

**SUBJECT:** Refunding hotel occupancy tax revenue for certain hotel projects

**COMMITTEE:** Ways and Means — committee substitute recommended

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

1 nay — Springer

1 absent — Parker

**WITNESSES:** For — Larry Long, City of Odessa; Justin Bragiel, Texas Hotel and Lodging Association

Against — None

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

**DIGEST:** CSHB 3692 would include within the definition of a “qualified hotel project” a hotel that was constructed within 1,000 feet of a municipally owned convention center and was located in a municipality that meets the description in the bill (Midland and Odessa).

For any hotel projects that fell within this new provision, the municipality could agree to refund all or part of the revenue from the hotel occupancy tax generated by the hotel for 20 years. If the municipality chose to provide a refund, it could not, after the hotel first opened, reduce below a certain level the percentage of hotel occupancy tax revenue allocated for advertising designed to attract tourists and convention delegates to the area.

A municipality that received revenue under these new provisions would be entitled to receive hotel occupancy tax revenue from the qualified hotel project during the first 20 years of the hotel’s operation.

This 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, 2015.

**SUPPORTERS  
SAY:**

CSHB 3692 would be a vital incentive for economic development in the cities of Midland and Odessa. By refunding the state hotel occupancy tax, hotel rooms would become less expensive and more competitive with hotels from other regions. This legislation would benefit large hotel projects associated with convention centers that currently are being planned, which could help drive tourism and economic growth in the region.

The state should continue to assess these exceptions on a case-by-case basis. The Legislature is best equipped to impartially analyze and oversee that the hotel occupancy tax revenue is used to its greatest effect.

**OPPONENTS  
SAY:**

CSHB 3692 would create yet another exception to the collection of state hotel occupancy taxes. While the state has an interest in promoting economic development, every municipality could make some argument for the return of hotel occupancy taxes. That does not mean the state should grant every request, however. The Legislature has created so many individual exceptions to return percentages of the hotel occupancy tax that instead of creating another exception, it should consider allowing all municipalities to collect the revenue instead.

**NOTES:**

The Legislative Budget Board's fiscal note indicates that the bill would have an estimated negative impact to general revenue related funds of \$170,000 in fiscal 2016-17.