

- SUBJECT:** Administration and collection of the municipal hotel occupancy tax
- COMMITTEE:** Ways and Means — favorable, without amendment
- VOTE:** 8 ayes — Y. Davis, Bohac, Darby, Murr, Raymond, Shine, Springer, Stephenson
- 0 nays
- 3 absent — D. Bonnen, E. Johnson, Murphy
- WITNESSES:** For — Justin Bragiel, Texas Hotel and Lodging Association; (*Registered, but did not testify*: June Deadrick, CenterPoint Energy; John Kroll, MuniServices)
- Against — (*Registered, but did not testify*: Guadalupe Cuellar, City of El Paso; TJ Patterson, City of Fort Worth)
- BACKGROUND:** Tax Code, ch. 156 imposes a 6 percent state tax on certain hotel rooms. Ch. 351 allows municipalities to collect a tax of up to 7, 8.5, or 9 percent on certain hotel rooms, depending on the municipality. This tax is in addition to the tax authorized in ch. 156.
- HB 1905 by Springer, enacted by the 84th Legislature in 2015, created Tax Code, 351.1012 to allow a municipality to spend up to 1 percent of the tax collected under ch. 351 to create and operate an electronic tax administration system.
- Separately, sec. 351.005 allows municipalities to allow collectors of hotel occupancy taxes (which are usually the hotels themselves) to withhold 1 percent of the ch. 351 tax as reimbursement for the cost of collection or for the cost of using an electronic tax administration system created under the authority in sec. 351.1012.
- DIGEST:** HB 1300 would require, rather than permit, a municipality to allow collectors of the hotel occupancy tax to withhold up to 1 percent of the tax

as reimbursement for the cost of collecting the tax, if the municipality spent municipal hotel occupancy tax revenue to create and operate a electronic tax administration system under Tax Code, sec. 351.1012.

Under the bill, a municipality would be prohibited from spending more than either \$75,000 or the current limit of 1 percent of the revenue collected under ch. 351, whichever was less, to maintain and operate an electronic tax administration system. The municipality could not use these funds to conduct an audit.

The bill would take effect January 1, 2018, and would not affect tax liability accruing before that date.