to impose the tax under Section 352.002(kk) may  
9 be used for:

10 (1) the construction, enlarging, equipping,  
11 improvement, maintenance, repairing, and operation of a civic  
12 center with an arena used for rodeos, livestock shows, or  
13 agricultural expositions to enhance hotel activity and encourage  
14 tourism;

15 (2) advertising and conducting solicitations and  
16 promotional programs to attract tourists or convention delegates to  
17 the county, any of which may be conducted by the county or through a  
18 contract with a person or organization selected by the county; and

19 (3) encouraging, promoting, and improving historical  
20 preservation and restoration efforts.

21 SECTION 19. (a) Sections 351.1035 and 351.155(d), Tax  
22 Code, are repealed.

23 (b) The repeal by this section of Section 351.1035, Tax  
24 Code, applies only to revenue collected on or after the effective  
25 date of this Act. Revenue collected before the effective date of  
26 this Act is governed by the law in effect when the revenue was  
27 collected, and the former law is continued in effect for that



1 purpose.

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

12       SECTION 20. It is the intent of the 89th Legislature,  
13 Regular Session, 2025, that the amendments made by this Act be  
14 harmonized with another Act of the 89th Legislature, Regular  
15 Session, 2025, relating to nonsubstantive additions to and  
16 corrections in enacted codes.

17       SECTION 21. This Act takes effect immediately if it  
18 receives a vote of two-thirds of all the members elected to each  
19 house, as provided by Section 39, Article III, Texas Constitution.  
20 If this Act does not receive the vote necessary for immediate  
21 effect, this Act takes effect September 1, 2025.

ADOPTED

MAY 25 2025

*Latey Law*  
Secretary of the Senate

FLOOR AMENDMENT NO. 1

BY:

*Phil King*

1 Amend C.S.H.B. No. 2974 (senate committee printing) as  
2 follows:

3 (1) In SECTION 19 of the bill, strike Subsection (a) of the  
4 SECTION, providing for the repeal of certain provisions (page 15,  
5 lines 21 and 22), and substitute the following:

6 (a) Section 351.1035, Tax Code, is repealed.

7 (2) In SECTION 19 of the bill, between Subsections (a) and  
8 (b) of the SECTION (page 15, between lines 22 and 23), insert the  
9 following appropriately lettered subsection and reletter  
10 subsequent subsections of the SECTION accordingly:

11 ( ) Effective January 1, 2026, Section 351.155(d), Tax Code,  
12 is repealed.

13 (3) In SECTION 21 of the bill, providing an effective date  
14 (page 15, line 44), strike "This" and substitute "Except as  
15 otherwise provided by this Act, this".

16 (4) Add the following appropriately numbered SECTION to the  
17 bill and renumber subsequent SECTIONS of the bill accordingly:

18 SECTION \_\_\_\_\_. Section 151.429(h), Tax Code, is amended to  
19 read as follows:

20 (h) This subsection does not apply to a qualified hotel  
21 project that is commenced after December 1, 2016. Notwithstanding  
22 the other provisions of this section, the owner of a qualified hotel  
23 project shall receive a rebate, refund, or payment of 100 percent of  
24 the sales and use taxes paid or collected by the qualified hotel  
25 project or businesses located in the qualified hotel project  
26 pursuant to this chapter and 100 percent of the hotel occupancy  
27 taxes paid by persons for the use or possession of or for the right  
28 to the use or possession of a room or space at the qualified hotel  
29 project pursuant to the provisions of Chapter 156 during the first

1 10 years after such qualified hotel project is open for initial  
2 occupancy. The comptroller shall deposit the taxes in trust in a  
3 separate suspense account of the qualified hotel project. A  
4 suspense account is outside the state treasury, and the comptroller  
5 may make a rebate, refund, or payment authorized by this section  
6 without the necessity of an appropriation. The comptroller shall  
7 rebate, refund, or pay to each qualified hotel project eligible  
8 taxable proceeds to which the project is entitled under this  
9 section at least monthly.

LEGISLATIVE BUDGET BOARD  
Austin, Texas

FISCAL NOTE, 89TH LEGISLATIVE REGULAR SESSION

May 27, 2025

TO: Honorable Dustin Burrows, Speaker of the House, House of Representatives

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: **HB2974** by Craddick (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; authorizing the imposition of taxes.), **As Passed 2nd House**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB2974, As Passed 2nd House: a negative impact of (\$446,000) through the biennium ending August 31, 2027.

