

SUBJECT: Authorizing Zapata County to increase its county hotel occupancy tax

COMMITTEE: Local Government Ways and Means — committee substitute recommended

VOTE: 5 ayes — Hill, Creighton, Puente, Quintanilla, Villarreal

0 nays

2 absent — Elkins, C. Howard

WITNESSES: For — Peggy Umphres, Zapata County Chamber of Commerce and Zapata County Economic Development Center; Hector Uribe, Zapata County Commissioners Court (*Registered, but did not testify*: Scott Joslove, Texas Hotel and Lodging Association)

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. Unless otherwise specified, the maximum rate is 7 percent of the price paid for a hotel room. Sec. 352.003(c) limits the rate in a county that does not have a municipality to 4 percent. Ch. 351 permits a municipality to assess a hotel occupancy tax to promote tourism and the convention and hotel industry. The city and county tax rates are in addition to the state hotel occupancy tax rate of 6 percent.

DIGEST: CSHB 2322 would exempt a county without a municipality that had a population of 10,000 or more and bordered Mexico (Zapata County) from the 4 percent limit on its hotel occupancy tax, allowing the rate to be up to 7 percent.

CSHB 2322 would not affect taxes imposed before the bill's effective date.

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 2322 would allow Zapata County to raise its hotel occupancy tax rate from 4 percent to a maximum of 7 percent, which would generate close to \$100,000 a year for tourism promotion and economic development in the county. Revenue raised under this tax would be dedicated to tourism promotion and advertising, encouraging growth in an industry that is vital to the community's economic health. The activities funded by this bill would benefit hotel operators and employees as well as other businesses associated with tourism in Zapata County.

Zapata County is unique among Texas' 254 counties because it is a desirable tourist location even though it lacks an incorporated municipality. The county offers ample and expanding opportunities for seasonal visitors such as hunters, fishers, and eco-tourists. Zapata County needs the authority to levy a 7 percent hotel occupancy tax and the revenues it would provide in order to fund economic development in the community.

The increase authorized under CSHB 2322 would have only a modest impact on the price of a hotel room in Zapata County. The maximum rate increase of 3 percent allowable under the bill would raise the cost of an average room by only two dollars per night. This increase would be reasonable and moderate, particularly when considered against the benefit to the local economy from economic development programs that would be funded by revenue from the increase.

**OPPONENTS  
SAY:**

CSHB 2232 would lead to increased costs for hotel occupants in Zapata County. Even though the increase would be only a few dollars per night, the increase for an extended stay guest could be significant.

**NOTES:**

The original version of the bill would have repealed the maximum rate of 4 percent for county hotel occupancy taxes for all counties without a municipality, allowing a maximum rate of 7 percent. The substitute limited the bill to Zapata County.