HOUSE RESEARCH ORGANIZATION bill analysis | 4/4/2007 | HB 1820 Hamilton

SUBJECT: Authorizing Orange County to impose a 2 percent hotel occupancy tax

COMMITTEE: Local Government Ways and Means — favorable, without amendment

VOTE: 4 ayes — Hill, Elkins, Puente, Quintanilla

0 nays

3 absent — Creighton, C. Howard, Villarreal

WITNESSES: For — Bobby Fillyan, Orange County and Orange County Economic Development Corporation; Judge Carl K. Thibodeaux, Orange County Commissioners Court

Against — None

BACKGROUND: Tax Code, ch. 352 permits certain counties to levy a county hotel occupancy tax to promote tourism and the convention and hotel industry. The tax rate varies depending on the category of county and is in addition to the state hotel tax rate of 6 percent.

DIGEST: HB 1820 would authorize a county that borders or contains a portion of the Neches River, the Sabine River, and Sabine Lake (Orange County) to impose a hotel occupancy tax. The tax would be capped at 2 percent of the price paid for a room in a hotel.

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, 2007.

SUPPORTERS SAY: HB 1820 would authorize Orange County to impose a maximum 2 percent hotel occupancy tax. The tax would generate nearly $200,000 per year that would support the promotion of tourism in the county. The Orange County Economic Development Corporation has created a comprehensive economic development plan, central to which is a multi-use convention center that would feature a covered rodeo facility. According to county officials, funds generated by this tax would go toward creation and operation of this project. This facility would contribute to economic development in Orange County by improving opportunities for tourism, ultimately increasing the number of visitors to Orange County hotels and the length of visitors' stays.

The tax imposed under HB 1820 would be capped at 2 percent, a very modest rate. The tax likely would amount to an additional charge of less than $1 per night for hotel occupants in Orange County. It simply is not realistic to claim that such a moderate increase would significantly impact the hotel industry in Orange County or drive potential customers to hotels in Louisiana some 30 miles away. In fact, most Louisiana hotels closest to the state line in Lake Charles are associated with casinos and are significantly more expensive than those in Orange County. Hotel owners and workers would benefit from the increased traffic they would see resulting from the tourism projects funded by the tax authorized under this bill.

OPPONENTS SAY:

HB 1820 unfairly would require the hotel industry in Orange County to subsidize the county's economic development plan. The multipurpose facility contemplated by county officials is an economically questionable venture. There are no guarantees that the facility actually would be successful or generate enough economic activity to offset the negative impact of the tax.

The tax authorized under HB 1820 would harm the hotel industry in Orange County. While a 2 percent tax might seem insignificant, such an increase would put hotel operators in Orange County at a comparative disadvantage. To avoid paying the high prices in Orange County, visitors would only have to drive across the state line to Louisiana where occupancy tax rates would be lower.