

BILL ANALYSIS

C.S.H.B. 1742
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Ways & Means
Committee Report (Substituted)

BACKGROUND AND PURPOSE

According to interested parties, the program under which eligible central municipalities receive certain tax rebates for qualified hotel projects has a track record of producing economic development benefits for both the state and the municipalities. The parties contend that other municipalities, such as the City of El Paso, should be given the opportunity to participate in the program. C.S.H.B. 1742 seeks to provide for such participation.

CRIMINAL JUSTICE IMPACT

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

RULEMAKING AUTHORITY

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

ANALYSIS

C.S.H.B. 1742 amends the Tax Code to include in the definition of "eligible central municipality," for purposes of the municipal hotel occupancy tax, a municipality with a population of 640,000 or more that is located on an international border and has adopted a capital improvement plan for the construction or expansion of a convention center facility. The bill removes from the definition of "convention center facilities" or "convention center complex," for purposes of the municipal hotel occupancy tax, a hotel proposed to be constructed, remodeled, or rehabilitated by a municipality or a nonprofit municipally sponsored local government corporation created under the Texas Transportation Corporation Act that is within 3,000 feet of the property line of a convention center owned by a municipality having a population of more than 500,000 and bordering the United Mexican States.

C.S.H.B. 1742 removes a municipality having a population of more than 500,000 and bordering the United Mexican States from the municipalities authorized to pledge a portion of the revenue derived from the municipal hotel occupancy tax for the payment of principal of or interest on bonds or other obligations of a municipally sponsored local government corporation created under the Texas Transportation Corporation Act that were issued to pay the cost of the acquisition and construction of a convention center hotel or the cost of acquisition, remodeling, or rehabilitation of a historic hotel structure. The bill prohibits an eligible central municipality with a population of 640,000 or more that is located on an international border and has adopted a capital improvement plan for the construction or expansion of a convention center facility that uses revenue derived from the municipal hotel occupancy tax or funds received for certain hotel projects from tax refunds or under the Texas Enterprise Zone Act from reducing the percentage of revenue from the municipal hotel occupancy tax and allocated for advertising and conducting solicitations and promotional programs to attract tourists and convention delegates or registrants

to the municipality or its vicinity to a percentage that is less than the average percentage of that revenue allocated by the municipality for that purpose during the 36-month period preceding the date the municipality begins using the revenue or funds for the hotel project.

C.S.H.B. 1742 amends the Government Code to remove from the definition of "qualified hotel project" for purposes of the Texas Enterprise Zone Act a hotel proposed to be constructed, remodeled, or rehabilitated by a municipality or a nonprofit municipally sponsored local government corporation created under the Texas Transportation Corporation Act that is within 3,000 feet of the property line of a convention center owned by a municipality having a population of more than 500,000 and bordering the United Mexican States. The bill removes the authorization of a municipality having a population of more than 500,000 and bordering the United Mexican States to agree to guarantee from hotel occupancy taxes the bonds or other obligations of a municipally sponsored local government corporation created under the Texas Transportation Corporation Act that were issued or incurred to pay the cost of construction, remodeling, or rehabilitation of a qualified hotel project.

EFFECTIVE DATE

On passage, or, if the bill does not receive the necessary vote, September 1, 2015.

COMPARISON OF ORIGINAL AND SUBSTITUTE

While C.S.H.B. 1742 may differ from the original in minor or nonsubstantive ways, the following comparison is organized and formatted in a manner that indicates the substantial differences between the introduced and committee substitute versions of the bill.

INTRODUCED

SECTION 1. Section 351.001(7), Tax Code, is amended to read: as follows:

- (7) "Eligible central municipality" means:
- (A) a municipality with a population of more than 140,000 but less than 1.5 million that is located in a county with a population of one million or more and that has adopted a capital improvement plan for the expansion of a convention center facility; or
 - (B) a municipality with a population of 250,000 or more that:
 - (i) is located wholly or partly on a barrier island that borders the Gulf of Mexico;
 - (ii) is located in a county with a population of 300,000 or more; and
 - (iii) has adopted a capital improvement plan to expand an existing convention center facility; or
 - (C) a municipality with a population of 640,000 or more located in a county on an international border.

