

SUBJECT: Authorizing Llano County to impose a 7 percent hotel occupancy tax

COMMITTEE: Local Government Ways and Means — committee substitute recommended

VOTE: 5 ayes — Hill, Creighton, Elkins, C. Howard, Villarreal

0 nays

2 absent — Puente, Quintanilla

WITNESSES: For — (*Registered, but did not testify*: Scott Joslove, Texas Hotel and Lodging Association)

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. Unless otherwise specified in sec. 352.003, the maximum tax rate that may be charged is 7 percent of the price paid for a hotel room.

The 78th Legislature enacted HB 3282 by Guillen to impose a hotel tax of no more than 2 percent in a county with a population between 45,000 and 75,000 that borders the United Mexican States and contains a portion of Falcon Lake (Starr County).

The 79th Legislature approved HB 2018 by Swinford, a cleanup bill that made nonsubstantive changes to the Tax Code. This legislation lifted the 2-percent cap on Starr County.

DIGEST: CSHB 2297 would authorize a county with a population between 15,000 and 20,000 that borders Lake Buchanan (Llano County) to impose a hotel occupancy tax. The tax would be capped at 7 percent and would not apply to any hotel in the county that was subject to a municipal hotel tax.

The bill also would impose a 2-percent cap on hotel occupancy taxes levied in Starr County.

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:**

CSHB 2297 would help promote economic development in the unincorporated area of Llano County, which attracts visitors to the Hill Country. The revenue generated by this tax would benefit tourism in the area, known as the “Deer Capital of Texas.”

At least three-quarters of hotel and lodge owners in the unincorporated area support imposing this occupancy tax because of the increased business they would receive. The money would be used to promote the hunting area as well as tourist attractions such as the Bluebonnet Trail and Enchanted Rock State Natural Area.

The tax imposed would be capped at 7 percent, and although this would increase the cost of a night’s stay in the unincorporated areas of Llano County, it is unlikely the tax itself would deter people from visiting the area.

The changes to Starr County would restore a 2-percent cap initially created when the bill was enacted. An inadvertent mistake in a cleanup bill last session removed that cap, and this bill would reinstitute it. This would have no significant impact today because hotels there are not imposing a tax in excess of 2 percent, but this measure would ensure none would do so in the future.

**OPPONENTS  
SAY:**

CSHB 2297 would lead to increased costs for hotel occupants in Llano County. Although the increase would be small on a per night basis, the aggregate increase for an extended stay guest could be significant.

**NOTES:**

The Legislative Budget Board estimates that the imposition of a 7 percent hotel occupancy tax in Llano County would generate a gain of \$1.9 million in revenue in fiscal 2008-09.

HB 2297 as introduced would have applied the tax to any county bordering Lake Buchanan, which would have included San Saba County. The substitute imposed a population restriction and a provision that would not apply the tax to any hotel in Llano County that was subject to a municipal hotel tax.

The companion bill, SB 213 by Fraser, passed the Senate by 29-0 on March 20 and was reported favorably, without amendment, by the Local Government Ways and Means Committee on April 10, making it eligible to be considered in lieu of HB 2297.