

SUBJECT: Allocating a portion of the hotel occupancy tax to certain municipalities

COMMITTEE: Ways and Means — favorable, without amendment

VOTE: 11 ayes — D. Bonnen, Y. Davis, Bohac, Button, Darby,  
Martinez Fischer, Murphy, Parker, Springer, C. Turner, Wray

0 nays

WITNESSES: For — (*Registered, but did not testify*: Justin Bragiel, Texas Hotel and  
Lodging Association)

Against — None

On — (*Registered, but did not testify*: Donald Dillard and Brad Reynolds,  
Texas Comptroller of Public Accounts)

BACKGROUND: Tax Code, ch. 156 imposes a 6 percent tax on hotel rooms that cost more  
than \$15.

Sec. 156.2512 provides that eligible barrier island coastal municipalities receive an allocation of either a sixth or a third of the tax revenue from hotel occupancy taxes collected in that municipality for the purposes of cleaning and maintaining public beaches or funding an erosion response project. “Eligible barrier island coastal municipality” is defined as a municipality that borders the Gulf of Mexico, is located wholly or partly on a barrier island, and:

- includes a portion of a national seashore;
- includes a national estuarine research reserve; or
- is located within 30 miles of Mexico.

The Legislature has granted eligible barrier island coastal municipality status to a number of seaside communities including Galveston, South Padre Island, and Port Aransas. These municipalities use their portion of state hotel occupancy tax revenue for beach safety and maintenance

projects that attract tourists and generate economic benefit. Other, smaller communities along the Gulf also conduct similar projects without receiving hotel tax revenue.

**DIGEST:** HB 3052 would classify a municipality that had a population of less than 10,000 and was located in a county with a population of at least 300,000 that was adjacent to a county with a population of at least 3,000,000 as an “eligible barrier island coastal municipality.” A municipality included in this classification (Quintana and Village of Surfside Beach) would receive one-sixth of the revenue from the hotel occupancy tax collected within the municipality to fund beach clean-up and erosion response projects.

This bill would take effect September 1, 2015.

**NOTES:** The Legislative Budget Board’s fiscal note estimates that the bill would have a negative impact to general revenue of \$157,000 in reduced hotel tax receipts through fiscal 2016-17.