

- SUBJECT:** Creating the Texas music incubator rebate program
- COMMITTEE:** Culture, Recreation and Tourism — committee substitute recommended
- VOTE:** 9 ayes — Cyrier, Martinez, Bucy, Gervin-Hawkins, Holland, Jarvis Johnson, Kacal, Morrison, Toth
- 0 nays
- WITNESSES:** For —Rebecca Reynolds, Texas Music Incubator; James Villafranca; Tomar Williams; (*Registered, but did not testify:* John Kroll, AEG Live, Inc.; Dana Harris, Austin Chamber of Commerce; Rebecca Young-Montgomery, Fort Worth Chamber of Commerce; John T Wright, Independent Music Alliance; Deirdre Delisi, San Antonio Chamber of Commerce; Mike Hamilton, Texas Restaurant Association; Nicole Kralj; Claudia Russell)
- Against — None
- On — (*Registered, but did not testify:* Windy Johnson, Texas Conference of Urban Counties)
- BACKGROUND:** Concerns have been raised about the growing number of music venues and festivals disappearing due to increasing operating costs and difficulties re-opening after suffering disasters such as Hurricane Harvey and suggest the state could offer aid to preserve these institutions.
- DIGEST:** CSHB 2806 would create the Texas Music Incubator Rebate Program as part of the Music, Film, Television, and Multimedia Office in the governor's office to provide certain tax rebates for qualifying music venues and promoters of qualifying music festivals. The bill would create the Texas music incubator account to fund these rebates.
- Texas music incubator account.** CSHB 2806 would establish the Texas music incubator account as a dedicated account in the general revenue fund. It would be funded by mixed beverage and gross receipts taxes and

sales tax receipts attributable to the sale of beer and wine remitted annually by venues and promoters. The account would be composed of:

- money deposited to the credit of the account under the general revenue fund;
- gifts, grants, and other money received by the office for the program; and
- other amounts deposited to the credit of the account.

Money in the account could be appropriated only to the Music, Film, Television, and Multimedia Office for the purpose of paying rebates to qualifying participants under the program. The bill also would require interest and other earnings from money in the account to be credited to the account.

At the end of each fiscal year, the comptroller would deposit into the account \$10 million of the revenue received from the mixed beverage gross receipts tax and \$100,000 of the revenue received from the sales and use tax.

At the end of each fiscal biennium, the comptroller would be required to transfer any money deposited to the account that was unobligated and unexpended to the general revenue fund to be used in accordance with legislative appropriation.

Texas Music Incubator Rebate Program. The program would be administered by the Music, Film, Television, and Multimedia Office with the goal of providing to eligible music venues and eligible music festival promoters a full or partial rebate of sales taxes in order to assist the venues' and festivals' efforts to support live musical performances.

In order to qualify for the rebate, a music venue or music festival promoter would have to have met certain criteria specified in the bill for at least two years before submitting an application.

Applicants that failed to meet the eligibility requirements would be

allowed to receive a rebate at the office's discretion if the venue was located, or the festival was usually held, in a county located wholly or partly in an area that at any time preceding the two-year period was declared to be a disaster area by the governor or president. The office could expedite those applications.

Rebate application. The Music, Film, Television, and Multimedia Office would create the rebate application and establish a website allowing for online submission of the application.

The application would be required to state the amount of mixed beverage gross receipts tax and sales tax receipts for beer and wine sales remitted to the comptroller by the applicant in the preceding fiscal year. The application also would have to include sufficient evidence for the office to determine that the applicant qualified for a rebate and include any other information the office determined necessary.

Rebate distribution. The office would accept rebate applications beginning September 1 of each year and could provide rebates until all the money in the Texas music incubator account was exhausted.

After reviewing applications, the office would be permitted to grant rebates to eligible music venues and music festival promoters determined to have provided or committed to provide the most economic benefit to their communities and to the Texas music industry.

CSHB 2806 would prohibit the Music, Film, Television, and Multimedia Office from providing a rebate of more than \$100,000 or the amount of mixed beverage gross receipt taxes and beer and wine sales taxes the venue or promoter remitted in the preceding fiscal year, whichever was lesser.

Effective date. CSHB 2806 would require the Music, Film, Television and Multimedia Office to establish the program and begin accepting rebate applications by September 1, 2020.

The bill would take effect September 1, 2019.

NOTES:

According to the Legislative Budget Board, the bill would have an estimated negative impact of \$20.2 million to general revenue related funds through fiscal 2020-2021, with a similar impact in subsequent biennia.