

**NORTH CAROLINA GENERAL ASSEMBLY**

**LEGISLATIVE FISCAL NOTE**

**THIS IS A CORRECTED VERSION HB 1568. THE BILL NUMBER IN AN EARLIER VERSION CONTAINED A CODING ERROR. REPLACE EARLIER VERSIONS OF THIS NOTE WITH THIS AUGUST 5, 1998 VERSION. WE APOLOGIZE FOR ANY INCONVENIENCE.**

**BILL NUMBER:** H.B. 1568 PCSX1603-RK3

**SHORT TITLE:** St. Pauls/Statesville Occupancy Tax

**SPONSOR(S):** Representative Yongue

<b>FISCAL IMPACT</b>					
	<b>Yes (X)</b>	<b>No ( )</b>	<b>No Estimate Available ( )</b>		
	<b>Dollars</b>				
	<b><u>FY 1998-99</u></b>	<b><u>FY 1999-00</u></b>	<b><u>FY 2000-01</u></b>	<b><u>FY 2001-02</u></b>	<b><u>FY 2002-03</u></b>
<b>REVENUES</b>					
<b>NO GENERAL FUND IMPACT</b>					
Town of St. Pauls	\$60	\$61	\$63	\$64	\$67
St. Pauls Tourism Dev. Authority	\$5940	\$6100	\$6271	\$6441	\$6614
Statesville Tourism Dev. Authority	\$153,501	\$178,896	\$183,905	\$188,870	\$193,970
City of Statesville	\$160,642	\$187,217	\$192,459	\$197,655	\$202,992
<b>PRINCIPAL DEPARTMENT(S) &amp; PROGRAM(S) AFFECTED:</b> Town of St. Pauls, St. Pauls Tourism Development Authority, City of Statesville, Statesville Tourism Development Authority.					
<b>EFFECTIVE DATE:</b> When it becomes law.					

**BILL SUMMARY:** The bill authorizes the Town of St. Pauls to levy an occupancy tax. The tax applies to the rental of any room, lodging, or accommodation within the city limits. The occupancy tax rate is 1% of gross receipts from the rental of accommodations. The tax does not apply to lodging provided by a nonprofit, if it is furthering the purpose of the nonprofit. The town must forward the net proceeds of the occupancy tax to the Tourism Development Authority. The Authority must use at least 2/3 of the funds to promote travel and tourism. The

Authority may spend the remainder on tourism-related expenses. The Town of St. Pauls may charge a 1% fee for administration. The bill directs the Board of Commissioners to create a Tourism Development Authority and set its membership. The bill also directs the Commission to set compensation for the Authority members. Under the bill, at least 1/3 of the members of the Tourism Development Authority must be associated with businesses who levy the tax, and 3/4 of the members must be active in the town's tourism promotion efforts. The bill directs the town finance officer to serve as the ex officio finance officer of the Authority. The Authority must submit quarterly and annual reports to the County Commission.

The bill also alters and extends the Statesville Occupancy Tax. Under current law, Statesville collects a 3% occupancy tax for the operation and maintenance of a civic center, for debt payments related to the civic center, or promotion of travel and tourism. The bill extends the use of this money to include construction cost. In addition, the bill authorizes the Statesville City Council to levy an additional room occupancy tax of up to two percent (2%). One-half (1%) of the new tax goes to the City of Statesville for the civic center. The remaining funds (1%) go to the Statesville Tourism Development Authority to promote travel and tourism. The bill authorizes the city to charge a fee for administration. The fee is set at 3% on the first \$500,000 collected, and 1% on the remainder. The bill directs the city council to create the Tourism Development Authority, set the terms of office, and determine compensation. The bill requires that at least 1/3 of the members of the Authority be affiliated with businesses that collect the tax, and that 3/4 of the membership be active in the city's current travel and tourism efforts. The bill directs the Finance Officer for the city to serve as the ex officio finance officer of the Authority. The Authority must submit proposed budgets, quarterly reports, and annual reports to the city council. The bill also defines "travel and tourism" and makes other conforming changes.

#### **ASSUMPTIONS AND METHODOLOGY:**

**St. Pauls:** Currently St. Pauls does not levy an occupancy tax. According to the Town Manager, there is one motel inside the city limits. No motel development is expected in the next five years. Based on receipts from that establishment, the Town Manager estimates total occupancy tax receipts of \$6,000 annually. Because no historic data is available, the General Consumer Price Index estimated rate of increase is used to estimate future growth in occupancy tax receipts.

**Statesville:** According to the City Manager, in 1997 Statesville collected \$146,249 for each penny (1%) of occupancy tax. As such, under current law Statesville collected \$438,747 in occupancy tax in 1997. Given a five year average growth rate of 7.4% in occupancy tax receipts, the city anticipates 1998-9 occupancy tax income of \$471,214. With the bill, Statesville will collect a total of \$785,357 in occupancy tax (at 5%). In 1998-9, \$17,853 of that amount will be retained by the city for administrative fees, leaving a balance of \$767,504 for programming. One-fifth of the programming amount for 1998-9, or \$153,501, will be forwarded to the Statesville Tourism Development Authority to promote travel and tourism. One-fifth of the total programming amount for 1998-9, or \$153,501, will be retained by the city for expenses associated with the civic center. Three-fifths, or \$460,502, will be retained by the city for the civic center or travel and tourism. In total, under the bill, in 1998-9, the City of Statesville will

receive \$631,856. This is a \$160,642 increase in revenues to Statesville. The Tourism Development Authority will receive \$153,501 in the same year.

The City of Statesville currently has 1410 rooms that are subject to occupancy tax. The city expects that number to increase to 1600 by the next fiscal year. This is a 13.48% increase in the number of rooms. This change alone will increase the City of Statesville's 1999-2000 occupancy income to \$717,030, and the Tourism Development Authority's income to \$174,193. Using the General Consumer Price Index growth rates to increase outlying years, the new 1999-2000 revenues will be \$736,389 for the city and \$178,896 for the Tourism Development Authority. This represents an approximate increase of \$187,217 for the City. All revenue estimates are increased by the General Consumer Price Index inflation rates for the outlying years.

**FISCAL RESEARCH DIVISION**

**733-4910**

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**APPROVED BY:** Tom Covington

**DATE:** August 5, 1998



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