HOUSE COMMITTEE SUBSTITUTE

SECTION 1 (*part*). Sections 351.001(2) and (7), Tax Code, are amended to read as follows:

- (7) "Eligible central municipality" means:
- (A) a municipality with a population of more than 140,000 but less than 1.5 million that is located in a county with a population of one million or more and that has adopted a capital improvement plan for the expansion of an existing convention center facility; ~~[or]~~
 - (B) a municipality with a population of 250,000 or more that:
 - (i) is located wholly or partly on a barrier island that borders the Gulf of Mexico;
 - (ii) is located in a county with a population of 300,000 or more; and
 - (iii) has adopted a capital improvement plan to expand an existing convention center facility; or
 - (C) a municipality with a population of 640,000 or more that:
 - (i) is located on an international border; and
 - (ii) has adopted a capital improvement plan for the construction or expansion of a convention center facility.

No equivalent provision.

SECTION 2. Section 351.102(a), Tax Code, is amended to read as follows:

(a) Subject to the limitations provided by this subchapter, a municipality may pledge the revenue derived from the tax imposed under this chapter for the payment of bonds that are issued under Section 1504.002(a), Government Code, for one or more of the purposes provided by Section 351.101 or, in the case of a municipality of 1,500,000 or more ~~[or a municipality having a population of more than 500,000 and that borders the United Mexican States]~~, for the payment of principal of or interest on bonds or other obligations of a municipally sponsored local government corporation created under Chapter 431, Transportation Code, that were issued to pay the cost of the acquisition and construction of a convention center hotel or the cost of acquisition, remodeling, or rehabilitation of a historic hotel structure; provided, however, such pledge may only be that portion of the tax collected at such hotel.

No equivalent provision.

SECTION 3. Section 351.1065, Tax Code, is amended by adding Subsection (d) to read as follows:

(d) An eligible central municipality described by Section 351.001(7)(C) that uses revenue derived from the tax imposed under this chapter or funds received under Section 351.102(c) for a hotel project described by Section 351.102(b) may not reduce the percentage of revenue from the tax imposed under this chapter and allocated for a purpose described by Section 351.101(a)(3) to a percentage that is less than the average percentage of that revenue allocated by the municipality for that purpose during the 36-month period preceding the date the municipality begins using the revenue or funds for the hotel project.

SECTION 2. Subsection (h), Section 151.429, Tax Code, is amended.

SECTION 4. Substantially the same as introduced version.

SECTION 3. Subdivision (8)(B), Section 2303.003, Government Code, is amended to read as follows:

(8) "Qualified hotel project" means:
(A) a hotel proposed to be constructed by a municipality or a nonprofit municipally sponsored local government corporation

SECTION 5. Section 2303.003(8), Government Code, is amended to read as follows:

(8) "Qualified hotel project" means[
~~(A)~~] a hotel proposed to be constructed by a municipality or a nonprofit municipally sponsored local government corporation

created under the Texas Transportation Corporation Act, Chapter 431, Transportation Code, that is within 1,000 feet of a convention center owned by a municipality having a population of 1,500,000 or more, including shops, parking facilities, and any other facilities ancillary to the hotel; and

(B) a hotel proposed to be constructed, remodeled, or rehabilitated by a municipality or a nonprofit municipally sponsored local government corporation created under the Texas Transportation Corporation Act, Chapter 431, Transportation Code, that is within 1,000 [3,000] feet of the property line of a convention center owned by a municipality having a population of more than 500,000 and that borders the United Mexican States.

SECTION 4. Subdivision (2), Section 351.001, Tax Code, is amended to read as follows:

