

BILL ANALYSIS

Senate Research Center
81R16322 JE-D

H.B. 1324
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Engrossed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

The local hotel occupancy tax rate in the City of South Padre Island is capped at seven percent of the cost of a hotel room. Over 85 percent of resultant revenue, amounting to six cents of each seven cents collected, is currently spent on the city's convention center and on advertising and promoting the area. The City of South Padre Island would like to secure additional local funding for both of these purposes. With this in mind, the city is seeking authority to increase its local hotel tax by an additional one percent that would be dedicated to marketing and expansion of the convention center facility.

Further, the City of South Padre Island has struggled to address the costs of maintaining area beaches and dealing with beach erosion due, in part, to recent hurricanes. To fund such needs, the city is seeking authority to increase the local hotel occupancy tax rate by another one-half percent to fund coastal erosion and beach nourishment projects, producing a total increase of one and one-half percent. Erosion response projects are actions intended to address or mitigate coastal erosion, including beach nourishment, sediment management, beneficial use of dredged material, creation or enhancement of a dune, wetland, or marsh, and construction of a breakwater, bulkhead, groin, jetty, or other structure. This will also allow the city to have matching funds for grants from the General Land Office for coastal erosion projects.

H.B. 1324 relates to the municipal hotel occupancy tax imposed in certain municipalities.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 351.001, Tax Code, by adding Subdivision (11), to define "eligible barrier island coastal municipality."

SECTION 2. Amends Section 351.003, Tax Code, by adding Subsection (d), to prohibit the rate in an eligible barrier island coastal municipality from exceeding 8-1/2 percent of the price paid for a room.

SECTION 3. Amends Section 351.1055(a), Tax Code, by adding Subdivision (4), to define "erosion response project."

SECTION 4. Amends Section 351.1055, Tax Code, by adding Subsections (d) and (e), as follows:

(d) Requires an eligible barrier island coastal municipality, notwithstanding any other provision of this chapter and except as provided by Subsection (e), to use at least the amount of revenue derived from the application of the tax at a rate of seven percent of the cost of a room for the purposes authorized under Sections 351.101(a)(1) (relating to the acquisition of sites of certain facilities) and (3) (relating to advertising and other promotional practices).

(e) Requires an eligible barrier island coastal municipality that imposes the tax at a rate equal to or greater than 7-1/2 percent of the price paid for a room to use at least the

amount of revenue derived from the application of the tax at a rate of one-half of one percent of the cost of a room for erosion response projects.

SECTION 5. Effective date: upon passage or September 1, 2009.