

BILL ANALYSIS

Senate Research Center
84R22522 ADM-D

H.B. 3772
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Natural Resources & Economic Development
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Engrossed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Certain counties and municipalities are currently authorized to assess a municipal hotel occupancy tax for, among other uses, promoting tourism.

Municipalities must seek legislative approval to utilize hotel occupancy taxes for projects that are intended to increase tourism, if the municipality is not already authorized under existing statute to construct a project such as a regional sports complex or a rodeo arena. Uses such as sports complexes and rodeo arenas help drive tourist traffic to areas that see heavy hotel traffic during the work week due to oil and gas activity, but have empty hotels on the weekends due to a lack of tourist infrastructure.

H.B. 3772 amends current law relating to the use of municipal hotel occupancy tax revenue to construct, enhance, upgrade, and maintain arenas, sports facilities, and fields 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. Reenacts and amends Section 351.101(a), Tax Code, as amended by Chapters 541 (S.B. 551) and 546 (S.B. 585), Acts of the 83rd Legislature, Regular Session, 2013, as follows:

(a) Provides that revenue from the municipal hotel occupancy tax may be used only to promote tourism and the convention and hotel industry, and that use is limited to the following:

(1)-(6) Makes no change to these subdivisions;

(7) subject to Section 351.1076, the promotion of tourism by the enhancement and upgrading of existing sports facilities or fields, including facilities or fields for baseball, softball, soccer, and flag football, if the municipality meets certain population and geographic criteria;

(8) and (9) Makes no change to these subdivisions;

Deletes existing text providing that revenue from the municipal hotel occupancy tax may be used only to promote tourism by the enhancement of existing sports facilities in a municipality with a population of at least 7,500 located in a county that borders the Pecos River and has a population of not more than 15,000.

Deletes existing text providing that revenue from the municipal hotel occupancy tax may be used only to promote tourism and the convention and hotel industry, and that use is limited to the construction of a recreational venue in the immediate vicinity of area hotels, if the municipality meets certain criteria set forth, not more than \$100,000 of municipal hotel occupancy tax revenue is used for the

construction of the recreational venue, a majority of the hotels in the municipality request the municipality to construct the recreational venue, the municipality will be used primarily by hotel guests, and the municipality will pay for maintenance of the recreational venue from the municipality's general fund;

(10) Redesignates existing Subsection (11) as Subsection (10);

(11) Redesignates existing Subdivision (12) as Subdivision (11) and makes no further change.

SECTION 2. Amends Section 351.1066, Tax Code, as follows:

Sec. 351.1066. ALLOCATION OF REVENUE: CERTAIN MUNICIPALITIES.

(a) Provides that this section applies only to:

(1) and (2) Makes nonsubstantive changes;

(3) a municipality with a population of at least 7,500 that is located in a county that borders the Pecos River and that has a population of not more than 15,000;

(4) a municipality with a population of not more than 5,000 that is located in a county through which the Frio River flows and an interstate highway crosses, and that has a population of at least 15,000; and

(5) a municipality with a population of not less than 7,500 that is located in a county with a population of not less than 40,000 but less than 250,000 that is adjacent to a county with a population of less than 750.

(b) Authorizes a municipality, notwithstanding any other provision of this chapter, to which this section applies to use all or any portion of the revenue derived from the municipal hotel occupancy tax for:

(1) the construction, enlarging, equipping, improvement, maintenance, repairing, and operation of a recreational facility to substantially enhance hotel activity and encourage tourism; and

(2) the construction, enlarging, equipping, improvement, maintenance, repairing, and operation of an arena used for rodeos, livestock shows, and agricultural expositions to substantially enhance hotel activity and encourage tourism.

Deletes existing text authorizing a municipality to which this section applies, notwithstanding any other provision of this chapter, to use all or any portion of the revenue derived from the municipal hotel occupancy tax for a business recruitment project to substantially enhance hotel activity and encourage tourism.

(c) Prohibits a municipality to which this section applies from using municipal hotel tax revenue to construct or expand a facility described by Subsection (b) in an amount that would exceed the amount of hotel revenue in the area that is likely to be reasonably attributable to events held at that facility during the 15-year period beginning on the date the construction or expansion is completed.

(d) Requires an independent analyst or consultant hired by the municipality to make the projection required by Subsection (c).

(e) Requires a municipality that uses municipal hotel occupancy tax revenue under this section to annually prepare a report that describes:

(1) the events held during the preceding year at each facility that received municipal hotel occupancy tax revenue from the municipality during that year; and

(2) the number of hotel room nights, hotel revenue, and municipal hotel occupancy tax revenue attributable to those events.

SECTION 3. Provides that, to the extent of any conflict, this Act prevails over another Act of the 84th Legislature, Regular Session, 2015, relating to nonsubstantive additions to and corrections in enacted codes.

SECTION 4. Effective date: upon passage or September 1, 2015.