

SUBJECT: Authority for Gillespie County to impose a hotel occupancy tax

COMMITTEE: Local Government Ways and Means — committee substitute recommended

VOTE: 5 ayes — Hill, Hamilton, Laubenberg, Puente, Quintanilla
0 nays
2 absent — Elkins, Uresti

WITNESSES: For — Ernie Loeffler, Advisory Committee of the Fredericksburg Convention and Visitors Bureau
Against — None

BACKGROUND: Tax Code, ch. 352 permits the use of a county hotel occupancy tax to promote tourism and the convention and hotel industry. Ch. 351 permits a municipality to assess a hotel occupancy tax for these purposes.

DIGEST: CSHB 214 would authorize a county with a population of less than 22,000 that contains the birthplace of a president of the United States (Gillespie County) to impose a hotel occupancy tax. Gillespie County would be prohibited from imposing a hotel occupancy tax authorized by this bill on a hotel that was subject to a municipal hotel occupancy tax.

A county with a population of more than 45,000 and less than 75,000 that borders Mexico and that borders or contains a part of Falcon Lake (Starr County) would be removed from the provision in Tax Code, ch. 352 that prohibits a county from imposing a hotel occupancy tax on a hotel that is subject to a municipal occupancy tax.

The bill would take immediate effect if finally passed by a two-thirds record vote of the membership of each house. Otherwise, it would take effect September 1, 2005.

SUPPORTERS SAY: CSHB 214 would give Gillespie County the authority to impose a hotel occupancy tax in unincorporated areas. The revenue collected would go to the promotion of tourism throughout the county and benefit those hoteliers

not within the Fredericksburg city limits. The county commissioners have a plan to work with the Fredericksburg Chamber of Commerce, should this bill pass, to promote tourism throughout Gillespie County.

Fredericksburg, the county seat, and Gillespie County are bound together from a tourism standpoint with attractions in the county such as Enchanted Rock State Natural Area, the LBJ state and national parks, peach orchards, wineries, and herb farms. Visitors in 2003 spent \$49.3 million in Gillespie County, which contains more than 100 bed and breakfast accommodations. While county innkeepers benefit from the general image-building generated by the Fredericksburg Convention and Visitors Bureau of the Chamber of Commerce, they are not paying for this promotion. According to Legislative Budget Board estimates, this bill would allow Gillespie County to raise upwards of \$1 million in annual revenue for increased promotion of tourism to the benefit of the area's overall economy.

Fredericksburg currently imposes a hotel occupancy tax of 7 percent on top of the state's 6 percent, and the county anticipates levying the same rate for the unincorporated areas of Gillespie County. This would standardize the hotel occupancy tax rate for the entire county at 13 percent, which would benefit operators of hotels, motels, and bed and breakfasts.

OPPONENTS
SAY:

No apparent opposition.

NOTES:

The committee substitute would differ from the original bill by specifying that the county in which the birthplace of a U.S. president was located also would have to have a population of less than 22,000.

According to the fiscal note, Gillespie County would gain nearly \$2.4 million in hotel tax revenue for fiscal 2006-07 by setting the rate at 7 percent, and upwards of \$1.2 million per year thereafter.