

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE FISCAL NOTE

BILL NUMBER: SB 92 (Fourth Edition)

SHORT TITLE: Gastonia Occupancy Tax

SPONSOR(S): Sen. Hoyle

FISCAL IMPACT					
	Yes (X)	No ()	No Estimate Available (X)		
	<u>FY 2001-02</u>	<u>FY 2002-03</u>	<u>FY 2003-04</u>	<u>FY 2004-05</u>	<u>FY 2005-06</u>
REVENUES					
General Fund	<u>* No General Fund Impact *</u>				
Gastonia	\$382,444	\$390,093	\$397,895	\$413,811	\$430,363
Kings Mt.	\$17,500	\$17,850	\$18,207	\$18,935	\$19,693
Lincolnton	\$50,000	\$51,000	\$52,020	\$54,101	\$56,265
Monroe	\$300,000	\$306,000	\$312,120	\$324,605	\$337,589
North Topsail	* See Assumptions and Methodology *				
Pender County	* See Assumptions and Methodology *				
Dare County	\$1,912,269	\$1,950,514	\$1,989,524	\$2,069,105	\$2,151,870
Rowan County	* See Assumptions and Methodology *				
Wilkesboro	\$77,500	\$79,050	\$80,631	\$83,856	\$87,210
Johnston County	\$443,761	\$452,636	\$461,689	\$480,156	\$499,362
Averasboro	* See Assumptions and Methodology *				
Rockingham	\$84,300	\$85,986	\$87,706	\$91,214	\$94,863
Carrboro	* See Assumptions and Methodology *				
PRINCIPAL DEPARTMENT(S) &					
PROGRAM(S) AFFECTED: Communities of Gastonia, Kings Mountain, Lincolnton, Monroe, North Topsail, Pender County, Dare County, Rowan County, Wilkesboro, Selma, Johnston County, Averasboro Township (Harnett County), Rockingham, and Carrboro.					
EFFECTIVE DATE: When it becomes law.					

BILL SUMMARY: The bill authorizes the creation or modification of occupancy taxes to sixteen (14) North Carolina communities. The impacted communities are Gastonia, Kings Mountain, Lincolnton, Monroe, North Topsail, Pender County, Dare County, Rowan County, Wilkesboro, Selma, Johnston County, Averasboro Township (Harnett County), Rockingham, and Carrboro. All these taxes are to be levied on the gross receipts derived from the rental of any room, lodging, or accommodation furnished by a hotel, motel, inn, tourist camp, or similar

place within the city (an occupancy tax). Establishments that are exempt from the state sales tax, and accommodations furnished by nonprofit charitable, educational or religious organizations to further their nonprofit purpose, are exempt from the occupancy tax. Allowable uses for the new revenue vary by community but include tourism and tourism related expenditures, and beach renourishment.

ASSUMPTIONS AND METHODOLOGY: Because the bill impacts only local taxes there is no General Fund impact. The bill will impact the revenues of 14 North Carolina communities. Throughout this analysis the 4% annual growth rate in hotel/motel sales from the US Census Bureau is used to inflate any 1998-99 data. Because of the recent economic slowdown, a 2% growth figure is used for two years, with 4% growth anticipated in the following years. Actual growth will vary by location, year, and construction plans.

Gastonia: Currently Gaston County has an occupancy tax of 3%. In 1998-99, the most recent year for which data is available, Gaston County collected \$365,582 in occupancy taxes. According to the Census Bureau, in 1997 Gaston County saw accommodation sales revenue of \$9,782,000. \$9,071,000 of that amount, or 93%, transpired in the city limits of Gastonia. Using the 93% as a proxy for the proportion of Gaston County sales that occur in Gastonia suggests that \$339,991 of the 1998-99 receipts came from Gastonia rooms. Adjusting this number by the 4% annual growth rate in hotel/motel sales (U.S. Census Bureau) creates a 2001-02 revenue estimate of \$382,444. The new revenue must be used to promote travel and tourism or for tourism related expenditures.

Kings Mountain: Both Cleveland and Gaston Counties levy a 3% occupancy tax, but the town of Kings Mountain levies no tax. The bill authorizes the town to levy a 3% occupancy tax in addition to the existing county taxes. According to the town manager, King's Mountain expects to raise between \$15,000 and \$20,000 in occupancy taxes in 2001-02. The midpoint, \$17,500, is used as the expected first year revenue. The proceeds must be used to promote travel and tourism.

Lincolnton: Lincoln County currently levies a 3% room occupancy tax. That tax raised \$51,041 in 1998-99 for the County. The vast major of that revenue was raised in the city of Lincolnton. The bill authorizes Lincolnton to levy a 3% tax. Based on the location of the county occupancy tax receipts the city manager believes Lincoln will see approximately \$50,000 in occupancy taxes in 2001-02. The new revenue must be used for promote travel and tourism and to cover tourism related expenditures.

