

SENATE AMENDMENTS

2nd Printing

By: Paul

H.B. No. 1585

A BILL TO BE ENTITLED

1 AN ACT

2 relating to the use of hotel occupancy tax revenue in certain
3 municipalities.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

5 SECTION 1. Section 351.101, Tax Code, is amended by adding
6 Subsection (j) to read as follows:

7 (j) In addition to the purposes provided by Subsection (a),
8 a municipality that has a population of not more than 5,000 and at
9 least part of which is located less than one-eighth of one mile from
10 a space center operated by an agency of the federal government may
11 use revenue from the municipal hotel occupancy tax for expenses,
12 including promotion expenses, directly related to a sporting event
13 in which the majority of participants are tourists who
14 substantially increase economic activity at hotels and motels
15 within the municipality or its vicinity.

16 SECTION 2. Subchapter B, Chapter 351, Tax Code, is amended
17 by adding Section 351.1071 to read as follows:

18 Sec. 351.1071. ALLOCATION OF REVENUE: CERTAIN
19 MUNICIPALITIES. (a) This section applies only to a municipality:

20 (1) that has a population of not more than 5,000; and

21 (2) at least part of which is located less than
22 one-eighth of one mile from a space center operated by an agency of
23 the federal government.

24 (b) In this section, "authorized facility" means a civic

1 center, marina, meeting room, hotel, parking facility, or visitor
2 center, including signage related to the facility, that:

3 (1) is owned by the municipality or a nonprofit
4 corporation acting on behalf of the municipality;

5 (2) is located not more than 1,000 feet from a hotel
6 property in the municipality; and

7 (3) substantially enhances hotel activity and
8 encourages tourism within the municipality.

9 (c) Subject to Subsection (d) and notwithstanding any other
10 provision of this chapter, a municipality to which this section
11 applies may use the amount of revenue derived from the application
12 of the tax under this chapter at a rate of three percent of the price
13 paid for a room in a hotel to:

14 (1) establish, acquire, purchase, construct, improve,
15 maintain, or operate an authorized facility; and

16 (2) pay bonds issued for a purpose described by
17 Subdivision (1).

18 (d) A municipality may not use municipal hotel occupancy tax
19 revenue on an authorized facility in a total amount that would
20 exceed the amount of that revenue attributable to events at that
21 facility for the 15-year period following the completion of
22 construction.

23 (e) A municipality that uses municipal hotel occupancy tax
24 revenue for a purpose authorized by this section shall publish
25 annually for the 15-year period following the completion of
26 construction at the authorized facility for which the revenue was
27 used a report on the Internet website of the municipality that

1 lists:

2 (1) for the preceding year, the events held at the
3 authorized facility with respect to which the tax revenue was used
4 and the number of hotel room nights attributable to those events;
5 and

6 (2) the amount of hotel revenue and municipal hotel
7 occupancy tax revenue attributable to events held at the authorized
8 facility in that year.

9 (f) If a municipality uses municipal hotel occupancy tax
10 revenue to establish, acquire, purchase, construct, or improve an
11 authorized facility, the municipality shall, on the 5th, 10th, and
12 15th anniversaries of the completion of construction at the
13 facility:

14 (1) calculate:

15 (A) the sum of:

16 (i) municipal hotel occupancy tax revenue
17 used to maintain or operate the facility in the past five years;

18 (ii) one-third of the amount of municipal
19 hotel occupancy tax revenue used to establish, acquire, purchase,
20 construct, or improve the authorized facility; and

21 (iii) any credits carried over from a
22 previous five-year period, as authorized by Subsection (g); and

23 (B) municipal hotel occupancy tax revenue
24 directly attributable to events held at the authorized facility in
25 the past five years; and

26 (2) if the amount calculated under Subdivision (1)(A)
27 exceeds the amount calculated under Subdivision (1)(B), reimburse

1 the municipality's hotel occupancy tax revenue fund from the
2 municipality's general fund in the amount of the difference.

3 (g) If, for a given five-year period, the amount calculated
4 under Subsection (f)(1)(B) exceeds the amount calculated under
5 Subsection (f)(1)(A), the municipality may carry forward the
6 difference to be used as a credit in a subsequent five-year period.

7 SECTION 3. This Act takes effect immediately if it receives
8 a vote of two-thirds of all the members elected to each house, as
9 provided by Section 39, Article III, Texas Constitution. If this
10 Act does not receive the vote necessary for immediate effect, this
11 Act takes effect September 1, 2015.