However, there would a negative impact of (\$18,264,000) in the biennium ending August 31, 2029.

Similar fiscal implications would continue after 2030 until the 10th anniversary of the date of entitlement for each project, when the estimated cumulative total of entitlement to state revenue for these projects would reach (\$143,705,000).

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	(\$446,000)
2028	(\$7,972,000)
2029	(\$10,292,000)
2030	(\$12,402,000)

All Funds, Five-Year Impact:

<i>Fiscal Year</i>	Probable Revenue Gain/(Loss) from <i>General Revenue Fund</i> 1
2026	\$0
2027	(\$446,000)
2028	(\$7,972,000)
2029	(\$10,292,000)
2030	(\$12,402,000)

Fiscal Analysis

The bill would amend Chapters 351 and 352 (Municipal and County Hotel Occupancy Taxes, respectively) of the Tax Code, as well as Chapter 334 of the Local Government Code. The bill would amend municipal and county hotel occupancy tax statutes regarding the use, allocation, and imposition of such taxes; amendments to

Chapter 351 would include state tax rebate provisions applicable to hotel projects in certain localities. Chapter 334 of the Local Government Code (Sports and Community Venue Districts) would be amended to allow the imposition, with specified usage of revenue, of a hotel occupancy tax by certain cities.

The bill would amend Section 156.2511 of the Tax Code to require the eligible costal municipalities to transfer all warrants issued under Subsection (a) to the park board of trustees created by the municipality no later than the last day of the calendar month immediately following the date the municipality received the warrant. Additionally, the bill would allow the Comptroller to only issue warrants to a municipality that uses at least one percent of the tax collected under Chapter 351 to clean and maintain public beaches in the municipality and either applied for state funds under Subchapter C, Chapter 61, of the Natural Resources Code, made available to the comptroller the same information required to be contained in an application under Section 61.069 of the Natural Resources Code, or, on the request of the Comptroller's office, submitted certain information.

The bill would amend Chapter 351 of the Tax Code (Municipal Hotel Occupancy Taxes) to limit the number of 1) qualified projects under Sections 351.1015 and 351.106 commenced after January 1, 2026, 2) hotel projects under Section 351.102 commenced after January 1, 2025, 3) multipurpose convention center projects under Section 351.1021 commenced after January 1, 2026, and 4) hotel projects under Section 351.1022 commenced after January 1, 2026, to one project per section of code per municipality. Once a municipality commences a project under these sections of the code, they would not be allowed to pledge or commit revenue for subsequent projects under the same sections of the code again.

The bill would add 351.102 (a-1) that would prohibit a municipality with a population of more than 1.5 million to pledge or commit revenue under this subsection for the payment of principal of or interest on certain bonds or other obligations issued to pay for certain costs if those costs were incurred from a project that was commenced after December 1, 2016.

The bill would repeal Section 351.155(d) of the Tax Code, excepting a municipality of population 175,000 or more from the limitation to one qualified project for which municipal hotel tax, and state tax revenues under Sections 351.156 and 351.357, may be pledged. The effect of the repeal would be to limit all municipalities to one qualified project, were more than one not commenced before the effective date of the bill. The repeal of this section would take effect January 1, 2026.

The bill would amend Section 151.429(h) of the Tax code to make the section not apply to a qualified hotel project that has commenced after December 1, 2016.

This bill would amend Sections 351.152(24) and (43) of the Tax Code (Municipal Hotel Occupancy Taxes; Applicability) to update population, and other identifying characteristic, brackets for municipalities authorized 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 bill would amend Section 351.152 of the Tax Code to add (3-a) a municipality described by Section 351.001(11); (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), 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, 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 bill would add Section 351.1535 to allow for a municipality described by Section 351.001(11) to be exempt from certain requirements for qualified convention center facilities, hotels, and infrastructure.

The bill would amend Section 351.155(c) to allow for certain municipalities to commence more than one qualified project that they would have been authorized to commence under 351.155(d) before January 1, 2026.