(2) "Convention center facilities" or "convention center complex" means facilities that are primarily used to host conventions and meetings. The term means civic centers, civic center buildings, auditoriums, exhibition halls, and coliseums that are owned by the municipality or other governmental entity or that are managed in whole or part by the municipality. In a municipality with a population of 1.5 million or more, "convention center facilities" or "convention center complex" means civic centers, civic center buildings, auditoriums, exhibition halls, and coliseums that are owned by the municipality or other governmental entity or that are managed in part by the municipality, hotels owned by the municipality or a nonprofit municipally sponsored local government corporation created under Chapter 431, Transportation Code, within 1,000 feet of a convention center owned by the municipality, or a historic hotel owned by the municipality or a nonprofit municipally sponsored local government corporation created under Chapter 431, Transportation Code, within one mile of a convention center owned by the municipality. The term includes parking areas or facilities that are for the parking or storage of conveyances and that are located at or in the vicinity of other convention center facilities. The term also includes a

created under the Texas Transportation Corporation Act, Chapter 431, Transportation Code, that is within 1,000 feet of a convention center owned by a municipality having a population of 1,500,000 or more, including shops, parking facilities, and any other facilities ancillary to the hotel[; and

~~[(B) a hotel proposed to be constructed, remodeled, or rehabilitated by a municipality or a nonprofit municipally sponsored local government corporation created under the Texas Transportation Corporation Act, Chapter 431, Transportation Code, that is within 3,000 feet of the property line of a convention center owned by a municipality having a population of more than 500,000 and that borders the United Mexican States].~~

SECTION 1 (*part*). Sections 351.001(2) and (7), Tax Code, are amended to read as follows:

(2) "Convention center facilities" or "convention center complex" means facilities that are primarily used to host conventions and meetings. The term means civic centers, civic center buildings, auditoriums, exhibition halls, and coliseums that are owned by the municipality or other governmental entity or that are managed in whole or part by the municipality. In a municipality with a population of 1.5 million or more, "convention center facilities" or "convention center complex" means civic centers, civic center buildings, auditoriums, exhibition halls, and coliseums that are owned by the municipality or other governmental entity or that are managed in part by the municipality, hotels owned by the municipality or a nonprofit municipally sponsored local government corporation created under Chapter 431, Transportation Code, within 1,000 feet of a convention center owned by the municipality, or a historic hotel owned by the municipality or a nonprofit municipally sponsored local government corporation created under Chapter 431, Transportation Code, within one mile of a convention center owned by the municipality. The term includes parking areas or facilities that are for the parking or storage of conveyances and that are located at or in the vicinity of other convention center facilities. The term also includes a

hotel owned by or located on land that is owned by an eligible central municipality or by a nonprofit corporation acting on behalf of an eligible central municipality and that is located within 1,000 feet of a convention center facility owned by the municipality. The term also includes a hotel proposed to be constructed, remodeled, or rehabilitated by a municipality or a nonprofit municipally sponsored local government corporation created under Chapter 431, Transportation Code, that is within 1,000 [3,000] feet of the property line of a convention center owned by a municipality having a population of more than 500,000 and that borders the United Mexican States.

No equivalent provision.

SECTION 5. The change in law made by this Act applies only to revenue derived from the tax to which this section applies that is pledged on or after the effective date of this Act. Revenue pledged before the effective date of this Act is governed by the law in effect when the revenue was pledged, and the former law is continued in effect for that purpose.

SECTION 6. This Act takes effect September 1, 2015.

hotel owned by or located on land that is owned by an eligible central municipality or by a nonprofit corporation acting on behalf of an eligible central municipality and that is located within 1,000 feet of a convention center facility owned by the municipality. ~~The term also includes a hotel proposed to be constructed, remodeled, or rehabilitated by a municipality or a nonprofit municipally sponsored local government corporation created under Chapter 431, Transportation Code, that is within 3,000 feet of the property line of a convention center owned by a municipality having a population of more than 500,000 and that borders the United Mexican States.~~

SECTION 6. Section 2303.5055(b), Government Code, is amended to read as follows:

(b) A municipality with a population of 1,500,000 or more ~~[or a municipality having a population of more than 500,000 and that borders the United Mexican States]~~ may agree to guarantee from hotel occupancy taxes the bonds or other obligations of a municipally sponsored local government corporation created under the Texas Transportation Corporation Act, Chapter 431, Transportation Code, that were issued or incurred to pay the cost of construction, remodeling, or rehabilitation of a qualified hotel project.

No equivalent provision.

SECTION 7. This Act takes effect immediately if it receives a vote of two-thirds of all the members elected to each house, as provided by Section 39, Article III, Texas Constitution. If this Act does not receive the vote necessary for immediate effect, this Act takes effect September 1, 2015.