

# SPORTS AND COMMUNITY VENUE TAX

Cities and counties have authority to levy certain taxes and issue bonds to finance a wide range of community and sports-related capital projects.



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## WHAT IS A QUALIFYING VENUE?

The **Texas Local Government Code** defines a “venue” as an arena, coliseum, stadium or any other facility built to accommodate professional and amateur sports events or community events. Additionally, it can be a convention center or any of several types of related improvements in its vicinity including civic centers, museums, aquariums, auditoriums, exhibition halls, theaters, music halls, plazas, and parks and recreation systems.

[Refer to **Local Government Code, Sect. 334.001(4).**]

## WHAT INFRASTRUCTURE QUALIFIES?

“**R**elated infrastructure” may include stores, on-site hotels, restaurants, parking facilities, water and sewer facilities, streets, roads, and other improvements which enhance the venue’s use, value or appeal.

Additional qualifying projects include watershed protection and preservation projects, conservation easements, open-space preservation programs intended to protect water and recharge areas or recharge projects with protection features. Water obtained as a result of the acquisition of property for such projects may be used only for the maintenance of that property.

[Refer to **Local Government Code Sect. 334.001** and **334.007.**]



## ESTABLISHING A SPORTS AND COMMUNITY VENUE PROJECT

### GOVERNANCE AND OVERSIGHT

**V**enue projects may be developed by a single local government entity or a partnership of multiple entities. A proposed project must receive voter approval before any funds are committed.

- Single City or County: **Local Government Code, Chapter 334** authorizes a city or a county to undertake a venue project. In this case, either a city council or a county commissioners court must act as the governing body over all such projects.
- Multiple Entities: **Local Government Code, Sect. 335.021-031**; permit a city or county to work jointly with any number of cities and counties on a venue project. In such cases, the participating governments must form

Texas law allows voters to approve or reject any reduction of an existing local sales tax to make room for a venue tax.

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This publication is intended as a general guide and not as a comprehensive resource on the subjects covered.

It is not a substitute for legal advice.

A city or county wishing to pursue a venue project first must submit a resolution describing the project to the Comptroller's office.

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a “venue district” and appoint a board of directors to serve as the district’s governing body.

- Voter Input: Both chapters 334 and 335 include provisions that allow, under certain circumstances, voters to approve or reject the construction, improvement, infrastructure and method of financing of venue projects.

[Refer to **Local Government Code, Sect. 334.024** and **335.054**.]

See election procedure information on page 4.

## COMPTROLLER ANALYSIS

**A** city or county wishing to pursue a venue project first must submit a resolution describing the project and its proposed funding mechanisms to the Comptroller’s office.

- The Comptroller’s office will determine the fiscal impact of the project on the state’s revenue and provide the city or county with a written summary of its analysis. If the analysis shows a significant negative impact on the state’s revenue, the Comptroller’s office will provide recommendations on how to avoid or lessen this impact. If the Comptroller does not provide such an analysis before 30 days, the resolution may be considered approved.
- A city or a county has 10 days to contest and appeal a negative impact ruling made by the Comptroller. In response, the Comptroller must perform a second analysis. If the second analysis still shows a negative impact on state revenue, the Comptroller again must provide recommendations on how to avoid the negative impact. If the Comptroller’s office does not provide this second analysis before the 30th day after an appeal, the resolution may be considered approved.

[Refer to **Local Government Code, Sect. 334.021-334.023** and **335.051-335.053**.]

## TRANSPORTATION AUTHORITY ANALYSIS

**A**ffected transit authorities have similar powers to review a venue project’s potential impact on its revenue.

If the resolution contains a proposed sales and use tax that would result in a tax rate reduction for an area transit authority, the resolution must be sent to the authority in addition to the Comptroller’s office.

A transit authority has 29 days from the date of receipt of a venue project resolution to determine whether a proposed sales and use tax would have a significant negative impact on its ability to provide service or impair existing contracts. If the transit authority does not provide this analysis within a 29-day period, the resolution may be considered approved.

If the transit authority determines that a resolution would hurt its ability to provide service or impair its existing contracts, the transit authority must provide recommendations on how to avoid or lessen the negative impact. A city or a county may appeal such a determination to the transit authority.

[Refer to **Local Government Code, Sect. 334.0235-334.0236** and **335.0535-335.0536**.]

## USING TAX DOLLARS TO FUND A VENUE PROJECT

**I**f the Comptroller and the rapid transit authority, if applicable, determine that the implementation of the project will not have significant negative impacts, a city or county may present voters with a tax package from the options listed below at an election.