The bill would amend Section 351.155 by adding Subsection (c-1) to allow for a municipality described by Section 351.152(12) that has a population of 130,000 or more to commit revenue under this section for two qualified projects.

The bill would amend Section 351.157(b) to add (3-a), a municipality described by Section 351.152(9), and (15-a), a municipality described by Section 351.152(51).

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(c-1).

The bill would amend Section 351.161(a) to add a municipality described by Section 351.152(75). The Comptroller would be required, on the 20th anniversary of the date a hotel designated as a qualified hotel by a municipality described by Section 351.152(75) as part of a qualified project, to determine the total state tax revenue received by the municipality from the qualified project under Section 351.156 and 351.157 and the amount of revenue received by the 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 amendments to Section 156.2511 of the Tax Code would currently affect the city of Galveston.

The Comptroller's office does not currently track how the city of Galveston uses the revenue collected under Chapter 351 of the tax code; therefore, the eligibility city of Galveston to receive warrants under the provisions of this bill cannot be determined. The bill would have no fiscal impact on state, as money allocable to the park board of trustees under the bill is allocable to the city of Galveston under current law.

Certain provisions of the bill would apply to all eligible municipalities, including local government corporations created to aid and act on behalf of municipalities, but would not affect any ongoing projects as of January 1, 2025, under Section 351.102. The bill further provides that revenue pledges or commitments made prior to January 1, 2026, would be governed by the law in effect at the time of the pledge or commitment. Municipalities would be limited to one project per section 351.1015, 351.106, 351.102, 351.156, 351.157, 351.1021 or 351.1022, except for the city of Midland which would be allowed to commence two projects under Sections 351.156 or 351.157. Municipalities that have already commenced a project under these sections of code could not commence another project under the same sections of code.

Since the provisions of these sections would not affect any ongoing projects, and would only limit the future actions of municipalities, these sections would have no fiscal impact on the state.

Populations, and other identifying characteristics, for Sections 351.152 (24) and (43) of the Tax Code would be updated for these currently authorized cities. The updates to 351.152(43), which applies to Victoria, would continue to refer to that, currently authorized, city. The updates to 351.152(24), which applies Pearland, would continue to refer to that, currently authorized, city and would now grant eligibility to the city of Abilene. The city of Abilene already has eligibility through 351.152(12).

Sections 351.152 (3-a) and (65)-(76) would authorize the following cities to receive certain state revenue: (3-a) South Padre; (65) New Braunfels; (66) Marble Falls; (67) Carrollton; (68) Burleson; (69) Garland; (70) Georgetown; (71) McAllen; (72) Pflugerville; (73) Taylor; (74) Addison; (75) Plano; and (76) Anna.

The cities would be eligible to receive funds described in Section 351.156 which provides, in relevant part, that a municipality to which Section 351.152 applies is 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. Section 351.158 (Period of Entitlement) would entitle the cities to receive the revenue until the 10th anniversary of the date the qualified hotel to which the entitlement relates is open for initial occupancy.

The estimate is based on various projected opening dates, as early as September 1, 2026 (fiscal 2027), a comparison and review of revenues paid to the owners of extant qualified hotel projects, and estimated attributes of such prospective hotels. The estimates assume the authorizations are sought for use and represent projected entitlements to state revenue should the projects occur. However, many authorizations previously enacted remain unutilized, as project development may prove infeasible even with the assurance of state subsidy.

The addition of Section 351.1535 would allow South Padre to be exempt from certain requirements for qualified convention center facilities, hotels, and infrastructure.

The amendment to Sections 351.155 and the addition of 351.157 (b-1) would affect the city of Midland.

Midland is currently eligible to receive funds described in Section 351.156 (Entitlement to Certain Tax Revenue) and would be eligible to receive funds described 351.157 (Additional Entitlement for Certain Municipalities). Section 351.157(d) provides, in relevant part, that a municipality to which the section applies is 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. Section 351.158 (Period of Entitlement) would entitle Midland to receive the revenue until the tenth anniversary of the date the qualified hotel to which the entitlement relates is open for initial occupancy. Section 351.155(c-1) would allow the city of Midland to develop no more than two qualified projects.

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.

Sections 351.157 (3-a) and (15-a) would affect the cities of Tyler, Bastrop and Smithville.

