

- SUBJECT:** Authorizing Midland County to impose a 1 percent hotel occupancy tax
- COMMITTEE:** Local Government Ways and Means — committee substitute recommended
- VOTE:** 5 ayes — Hill, Creighton, Elkins, Quintanilla, Villarreal  
0 nays  
2 absent — C. Howard, Puente
- WITNESSES:** For — Judge Mike Bradford, Midland County; Robin Donnelly, Midland County  
Against — Scott Joslove, Texas Hotel and Lodging Association; Shafik Tejani
- BACKGROUND:** Tax Code, ch. 352 permits certain counties to levy a county hotel occupancy tax to promote tourism and the convention and hotel industry. Unless otherwise specified in sec. 352.003, the maximum tax rate that may be charged is 7 percent of the price paid for a hotel room.
- DIGEST:** CSHB 3170 would authorize a county in which an airport is essential to the economy (Midland County) to impose a hotel occupancy tax. The bill specifies an airport meeting these criteria would have to be a commercial-service international airport with Class C airspace owned by a municipality in the county in which the population of both the municipality and county was less than 125,000.
- The tax would be capped at 1 percent of the price paid for a room in a hotel. If the county imposed a tax under this section, it would be required to produce an annual report detailing tourism, hotel, and convention business attributable to events held at facilities that received tax revenue.
- The bill would take immediate effect if finally passed by a two-thirds record vote of the membership of each house. Otherwise, it would take effect September 1, 2007.

SUPPORTERS  
SAY:

CSHB 3170 would help Midland County generate tax revenue to promote its new multipurpose center, which in turn would attract more visitors and tourism-related business. The money currently being spent on this function could be allocated to other important county needs, and the hotel tax would not have a negative impact on local residents in the same way that a property tax increase would.

Last year, more than 60,000 people attended horse shows, bull riding, and livestock events at Midland County's new arena complex, known as the "Horseshoe." The surrounding 120 acres are expected to be developed around the existing complex, which includes the arena, livestock building, education building, and terrace. The money generated from the hotel tax would be used to promote events and generate more tourism-related revenue. Although the city of Midland imposes a 7 percent hotel occupancy tax, the Horseshoe is outside the city limits and does not benefit from the city's marketing efforts.

CSHB 3132 is the result of a compromise between the city, the county, and local hotel and motel owners. Although other proposals, introduced this session and last, would have imposed a 2 percent tax, this bill would cap that rate at 1 percent. Additionally, requiring an annual report of tax revenue expenditures would make those spending the tax revenues accountable to local taxpayers.

Due to the low room rates in Midland County, a 1 percent tax would have very little effect on the total bill for guests. For a person visiting Midland who opted to stay in Odessa, the cost of gas alone to drive the 20 miles between the cities would eliminate any savings accrued by paying Ector County's lower hotel occupancy tax rate.

OPPONENTS  
SAY:

The tax authorized under CSHB 3170 could harm the hotel industry in Midland County. While a 1 percent tax might seem insignificant, such an increase would put hotel operators in Midland County at a comparative disadvantage with neighboring Ector County. This would be exacerbated if the city moved forward with plans to impose a 2 percent hotel occupancy tax for a convention center project, which would make Midland's tax rate higher than any other Texas city of similar size. West Texas residents are very price sensitive, and many could choose to stay in Odessa rather than Midland because of high tax rates.

NOTES:

The Legislative Budget Board estimates that the imposition of a 1 percent hotel occupancy tax in Midland County would generate \$543,000 in additional county revenue in fiscal 2008-09.

HB 3170 was withdrawn from the Local, Consent, and Resolutions Calendar and was transferred to the Calendars Committee on April 19.

CSHB 3170 was placed on the General State Calendar on April 23 and was recommitted to the Local Government Ways and Means Committee on a point of order.

The version of CSHB 3170 as originally reported and placed on the General State Calendar differed from the current version of CSHB 3170 because it would have authorized a county of more than 100,000 residents containing an international airport, one municipality with a population between 90,000 and 120,000, and whose entire border is within 250 miles of New Mexico to impose a hotel occupancy tax. Both would affect Midland County.

The companion bill, SB 1463 by Seliger, was reported favorably, as substituted, by the Senate Intergovernmental Relations Committee on April 11 and has been placed on the Senate Intent Calendar.

HB 2228 by Swinford, which would authorize Midland County to impose a 2 percent hotel tax, was referred to the Local Government Ways and Means Committee. SB 1008 by Seliger, the identical Senate companion, has been referred to the Senate Intergovernmental Relations Committee.

During the 2005 regular session, the House passed HB 3573 by West, which would have authorized Midland County to impose a 2 percent hotel occupancy tax, but the bill died in the Senate after being reported favorably by the Senate Intergovernmental Relations Committee.