[Refer to **Local Government Code, Chapters 334** and **335**, specifically **Sect. 334.024, 334.081(c), 335.054** and **335.071(e)**.]

**DEDICATE EXISTING SALES AND USE TAX REVENUE**

**A**fter a successful election of its registered voters, a city may use up to 25 percent of its local sales tax revenue to finance the construction of community and sports venues.

[Refer to **Tax Code, Sect. 321.508.**]

Alternatively, Type A and Type B economic development corporations may, with voter approval, use sales tax revenue for various projects including sports venues and related infrastructure. Voters may approve or reject any reduction of an existing local sales tax to make room for a venue tax.

[Refer to **Local Government Code, Sect. 334.001(4) (E), 504.151, and 505.201.**]

**NEW SALES AND USE TAX**

**I**f a county proposes a venue project, a local sales and use tax may be adopted at a 0.125-, 0.25-, 0.375- or 0.5-percent rate.

If a city proposes a venue project, a sales and use tax may be adopted at any rate up to 2 percent, in increments of 0.125 percent.

In either case, the increase must not cause the combined local sales and use tax rate to exceed two percent.

[Refer to **Local Government Code, Sect. 334.081-089.**]

**AD VALOREM TAX**

**A** county or municipality may not use revenue derived from property taxes for an approved venue project unless it is to specifically:

1) enhance a municipal park and recreation system; or 2) undertake a watershed protection and conservation project; a conservation easement; an open-space preservation program intended to protect water; or a recharge area or recharge project with a protection feature. However, with voter approval, a county or municipality imposing a hotel occupancy tax may dedicate a portion of ad valorem taxes to finance a venue project.

[Refer to **Local Government Code, Sect. 334.0241 and 334.041(f).**]

**SHORT-TERM MOTOR VEHICLE RENTAL TAX**

**T**his tax can be adopted in increments of one-eighth of one percent, not to exceed five percent, on motor vehicle rentals of 30 days or fewer.

[Refer to **Local Government Code, Sect. 334.101-.115.**]

**EVENT ADMISSIONS TAX**

**T**his tax can be levied up to a maximum tax rate of 10 percent of the price of admission to an event at an approved venue project.

[Refer to **Local Government Code, Sect. 334.151-.157.**]

**EVENT PARKING TAX**

**T**his tax may be levied as a flat tax per parked motor vehicle at an approved venue project or a percentage of the parking fee. The tax may not exceed \$3 per vehicle, except in the city of Fort Worth where the fee may not exceed \$5 per vehicle.

[Refer to **Local Government Code, Sect. 334.201-.207.**]

**HOTEL OCCUPANCY TAX**

**A** hotel occupancy tax may be adopted at a maximum rate of two percent of the price paid for a hotel room, provided the total combined hotel occupancy tax rate does not exceed 17 percent. There are certain limits on the use of the hotel occupancy tax for watershed protection and conservation projects. Consult legal counsel prior to proceeding with these types of venues.

[Refer to **Local Government Code, Sect. 334.251-.258** specifically **Sec. 334.254(d).**]

**VENUE FACILITY USE TAX**

**T**his tax may be levied on each member of a major league team that plays in an approved venue project, up to a maximum of \$5,000 per player per game.

[Refer to **Local Government Code, Sect. 334.301-.308.**]

Event Parking Tax may be levied as a flat tax per parked motor vehicle at an approved venue project or a percentage of the parking fee.

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## ELECTION PROCEDURE

After any needed approvals are received from Comptroller and transit authority, the city or county may order an election. Voters must be allowed to vote on each venue project separately and on each method of finance to be used.

The ballot must be printed as follows:

“Authorizing \_\_\_\_\_ (insert name of municipality or county) to \_\_\_\_\_ (insert description of venue project) and to impose a \_\_\_\_\_ tax at the rate of \_\_\_\_\_ (insert each type of tax and the maximum rate of each tax) for the purpose of financing the venue project.”

If the proposition is authorizing the imposition of a hotel occupancy tax, the ballot must include the following language:

“If approved, the maximum hotel occupancy tax rate imposed from all sources in \_\_\_\_\_ (insert name of municipality or county) would be \_\_\_\_\_ (insert the maximum combined hotel occupancy tax rate that would be imposed from all sources at any location in the municipality or county, as applicable, if the rate proposed in the ballot proposition is adopted) of the price paid for a room in a hotel.”

A city or county may implement its resolution after a majority of voters approves the proposition.

[Refer to **Local Government Code, Sect. 334.024** specifically **Sect. 334.024(c)** and **(d-1)**.]



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