Tyler, Bastrop and Smithville are currently eligible to receive funds described in Section 351.156 (Entitlement to Certain Tax Revenue) and would be eligible to receive funds described 351.157 (Additional Entitlement for Certain Municipalities).

Tyler and Bastrop both have plans for a qualified hotel with the additional entitlement from restaurants, bars, retail establishments, swimming pools and swimming facilities as provided under Section 351.157 but the cities have indicated that their qualified hotels will not be ready to open for initial occupancy until fiscal 2030 at the earliest. Because of Section 351.157(e), which states that a municipality must commence a qualified project before September 1, 2027, to receive revenue under Section 351.157(d), the cities of Tyler and Bastrop could not avail themselves of the tax rebates under Section 351.157. Additionally, the city of Smithville does not have any plans for a qualified hotel under Section 351.157 and will more than likely not commence a project before the September 1, 2027, cutoff; therefore, this bill will have no fiscal impact to the state from the cities of Tyler, Bastrop, and Smithville.

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**

The bill would amend Chapters 351 and 352 (Municipal and County Hotel Occupancy Taxes, respectively) of the Tax Code, as well as Chapter 334 of the Local Government Code. The bill would amend municipal and county hotel occupancy tax statutes regarding the use, allocation, and imposition of such taxes; amendments to Chapter 351 would include state tax rebate provisions applicable to hotel projects in certain localities. Chapter 334 of the Local Government Code (Sports and Community Venue Districts) would be amended to allow the imposition, with specified usage of revenue, of a hotel occupancy tax by certain cities.

**Source Agencies:** 304 Comptroller of Public Accounts

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



LEGISLATIVE BUDGET BOARD  
Austin, Texas

FISCAL NOTE, 89TH LEGISLATIVE REGULAR SESSION

May 22, 2025

**TO:** Honorable Phil King, Chair, Senate Committee on Economic Development

**FROM:** Jerry McGinty, Director, Legislative Budget Board

**IN RE:** **HB2974** by Craddick (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; authorizing the imposition of taxes.), **Committee Report 2nd House, Substituted**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB2974, Committee Report 2nd House, Substituted: a negative impact of (\$446,000) through the biennium ending August 31, 2027.

However, there would a negative impact of (\$18,264,000) in the biennium ending August 31, 2029.

Similar fiscal implications would continue after 2030 until the 10th anniversary of the date of entitlement for each project, when the estimated cumulative total of entitlement to state revenue for these projects would reach (\$143,705,000).

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	(\$446,000)
2028	(\$7,972,000)
2029	(\$10,292,000)
2030	(\$12,402,000)

All Funds, Five-Year Impact:

<i>Fiscal Year</i>	Probable Revenue Gain/(Loss) from <i>General Revenue Fund</i> 1
2026	\$0
2027	(\$446,000)
2028	(\$7,972,000)
2029	(\$10,292,000)
2030	(\$12,402,000)

Fiscal Analysis

The bill would amend Chapters 351 and 352 (Municipal and County Hotel Occupancy Taxes, respectively) of the Tax Code, as well as Chapter 334 of the Local Government Code. The bill would amend municipal and county hotel occupancy tax statutes regarding the use, allocation, and imposition of such taxes; amendments to

Chapter 351 would include state tax rebate provisions applicable to hotel projects in certain localities. Chapter 334 of the Local Government Code (Sports and Community Venue Districts) would be amended to allow the imposition, with specified usage of revenue, of a hotel occupancy tax by certain cities.

The bill would amend Section 156.2511 of the Tax Code to require the eligible costal municipalities to transfer all warrants issued under Subsection (a) to the park board of trustees created by the municipality no later than the last day of the calendar month immediately following the date the municipality received the warrant. Additionally, the bill would allow the Comptroller to only issue warrants to a municipality that uses at least one percent of the tax collected under Chapter 351 to clean and maintain public beaches in the municipality and either applied for state funds under Subchapter C, Chapter 61, of the Natural Resources Code, made available to the comptroller the same information required to be contained in in an application under Section 61.069 of the Natural Resources Code, or, on the request of the Comptroller's office, submitted certain information.