ADOPTED

MAY 26 2015

Arlene Saw
Secretary of the Senate

FLOOR AMENDMENT NO. 1

BY:

Larry Taylor

- 1 Amend H.B. No. 1585 (senate committee printing) as follows:
- 2 (1) In SECTION 2 of the bill, in added Section 351.1071(d),
- 3 Tax Code (page 1, line 61), strike "that revenue" and substitute
- 4 "hotel revenue".
- 5 (2) In SECTION 2 of the bill, in added Section
- 6 351.1071(f)(1)(B), Tax Code (page 2, line 30), strike "municipal
- 7 hotel occupancy tax revenue" and substitute "hotel revenue".

ADOPTED

MAY 20 2015

Atty Gen
Secretary of the Senate

FLOOR AMENDMENT NO. 2

BY: Van Taylor

1 Amend H.B. No. 1585 (senate committee report) by adding the
2 following appropriately numbered SECTION to read as follows and
3 renumbering subsequent SECTIONS accordingly:

4 SECTION _____. Section 2303.003(8), Government Code, is
5 amended to read as follows:

6 (8) "Qualified hotel project" means:

7 (A) a hotel proposed to be constructed by a
8 municipality or a nonprofit municipally sponsored local government
9 corporation created under the Texas Transportation Corporation
10 Act, Chapter 431, Transportation Code, that is within 1,000 feet of
11 a convention center owned by a municipality having a population of
12 1,500,000 or more, including shops, parking facilities, and any
13 other facilities ancillary to the hotel; ~~and~~

14 (B) a hotel proposed to be constructed,
15 remodeled, or rehabilitated by a municipality or a nonprofit
16 municipally sponsored local government corporation created under
17 the Texas Transportation Corporation Act, Chapter 431,
18 Transportation Code, that is within 3,000 feet of the property line
19 of a convention center owned by a municipality having a population
20 of more than 500,000 and that borders the United Mexican States; and

21 (C) a hotel, including a privately owned hotel
22 adjoining a convention center owned by a political subdivision of
23 this state, proposed to be constructed by or in conjunction with a
24 municipality having a population of more than 130,000 that is
25 located within 50 miles of this state's border with Oklahoma, or by
26 a nonprofit municipally sponsored local government corporation
27 created under the Texas Transportation Corporation Act, Chapter
28 431, Transportation Code, by that municipality, including shops,
29 parking facilities, and any other facilities ancillary to the

1 hotel.

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION

May 27, 2015

TO: Honorable Joe Straus, Speaker of the House, House of Representatives

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB1585 by Paul (Relating to the use of hotel occupancy tax revenue in certain municipalities.), **As Passed 2nd House**

Estimated Two-year Net Impact to General Revenue Related Funds for HB1585, As Passed 2nd House: a negative impact of (\$90,000) through the biennium ending August 31, 2017.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2016	\$0
2017	(\$90,000)
2018	(\$90,000)
2019	(\$90,000)
2020	(\$90,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain/(Loss) from <i>General Revenue Fund</i> 1
2016	\$0
2017	(\$90,000)
2018	(\$90,000)
2019	(\$90,000)
2020	(\$90,000)

Fiscal Analysis

The bill would add Section 351.1071, regarding the allocation of revenue in certain municipalities, that would apply only to a municipality with a population of not more than 5,000 and located less than one-eighth of one mile from a space center operated by an agency of the federal government.

An applicable municipality would be authorized to use 3 percent of the 7 percent municipal hotel tax to 1) establish, acquire, purchase, construct, improve, maintain, or operate an authorized

facility; and 2) pay bonds issued to establish, acquire, purchase, construct, improve, maintain, or operate an authorized facility. The total amount of municipal hotel tax used on an authorized facility could not exceed the amount of revenue from that tax attributable to events at the facility over the 15-year period after the completion of construction, and the bill would provide procedures to determine if that requirement was met.

The bill would amend Chapter 2303 of the Government Code, regarding enterprise zones, to expand the definition of a "qualified hotel project" to include a hotel, including a privately owned hotel adjoining a convention center owned by a political subdivision, in a municipality with a population of 130,000 or more located within 50 miles of the state's border with Oklahoma, or to include a nonprofit municipally sponsored local government corporation created under Chapter 431 of the Transportation Code.

Methodology

In fiscal year 2014, a total of \$11,308,406 in state revenue was allocated for qualified hotel projects. Currently the cities of Dallas, Fort Worth and San Antonio receive allocations of state sales and use tax and state hotel tax associated with qualified hotel projects. The following estimate is based on amounts of state sales and hotel tax revenues retained by the existing qualified hotel projects in relation to their share of host city hotel markets as indicated by state hotel tax receipts, and applied to the size of the McKinney hotel market. The estimate assumes a qualified hotel would not be operational until fiscal 2017.

Local Government Impact

The bill would authorize the city of Nassau Bay another use of the revenue collected from the municipal hotel occupancy tax.

