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OPINION COMMITTEE

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BEVERLY WOOLLEY
CHAIRMAN, COMMITTEE ON CALENDARS,
CIVIL PRACTICES AND INSURANCE

FILE # M1-45692-08
I.D. # 45692

May 12, 2008

VIA U.S. CERTIFIED MAIL

RQ-0714-GA

The Honorable Greg Abbott
Office of the Attorney General
Opinion Committee
Post Office Box 12548
Austin, TX 78711

Re: Opinion Request Concerning what is the appropriate definition of "administrative costs" as used in Texas Tax Code Section 352.1015(c)

Dear General Abbott:

Please accept this letter as a request pursuant to Texas Government Code Section 402.042 for an opinion from your office for clarification as to what is the appropriate definition of "administrative costs" as used in Texas Tax Code Section 352.1015(c). Specifically, whether the appropriate definition of administrative costs includes premium payments for a key-man insurance policy by an entity funded in part by hotel occupancy tax revenue collected pursuant to Chapter 352 of the Texas Tax Code.

Texas Tax Code Section 352.1015(c) details how hotel occupancy tax revenue may be spent. This subsection permits hotel occupancy tax revenues to be spent on " day-to-day operations, supplies, salaries, office rental, travel expenses and other administrative costs only if those administrative costs are incurred directly in the promotion and servicing expenditures authorized by the applicable provisions of this subchapter governing the use of revenue by that particular county." Tax Code Chapter 352 does not define "administrative costs."

Internal Revenue Bulletin 2003-46, T.D. 9092, *Split-Dollar Life Insurance Arrangements*, explains that a key-man life insurance policy is a life insurance arrangement under which an entity purchases a life insurance contract to insure the life of a "key" person. The entity retains all the rights and benefits of the life insurance contract, including the rights to all death benefits and cash value.

Chairman Woolley Opinion Request

re: the definition of "administrative costs" in §352.1015, Tax Code

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An entity funded in part by hotel occupancy tax revenue that seeks to purchase a key-man insurance policy for a chief officer may do so because it believes the key-man has the knowledge, contacts, personal relationships, work ethic, leadership skills, and vision that directly contribute to the fulfillment of the entity's duties and responsibilities. The proceeds from a key-man policy would offset the entity's costs of seeking a replacement, and represent a responsible financial decision.

Thank you for your consideration of this issue. If I can be of any assistance, please do not hesitate to contact me. I look forward to your reply.

Kind regards,



State Representative, District 136
Chairman, House Committee on Calendars