The bill would amend Chapter 351 of the Tax Code (Municipal Hotel Occupancy Taxes) to limit the number of 1) qualified projects under Sections 351.1015 and 351.106 commenced after January 1, 2026, 2) hotel projects under Section 351.102 commenced after January 1, 2025, 3) multipurpose convention center projects under Section 351.1021 commenced after January 1, 2026, and 4) hotel projects under Section 351.1022 commenced after January 1, 2026, to one project per section of code per municipality. Once a municipality commences a project under these sections of the code, they would not be allowed to pledge or commit revenue for subsequent projects under the same sections of the code again.

The bill would add 351.102 (a-1) that would prohibit a municipality with a population of more than 1.5 million to pledge or commit revenue under this subsection for the payment of principal of or interest on certain bonds or other obligations issued to pay for certain costs if those costs were incurred from a project that was commenced after December 1, 2016.

The bill would repeal Section 351.155(d) of the Tax Code, excepting a municipality of population 175,000 or more from the limitation to one qualified project for which municipal hotel tax, and state tax revenues under Sections 351.156 and 351.357, may be pledged. The effect of the repeal would be to limit all municipalities to one qualified project, were more than one not commenced before the effective date of the bill.

This bill would amend Sections 351.152(24) and (43) of the Tax Code (Municipal Hotel Occupancy Taxes; Applicability) to update population, and other identifying characteristic, brackets for municipalities authorized 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 bill would amend Section 351.152 of the Tax Code to add (3-a) a municipality described by Section 351.001(11); (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), 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, 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 bill would add Section 351.1535 to allow for a municipality described by Section 351.001(11) to be exempt from certain requirements for qualified convention center facilities, hotels, and infrastructure.

The bill would amend Section 351.155(c) to allow for certain municipalities to commence more than one qualified project that they would have been authorized to commence under 351.155(d) before January 1, 2026.

The bill would amend Section 351.155 by adding Subsection (c-1) to allow for a municipality described by Section 351.152(12) that has a population of 130,000 or more to commit revenue under this section for two qualified projects.

The bill would amend Section 351.157(b) to add (3-a), a municipality described by Section 351.152(9), and (15-a), a municipality described by Section 351.152(51).

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(c-1).

The bill would amend Section 351.161(a) to add a municipality described by Section 351.152(75). The Comptroller would be required, on the 20th anniversary of the date a hotel designated as a qualified hotel by a municipality described by Section 351.152(75) as part of a qualified project, to determine the total state tax revenue received by the municipality from the qualified project under Section 351.156 and 351.157 and the amount of revenue received by the 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 amendments to Section 156.2511 of the Tax Code would currently affect the city of Galveston.

The Comptroller's office does not currently track how the city of Galveston uses the revenue collected under Chapter 351 of the tax code; therefore, the eligibility city of Galveston to receive warrants under the provisions of this bill cannot be determined. The bill would have no fiscal impact on state, as money allocable to the park board of trustees under the bill is allocable to the city of Galveston under current law.

Certain provisions of the bill would apply to all eligible municipalities, including local government corporations created to aid and act on behalf of municipalities, but would not affect any ongoing projects as of January 1, 2025, under Section 351.102. The bill further provides that revenue pledges or commitments made prior to January 1, 2026, would be governed by the law in effect at the time of the pledge or commitment. Municipalities would be limited to one project per section 351.1015, 351.106, 351.102, 351.156, 351.157, 351.1021 or 351.1022, except for the city of Midland which would be allowed to commence two projects under Sections 351.156 or 351.157. Municipalities that have already commenced a project under these sections of code could not commence another project under the same sections of code.

Since these provisions would not affect any ongoing projects, and would only limit the future actions of municipalities, these sections would have no fiscal impact on the state.

Populations, and other identifying characteristics, for Sections 351.152 (24) and (43) of the Tax Code would be updated for these currently authorized cities. The updates to 351.152(43), which applies to Victoria, would continue to refer to that, currently authorized, city. The updates to 351.152(24), which applies Pearland, would continue to refer to that, currently authorized, city and would now grant eligibility to the city of Abilene. The city of Abilene already has eligibility through 351.152(12).

Sections 351.152 (3-a) and (65)-(76) would authorize the following cities to receive certain state revenue: (3-a) South Padre; (65) New Braunfels; (66) Marble Falls; (67) Carrollton; (68) Burleson; (69) Garland; (70) Georgetown; (71) McAllen; (72) Pflugerville; (73) Taylor; (74) Addison; (75) Plano; and (76) Anna.