A qualified hotel project under Section 2303.003(8)(C) as amended, the city of McKinney would be entitled to state sales tax and state hotel tax associated with a qualified hotel project under Section 151.429(h) of the Tax Code via Section 351.102(b) & (c) of the Tax Code. Such funds must be deposited in a suspense account outside the state treasury to be paid to the owner of the qualified hotel project.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: UP, CL, AG, KK

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION

May 18, 2015

TO: Honorable Kevin Eltife, Chair, Senate Committee on Business & Commerce

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB1585 by Paul (Relating to the use of hotel occupancy tax revenue in certain municipalities.), **As Engrossed**

<p>No fiscal implication to the State is anticipated.</p>
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The bill would amend Chapter 351 of the Tax Code, regarding municipal hotel occupancy taxes. The bill would add Section 351.1071, regarding the allocation of revenue in certain municipalities, that would apply only to a municipality with a population of not more than 5,000 and located less than one-eighth of one mile from a space center operated by an agency of the federal government.

An applicable municipality would be authorized to use 3 percent of the 7 percent municipal hotel tax to 1) establish, acquire, purchase, construct, improve, maintain, or operate an authorized facility; and 2) pay bonds issued to establish, acquire, purchase, construct, improve, maintain, or operate an authorized facility. The total amount of municipal hotel tax used on an authorized facility could not exceed the amount of revenue from that tax attributable to events at the facility over the 15-year period after the completion of construction, and the bill would provide procedures to determine if that requirement was met.

Local Government Impact

Under the provisions of the bill, the city of Nassau Bay would qualify, based on that city's U.S. Census Bureau city population count in the 2010 census and its proximity to NASA's Johnson Space Center. The bill would have no revenue implications; it would, however, affect how a Nassau Bay uses revenue collected from the municipal hotel occupancy tax.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: UP, CL, AG, KK, SD

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION

May 9, 2015

TO: Honorable Dennis Bonnen, Chair, House Committee on Ways & Means

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: **HB1585** by Paul (relating to the use of hotel occupancy tax revenue in certain municipalities.), **Committee Report 1st House, Substituted**

<p>No fiscal implication to the State is anticipated.</p>
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The bill would amend Chapter 351 of the Tax Code, regarding municipal hotel occupancy taxes. The bill would add Section 351.1071, regarding the allocation of revenue in certain municipalities, that would apply only to a municipality with a population of not more than 5,000 and located less than one-eighth of one mile from a space center operated by an agency of the federal government.

An applicable municipality would be authorized to use 3 percent of the 7 percent municipal hotel tax to 1) establish, acquire, purchase, construct, improve, maintain, or operate an authorized facility; and 2) pay bonds issued to establish, acquire, purchase, construct, improve, maintain, or operate an authorized facility. The total amount of municipal hotel tax used on an authorized facility could not exceed the amount of revenue from that tax attributable to events at the facility over the 15-year period after the completion of construction, and the bill would provide procedures to determine if that requirement was met.

Local Government Impact

Under the provisions of the bill, the city of Nassau Bay would qualify, based on that city's U.S. Census Bureau city population count in the 2010 census and its proximity to NASA's Johnson Space Center. The bill would have no revenue implications; it would, however, affect how a Nassau Bay uses revenue collected from the municipal hotel occupancy tax.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: UP, AG, KK, SD

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION

May 4, 2015

TO: Honorable Dennis Bonnen, Chair, House Committee on Ways & Means

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB1585 by Paul (Relating to the use of hotel occupancy tax revenue in certain municipalities.), **As Introduced**

No fiscal implication to the State is anticipated.

The bill would amend Chapter 351 of the Tax Code, regarding municipal hotel occupancy taxes. The bill would add Section 351.1071, regarding the allocation of revenue in certain municipalities, that would apply only to a municipality with a population of not more than 5,000 and located less than one-eighth of one mile from a space center operated by an agency of the federal government.

A qualifying municipality could use from collections of this tax 1) not more than 45 percent for economic development projects to enhance public areas at or in the immediate vicinity of hotels or convention center facilities, including construction and maintenance projects, projects improving the visual appeal of those areas, and projects updating signage; and 2) not more than 15 percent for peace officers, firefighters, emergency medical services personnel, or other local government employees working at special events attended by large numbers of tourists.

Local Government Impact

Under the provisions of the bill, the city of Nassau Bay would qualify, based on that city's U.S. Census Bureau city population count in the 2010 census and its proximity to NASA's Johnson Space Center. The bill would have no revenue implications; it would, however, affect how a Nassau Bay uses revenue collected from the municipal hotel occupancy tax.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: UP, KK, SD, AG