Monroe: Currently neither Union County nor the city collects an occupancy tax. The bill authorizes the city to levy a 5% occupancy tax. There are eight motels within the city limits. The city manager expects to raise \$300,000 from the occupancy tax. The new revenue must be used for promote travel and tourism and to cover tourism related expenditures.

North Topsail Beach: Onslow County levies a 3% occupancy tax. The bill clears North Topsail Beach to levy a 3% room tax within the town limits. No information on the revenue implications of this tax is available at this time. The net proceeds are to be used for beach renourishment.

Pender County: Currently Pender County levies a 3% room occupancy tax. This bill does not change that tax rate. However, the bill does change how those revenues can be used. Under current law the funds can be used for “any lawful purpose”. The bill requires that Pender County remit to Surf City and Topsail Beach the net proceeds from accommodations in each city. The remaining revenue can be used to promote travel and tourism and for tourism related expenditures. All county money must flow to the Pender County TDA.

Dare County: Dare County levies a 4% countywide room tax. Three-percent (3%) is used for tourist-related purposes while the balance is distributed to the Dare County Tourism Board for administration, tourism promotion, and services and programs needed because of tourism. In 1998-99 that tax raised \$6,846,292, or \$1,711,573 per penny. The bill authorizes Dare County to raise the rate to 5% and use the proceeds for beach renourishment. Inflating the 1998-99 numbers to the 2001-02 fiscal year creates an additional revenue stream of \$1,912,269. The bill also modifies the use of the existing 3% tax to conform to the uniform provisions. The bill does not modify the existing 1% tax.

Rowan County: Currently Rowan levies a 3% room occupancy tax. In 1999-00 that tax generated \$272,060. The bill does not alter the tax rate. However, the bill does conform the tax administration and collection to the uniform provisions, and provides for the establishment of a TDA.

Wilkesboro: The City of Wilkesboro does not have a room occupancy tax. The bill authorizes the city to levy a 3% room tax. The city manager indicates that there are five motels within the corporate limits of the city. Based on that information, and data from the Department of Revenue, local officials estimate that an occupancy tax of 3% would create approximately \$77,500 in new revenue in 2001-02. Using the growth rates noted above suggests the following revenue stream:

2001-02	2002-03	2003-04	2004-05	2005-06
77,500	79,050	80,631	83,856	87,210

The bill indicates that the proceeds must be used to promote travel and tourism and for tourism related expenditures.

Johnston County: At present Johnston County levies a 3% occupancy tax. The bill authorizes the county to levy an additional 3% tax. 1998-99 data from the Department of Revenue indicates that the 3% tax raised \$394,502 during that fiscal year. Assuming the above growth rates apply, Johnston County should see the following increase in revenue.

2001-02	2002-03	2003-04	2004-05	2005-06
443,761	452,636	461,689	480,156	499,362

The bill requires that the during the first five years 2/3 of the proceeds collected from within a municipality be remitted to the county TDA. After five years 100% of those proceeds are to go to the county TDA. All non-municipal collections are to go to the TDA. The bill also revises the existing tax to conform collection and administration to the uniform provisions in G.S. 153A.

Averasboro: Currently Averasboro is authorized to levy a 3% room tax. However, records at the Department of Revenue do not indicate any collections between 1994-95 and 1999-00. The bill authorizes an additional 3% tax. The bill conforms both the existing and new legislation to meet the uniform provision requirements. Because they do not currently levy a tax, no data is available through the Department of Revenue. No data is available through federal sources. Therefore, no fiscal estimate is possible.

Rockingham: Currently Rockingham does not levy a room tax. The bill authorizes a 3% occupancy tax. The bill also adds uniform definitions and provisions for a TDA. Because they do not currently levy a tax, no data is available through the Department of Revenue. The Census Bureau reports that in 1997 Rockingham generated \$2,402,000 in accommodations sales. If that amount were taxed at 3% they would have raised \$74,942. Growing that amount forward using the growth rates noted above creates the following new revenue stream.

2001-02	2002-03	2003-04	2004-05	2005-06
84,300	85,986	87,706	91,214	94,863

The collection and administration provisions conform to the uniform provisions.

Carrboro: Currently the City of Carrboro does not levy a room tax. The bill would authorize the town to levy a 3% tax. All administration and collection is in alignment with the uniform provisions. Because they do not currently levy a tax, no data is available through the Department of Revenue. No data is available through federal sources. Therefore, no fiscal estimate is possible.

Note: Occupancy tax receipts are volatile. While these revenues increase over time local governments can see significant year-to-year variation due to economic and other factors.

FISCAL RESEARCH DIVISION 733-4910

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