The cities would be eligible to receive funds described in Section 351.156 which provides, in relevant part, that a municipality to which Section 351.152 applies is 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. Section 351.158 (Period of Entitlement) would entitle the cities to receive the revenue until the 10th anniversary of the date the qualified hotel to which the entitlement relates is open for initial occupancy.

The estimate is based on various projected opening dates, as early as September 1, 2026 (fiscal 2027), a comparison and review of revenues paid to the owners of extant qualified hotel projects, and estimated attributes of such prospective hotels. The estimates assume the authorizations are sought for use and represent projected entitlements to state revenue should the projects occur. However, many authorizations previously enacted remain unutilized, as project development may prove infeasible even with the assurance of state subsidy.

The addition of Section 351.1535 would allow South Padre to be exempt from certain requirements for qualified convention center facilities, hotels, and infrastructure.

The amendment to Sections 351.155 and the addition of 351.157 (b-1) would affect the city of Midland.

Midland is currently eligible to receive funds described in Section 351.156 (Entitlement to Certain Tax Revenue) and would be eligible to receive funds described 351.157 (Additional Entitlement for Certain Municipalities). Section 351.157(d) provides, in relevant part, that a municipality to which the section applies is 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. Section 351.158 (Period of Entitlement) would entitle Midland to receive the revenue until the tenth anniversary of the date the qualified hotel to which the entitlement relates is open for initial occupancy. Section 351.155(c-1) would allow the city of Midland to develop no more than two qualified projects.

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.

Sections 351.157 (3-a) and (15-a) would affect the cities of Tyler, Bastrop and Smithville.

Tyler, Bastrop and Smithville are currently eligible to receive funds described in Section 351.156 (Entitlement to Certain Tax Revenue) and would be eligible to receive funds described 351.157 (Additional Entitlement for Certain Municipalities).

Tyler and Bastrop both have plans for a qualified hotel with the additional entitlement from restaurants, bars, retail establishments, swimming pools and swimming facilities as provided under Section 351.157 but the cities have indicated that their qualified hotels will not be ready to open for initial occupancy until fiscal 2030 at the earliest. Because of Section 351.157(e), which states that a municipality must commence a qualified project before September 1, 2027, to receive revenue under Section 351.157(d), the cities of Tyler and Bastrop could not avail themselves of the tax rebates under Section 351.157. Additionally, the city of Smithville does not have any plans for a qualified hotel under Section 351.157 and will more than likely not commence a project before the September 1, 2027, cutoff; therefore, this bill will have no fiscal impact to the state from the cities of Tyler, Bastrop, and Smithville.

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**

The bill would amend Chapters 351 and 352 (Municipal and County Hotel Occupancy Taxes, respectively) of the Tax Code, as well as Chapter 334 of the Local Government Code. The bill would amend municipal and county hotel occupancy tax statutes regarding the use, allocation, and imposition of such taxes; amendments to Chapter 351 would include state tax rebate provisions applicable to hotel projects in certain localities. Chapter 334 of the Local Government Code (Sports and Community Venue Districts) would be amended to allow the imposition, with specified usage of revenue, of a hotel occupancy tax by certain cities.

**Source Agencies:** 304 Comptroller of Public Accounts

**LBB Staff:** JMc, RStu, SD, BRI, NV

LEGISLATIVE BUDGET BOARD  
Austin, Texas

FISCAL NOTE, 89TH LEGISLATIVE REGULAR SESSION

May 21, 2025

TO: Honorable Phil King, Chair, Senate Committee on Economic Development

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: **HB2974** by Craddick (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; authorizing the imposition of taxes.), **As Engrossed**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB2974, As Engrossed: a negative impact of (\$1,270,000) through the biennium ending August 31, 2027.

However, there would be a negative impact of (\$20,012,000) in the biennium ending August 31, 2029.

Not including the city of Allen, similar fiscal implications would continue after 2030 until the 10th anniversary of the date of entitlement for each project, when the estimated cumulative total of entitlement to state revenue for these projects would reach (\$153,595,000).

