

- SUBJECT:** Rebate, refund, or payment of tax proceeds to a qualified hotel project
- COMMITTEE:** Ways and Means — committee substitute recommended
- VOTE:** 6 ayes — Hilderbran, Otto, Lyne, Martinez Fischer, Murphy, Woolley
2 nays — Christian, Elkins
3 absent — Gonzalez, Ritter, Villarreal
- WITNESSES:** For — Snapper Carr, City of Irving; Herbert Gears, City of Irving;
(*Registered, but did not testify:* Justin Bragiel, Texas Hotel & Lodging Assoc.; Larry Casto, City of Dallas; Carlos Contreras, City of San Antonio; Rudy Garza, City of Corpus Christi; Darrin Hall, City of Houston; Bill Longley, Texas Municipal League; T.J. Patterson, City of Ft. Worth)

Against — James Harris, Irving Taxpayers Opposed to Illegal and Wasteful Use of Tax Money; Daniel Houston, Irving Taxpayers Opposed to Illegal and Wasteful Use of Tax Money; John Kroll, AEG Live

On — Brad Reynolds, Texas Comptroller of Public Accounts
- BACKGROUND:** A “qualified hotel project,” under Government Code, sec. 2303.00, is a hotel proposed to be constructed by a city or a city-backed non-profit corporation that is within 1,000 feet of a convention center owned by a city having a population of 1.5 million or more, including shops, parking facilities, and any other facilities ancillary to the hotel.

Tax Code, sec. 151.429(a), allows certain enterprise zone projects, including qualified hotel projects, to receive a refund of the taxes on purchases of all taxable items purchased for use at qualifying business sites related to the project.

Government Code, sec. 2303.5055 (a) allows cities to remit back to a qualified hotel project proceeds from hotel taxes, property taxes, sales taxes, and mixed beverage taxes. Sec. 2303.5055(b) allows cities with populations greater than 1.5 million to guarantee the revenue from hotel taxes as partial payment for the bonds or other obligations that a city

sponsored local government corporation incurred to pay for the cost of building or remodeling the qualified hotel project.

Tax Code, sec. 351.102, allows certain large cities to pledge their local hotel tax revenue for the payment of bonds or other obligations that a city sponsored local government corporation incurred to pay for the cost of building or remodeling the qualified hotel project.

DIGEST:

CSHB 3341 would direct the comptroller to establish a suspense account outside the treasury for each qualified hotel project. The comptroller would store the portion of taxes the state collected that were to be held in trust for a qualifying hotel project in its suspense account. The comptroller would make payments out of the suspense accounts to the qualifying hotel projects at least quarterly without the necessity of an appropriation.

The act would take effect September 1, 2011.

SUPPORTERS
SAY:

CSHB 3341 would authorize the comptroller to refund the taxes to qualified hotel projects directly rather than waiting for specific appropriations from the Legislature. This would make the funding streams for these projects more reliable, and the bonds the remitted taxes were pledged to would be more attractive to investors.

Qualified hotel projects are a longstanding program with an excellent track record. These convention center hotels have helped to anchor successful downtown revitalization projects in large Texas cities, including Houston, Fort Worth, Dallas, San Antonio, and Austin. Many other cities have convention center hotels under construction. Cities build them to help make city centers more attractive for investment and to secure large conventions.

The bill would clarify existing statutes to help resolve recent legal challenges. CSHB 3341 would explicitly allow the comptroller to rebate the state's portion of taxes to qualified projects by placing these funds outside of the treasury where disbursements would not require authorization from a specific appropriation.

Fort Worth, Houston, and Dallas have sold bonds and backed by them with remitted tax revenue, and CSHB 3341 will help to ensure that these critical revenue streams remained uninterrupted.

The bill would not increase hotel or sales taxes, nor would it grant authority to increase any tax. The bill only would increase the reliability of the funding streams for these voter-approved projects.

**OPPONENTS
SAY:**

CASHB 3341 would make it easier for cities to implement the bad policies behind qualified hotel projects. These public projects directly compete with private businesses that would like to compete for these market niches. Private developers looking at a downtown project must consider the fact that in the state's largest cities, the government is a direct competitor enjoying public subsidies.

Even if the local governments were entitled to these funds, these monies are state tax dollars. Local governments should not receive them without the legislative oversight of a specific appropriation.