HOUSE
RESEARCH
ORGANIZATION bill analysis 5/1/2015

HB 1915
Herrero, Hunter
(CSHB 1915 by Wray)

SUBJECT: Allocating a portion of the hotel occupancy tax to certain municipalities

COMMITTEE: Ways and Means — committee substitute recommended

VOTE: 9 ayes — D. Bonnen, Bohac, Button, Darby, Martinez Fischer, Murphy, Springer, C. Turner, Wray

0 nays

2 absent — Y. Davis, Parker

WITNESSES: For — Tom Tagliabue, City of Corpus Christi; Keith McMullin, City of Port Aransas; Ann Vaughan, Port Aransas Chamber of Commerce; Scott Joslove, Texas Hotel and Lodging Association; (*Registered, but did not testify*: David Parsons, City of Port Aransas)

Against — None

On — (*Registered, but did not testify*: Donald Dillard and Brad Reynolds, Texas Comptroller of Public Accounts)

BACKGROUND: Tax Code, ch. 156 imposes a 6 percent tax on hotel rooms that cost more than $15.

Sec. 156.2512 provides that eligible barrier island coastal municipalities receive an allocation of either one-sixth or one-third of the tax revenue from hotel occupancy taxes collected in that municipality. “Eligible barrier island costal municipality” is defined as a municipality that borders the Gulf of Mexico, is located wholly or partly on a barrier island, and:

- includes a portion of a national seashore;
- includes a national estuarine research reserve; or
- is located within 30 miles of Mexico.

The Legislature has granted eligible barrier island coastal municipality status to Galveston, South Padre Island, and Port Aransas. Current law requires the allocation of the hotel occupancy tax to be used either to clean and maintain public beaches or to fund an erosion response project.

DIGEST:

CSHB 1915 would change the rate at which certain eligible municipalities received allocations from the hotel occupancy tax and the definition of eligible coastal barrier island municipalities.

The bill would give all currently eligible municipalities one-third of the hotel occupancy tax collected within the municipality. This would be an increase in the tax revenue provided to Port Aransas. Recipients of this allocation could use it to clean and maintain bay shores owned by that municipality or leased from the state, in addition to other uses of the tax revenue provided in current law.

The calculation of the allocation percentage would exclude tax revenue collected from persons entitled to a rebate, refund, or payment of hotel occupancy tax revenue under an agreement with a governmental body or an enterprise tax refund.

This bill also would classify Corpus Christi as an eligible barrier island costal municipality by amending the definition to incorporate municipalities with boundaries that included an institution of higher education that was part of the Texas Coastal Ocean Observation Network and met the other requirements in current law.

This bill would take effect October 1, 2015.

SUPPORTERS SAY:

CSHB 1915 would ensure that coastal tourist destinations remained in parity with each other by providing the same hotel occupancy tax allocation to all eligible coastal barrier island municipalities. Galveston and South Padre both receive one-third of the hotel occupancy tax revenues. Port Aransas and Corpus Christi, which this bill would include as an eligible coastal barrier island municipality, should receive the same allocation. A number of factors have contributed to rising costs to keep the beaches clean. Corpus Christi and Port Aransas together spend almost $6 million dollars on beach maintenance. This is a major burden for these municipalities that bring so much tourism to the state.

Providing these funds would ensure that tourism continued to grow and expand in Texas. Millions of visitors come from all across the nation and bring large amounts of money into the Texas economy, both near the coast and throughout the rest of Texas. It is in the state's interest to provide this assistance and ensure that the beaches continued to be premier tourist destinations.

OPPONENTS SAY:

CSHB 1915 would provide additional state funds to municipalities that probably should be self-sufficient. Tourism generates tax dollars as local municipalities collect sales taxes, in addition to revenue from beach permits and other fees. Tourism should be a self-supporting industry and should not necessarily be funded by the state.

NOTES:

The Legislative Budget Board's fiscal note indicates that the bill would have a negative net impact to general revenue of $7,872,000 through fiscal 2016-17.