The city of Allen would receive funds described by Section 351.156 until the 20th anniversary of the initial opening date of their qualified hotel, with total revenue forgone by the state estimated to total (\$182,027,000) by fiscal year 2049. This is \$108,636,000 over what the city is estimated to receive under the current 10-year entitlement period as described by Section 351.158 of the Tax Code.

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	(\$1,270,000)
2028	(\$8,829,000)
2029	(\$11,183,000)
2030	(\$13,329,000)

All Funds, Five-Year Impact:

<i>Fiscal Year</i>	Probable Revenue Gain/(Loss) from <i>General Revenue Fund</i> 1
2026	\$0
2027	(\$1,270,000)
2028	(\$8,829,000)
2029	(\$11,183,000)
2030	(\$13,329,000)

## Fiscal Analysis

The bill would amend Chapters 351 and 352 (Municipal and County Hotel Occupancy Taxes, respectively) of the Tax Code, as well as Chapter 334 of the Local Government Code. The bill would amend municipal and county hotel occupancy tax statutes regarding the use, allocation, and imposition of such taxes; amendments to Chapter 351 would include state tax rebate provisions applicable to hotel projects in certain localities. Chapter 334 of the Local Government Code (Sports and Community Venue Districts) would be amended to allow the imposition, with specified usage of revenue, of a hotel occupancy tax by certain cities.

The bill would amend Sections 351.152(24) and (43) of the Tax Code to update population, and other identifying characteristic, brackets for municipalities authorized 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 bill would amend Section 351.152 of the Tax Code to add (3-a) a municipality described by Section 351.001(11); (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), 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, 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 bill would amend Section 351.153(a) of the Tax Code to add a municipality described by Section 351.152(22) of the Tax Code to the list of municipalities exempt from the ownership requirements for certain qualified convention center facilities and qualified hotels in Sections 351.151(2) (B) and 351.151 (3) (A) of the Tax Code, respectively.

The bill would add Section 351.1535 of the Tax Code to allow for a municipality described by Section 351.001(11) to be exempt from certain requirements for qualified convention center facilities, hotels, and infrastructure.

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(a) (1) (B) (i) to add a municipality described by Section 351.152(22) of the Tax Code to the list of municipalities exempt from certain ownership requirements for certain qualified convention center facilities and qualified hotels.

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).

The bill would amend Section 351.158 of the Tax Code to entitle a municipality described by Section

351.152(46) to receive revenue provided by Sections 351.156 and 351.157 until the 20th anniversary of the date a qualified hotel to which an entitlement relates is open for initial occupancy.

The bill would amend Section 351.161(a) to add a municipality described by Section 351.152(75). The Comptroller would be required, on the 20th anniversary of the date a hotel designated as a qualified hotel by a municipality described by Section 351.152(75) as part of a qualified project, to determine the total state tax revenue received by the municipality from the qualified project under Section 351.156 and 351.157 and the amount of revenue received by the 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.

The bill would require the 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 section 351.162 applies is open for initial occupancy, to determine the total state tax revenue received by the municipality from the qualified project under Section 351.156 and 351.157 and the amount of revenue received by state between the 20th and 40th 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 20th and 40th 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**

Populations, and other identifying characteristics, for Sections 351.152 (24) and (43) of the Tax Code would be updated for these currently authorized cities. The updates to 351.152(43), which applies to Victoria, would continue to refer to that, currently authorized, city. The updates to 351.152(24), would have the effect of that bracket no longer applying to the city Pearland, and would now grant eligibility to the city of Katy. The city of Katy already has eligibility through 351.152(22).

Sections 351.152 (3-a) and (65)-(76) would authorize the following cities to receive certain state revenue: (3-a) South Padre; (65) New Braunfels; (66) Marble Falls; (67) Carrollton; (68) Burleson; (69) Garland; (70) Georgetown; (71) McAllen; (72) Pflugerville; (73) Taylor; (74) Addison; (75) Plano; and (76) Anna.

The cities would be eligible to receive funds described in Section 351.156 which provides, in relevant part, that a municipality to which Section 351.152 applies is 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. Section 351.158 (Period of Entitlement) would entitle the cities to receive the revenue until the 10th anniversary of the date the qualified hotel to which the entitlement relates is open for initial occupancy.

