

SUBJECT: Allowing certain cities to use hotel taxes for sports facility improvements

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

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

0 nays

3 absent — Elkins, C. Howard, Villarreal

SENATE VOTE: On final passage, April 12 — 31-0, on Local and Uncontested Calendar

WITNESSES: None

BACKGROUND: Tax Code, ch. 351 permits the use of municipal hotel occupancy taxes to promote tourism and the convention and hotel industry. In 2005, the Legislature enacted HB 1734 by Krusee which allowed certain municipalities to use hotel occupancy tax revenue for improvements to sports facilities. In order to qualify, the facility must be municipally owned and in the previous year had to have been used at least 10 times for district, state, regional, or national sporting events. To be eligible to use revenue for sporting facility upgrades, a municipality would have to:

- have a population of 80,000 or more and be located in a county with a population of 350,000 or less; or
- have a population between 65,000 and 70,000 and be located in a county with a population of 90,000 or less.

DIGEST: SB 765 would expand the list of municipalities eligible to spend hotel occupancy tax revenue on sports facilities to include a municipality with a population between 34,000 and 36,000 that was located in a county with a population of 90,000 or less. According to the Legislative Budget Board, this would include Texarkana and Huntsville.

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:**

SB 765 would allow the cities of Texarkana and Huntsville to use hotel occupancy tax revenue to improve municipally owned sporting venues, which would raise revenue tied to tourism. In enacting HB 1734 by Krusee in 2005, the 79th Legislature affirmed that the existing restriction on hotel and motel taxes was too restrictive. SB 765 would expand upon the provisions of that legislation to allow two additional cities to improve sporting facilities in order to attract tourists who would increase business for hotels, restaurants, and other businesses in the community. Texarkana, in particular, would benefit from this bill, as its geographic location allows the city to serve as a hub for regional sporting events for northeast Texas and from the surrounding states of Louisiana, Arkansas, and Oklahoma.

**OPPONENTS
SAY:**

By expanding the number of cities that could use hotel occupancy tax revenue to renovate sporting facilities, SB 765 would further erode the original purpose for which these taxes were established. Hotel occupancy taxes were created in order to promote tourism and the hotel industry, which was appropriate considering that these funds are paid by customers of the hotel industry. Use of this revenue for sporting facilities would only be tangentially linked to this original intent.