HOUSE RESEARCH ORGANIZATION bill digest — 5/8/2023

HB 5012 (2nd reading)
Clardy et al.
(CSHB 5012 by Raymond)

SUBJECT: Amending municipal tax rebate applicability, state tax revenue recapture

COMMITTEE: Ways & Means — committee substitute recommended

VOTE: 10 ayes — Meyer, Thierry, Craddick, Gervin-Hawkins, Hefner, Muñoz Noble, Raymond, Shine, Turner

0 nays

1 absent — Button

WITNESSES: For — Rick Carmona, City of Terrell; Justin Bragiel, Texas Hotel and Lodging Association (*Registered, but did not testify*: Brie Franco, City of Austin; Connie Schroeder, City of Bastrop; Bruno Rumbelow, City of Grapevine, Texas; Nadia Islam, City of San Antonio; Omayra Mata, City of Terrell; Ron Hinkle, Texas Travel Alliance)

Against — (*Registered, but did not testify*: Adam Cahn)

On — (*Registered, but did not testify*: Lara Abi Habib, Comptroller of Public Accounts)

BACKGROUND: Tax Code sec. 351.152 establishes applicability criteria for municipalities entitled to receive revenue from certain hotel occupancy and sales and use taxes for 10 years, which may be used to service bonds or other obligations incurred for the construction of qualified projects.

Some have suggested that extending rebates for hotel occupancy taxes to additional municipalities could help to attract more out-of-state events and visitors and benefit the state economy.

DIGEST: CSHB 5012 would revise and add to the applicability criteria under Tax Code sec. 351.152 by amending municipal population brackets and identifying factors that enable entitlement.

The bill would create provisions for the recapture of lost state tax revenue, applicable only to municipalities that were the county seat of a county bordering the Gulf of Mexico and the United Mexican States or a municipality that was the county seat of a county through which the Brazos Rivers flows and in which a national monument was located. On the 20th anniversary of the date a hotel designated as a qualified hotel was open for initial occupancy in these municipalities, the comptroller would be required to determine:

- the total amount of state tax revenue received by the municipality from the qualified project for which the municipality was entitled to receive revenue; and
- the total amount of state tax revenue received by the state from such sources in the period between the 10th and 20th anniversaries of the date the qualified hotel opened for initial occupancy.

If the total amount exceeded the amount received between the 10th and 20th anniversary, the comptroller would be required to promptly provide written notice to the municipality stating that the municipality would be required to remit to the comptroller the difference between those two amounts. The bill would require the municipality to remit monthly payments to the comptroller in an amount equal to the total amount of municipal hotel occupancy tax revenue received from the qualified hotel in the preceding month until the amount the comptroller requested in the notice was remitted.

The first payment would have to be made no later than the 30th day after the municipality received notice from the comptroller. Subsequent payments would be due on the 20th day of each month until the total amount stated in the notice was paid. The comptroller would have to prescribe the procedure a municipality would be required to use to remit a payment, and to deposit any revenue received under this provision into the general revenue fund. The bill would take effect September 1, 2023.

NOTES: According to the Legislative Budget Board, there is no anticipated fiscal impact through fiscal 2024-25. However, there would be a negative impact to general revenue related funds beginning in fiscal year 2027.