

SUBJECT: Tax incentives for qualified hotel projects in major cities and counties

COMMITTEE: Economic Development — favorable, without amendment

VOTE: 6 ayes — Oliveira, Yarbrough, Keffer, Luna, Raymond, Siebert

0 nays

3 absent — Greenberg, Seaman, Van de Putte

SENATE VOTE: On final passage, April 8 — 28-3 (Duncan, Nixon, Sibley)

WITNESSES: None

BACKGROUND : In 1993, the Legislature enacted HB 2282 by Coleman, which allowed a qualified hotel project built by the City of Houston or a nonprofit corporation sponsored by the city to receive certain tax incentives. The bill allowed an owner of a qualified hotel project in an enterprise zone to receive a rebate, refund or payment from the comptroller of 100 percent of hotel occupancy taxes and sales and use taxes paid or collected by the hotel project or by businesses located in the hotel project. This exemption applies during the first 10 years after the hotel is open for occupancy. The revenue from the taxes are pledged to pay the hotel tax revenue bonds levied to build or remodel the hotel.

The qualified hotel project, which could be used to build a new hotel or remodel a historic hotel, must be located within 1,000 feet of a convention center owned by the city of Houston.

DIGEST: SB 893 would expand the definition of qualified hotel projects to allow the cities of Austin, Fort Worth, El Paso, San Antonio and Dallas and Tarrant, Travis, El Paso, Bexar, Dallas counties to have qualified hotel projects. The bill would lower the population bracket from 1.5 million to 440,000 and allow it to apply to both cities and counties.

The bill would take immediate effect if finally approved by a record two-thirds vote of the membership in each house.

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- SUPPORTERS SAY:** The City of Fort Worth is unable to attract major conventions because it lacks large hotel facilities near the convention center. This bill would allow the city to build a 1,000 plus room hotel and be in a position to attract large conventions now going to other western-theme cities, such as Kansas City. The bill would give the cities of Austin, San Antonio, El Paso and Dallas the option to build large hotels in the future.
- OPPONENTS SAY:** The state should not be subsidizing private enterprise projects, especially not those that are certain to be profitable. There are plenty of options available for economic projects that truly need state support because they are in depressed areas. The hotel projects contemplated by SB 893 would qualify as corporate welfare, not economic investment.
- NOTES:** A related bill, Hb 2925 by Coleman, which would have allowed qualified hotel projects to retain mixed beverage taxes as well as sales and use and hotel occupancy taxes and arranged with the comptroller to collect and retain those taxes, died on the General State Calendar.