The estimate is based on various projected opening dates, as early as September 1, 2026 (fiscal year 2027), a comparison and review of revenues paid to the owners of extant qualified hotel projects, and estimated attributes of such prospective hotels. The estimates assume the authorizations are sought for use and represent projected entitlements to state revenue should the projects occur. However, many authorizations previously enacted remain unutilized, as project development may prove infeasible even with the assurance of state subsidy.

The addition of Section 351.1535 would allow South Padre to be exempt from certain requirements for qualified convention center facilities, hotels, and infrastructure.

The amendments to Sections 351.153(a) and 351.157(a) (1) (B) (i) would affect the city of Katy.

Katy is currently eligible to receive funds described in Sections 351.156 (Entitlement to Certain Tax Revenue) and 351.157 (Additional Entitlement for Certain Municipalities).

The city of Katy has plans for a qualified hotel with the additional entitlement from restaurants, bars, retail



establishments, swimming pools and swimming facilities as provided under Section 351.157, with the additional need for exemptions from certain ownership requirements granted by section 351.153(a) 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, 2026, or state fiscal year 2027, a comparison and review of revenues paid to the owners of extant qualified hotel projects, and planned attributes of such prospective hotel.

The amendment to Sections 351.155(d) and the addition of 351.157 (b-1) would affect the city of Midland.

Midland is currently eligible to receive funds described in Section 351.156 (Entitlement to Certain Tax Revenue) and would be eligible to receive funds described 351.157 (Additional Entitlement for Certain Municipalities). Section 351.157(d) provides, in relevant part, that a municipality to which the section applies is 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. Section 351.158 (Period of Entitlement) would entitle Midland to receive the revenue until the tenth anniversary of the date the qualified hotel to which the entitlement relates is open for initial occupancy. Section 351.155 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.

Certain provisions of the bill would affect the city of Plano.

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.

Certain provisions of the bill would affect the city of Allen.

Allen is currently eligible to receive funds described in Sections 351.156 (Entitlement to Certain Tax Revenue) and 351.157 (Additional Entitlement for Certain Municipalities). Section 351.158 (Period of Entitlement) would entitle Allen to receive the revenue until the twentieth anniversary of the date the qualified hotel to which the entitlement relates is open for initial occupancy.

The city of Allen has plans for a qualified hotel, 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 351.156, including during the additional 10 years of entitlement provided by the bill. The estimate is based on a projected opening date of September 1, 2029, or state fiscal year 2030, 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 Allen would receive by the 20th anniversary of the initial opening date of the qualified hotel and the revenue that state would collect between the 20th and 40th anniversary of the initial opening date of the qualified hotel is unknown; however, assuming any positive average rate of inflation after the 20th anniversary, no revenue would be expected due to the state under added Subsection (b-1) of Section 351.162.

Note: Since the city of Allen is already eligible to receive funds described by Sections 351.156, and 351.157 if project commencement were to occur sooner than currently planned, the provisions related to Allen would have no fiscal impact to the state during fiscal years 2026-2030.

Not including the city of Allen, similar fiscal implications would continue after 2030 until the 10th anniversary of the date of entitlement for each project, when the estimated cumulative total of entitlement to state revenue for these projects would reach \$153,595,000.

The city of Allen would receive funds described by Section 351.156 until the 20th anniversary of the initial opening date of their qualified hotel, with total revenue forgone by the state estimated to total \$182,027,000 by fiscal year 2049. This is \$108,636,000 over what the city is estimated to receive under the current 10-year entitlement period as described by Section 351.158 of the Tax Code.

### **Local Government Impact**

The bill would amend Chapters 351 and 352 (Municipal and County Hotel Occupancy Taxes, respectively) of the Tax Code, as well as Chapter 334 of the Local Government Code. The bill would amend municipal and county hotel occupancy tax statutes regarding the use, allocation, and imposition of such taxes; amendments to Chapter 351 would include state tax rebate provisions applicable to hotel projects in certain localities. Chapter 334 of the Local Government Code (Sports and Community Venue Districts) would be amended to allow the imposition, with specified usage of revenue, of a hotel occupancy tax by certain cities.

**Source Agencies:** 304 Comptroller of Public Accounts

**LBB Staff:** JMc, RStu, SD, BRI, NV

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