

**NORTH CAROLINA GENERAL ASSEMBLY**

**LEGISLATIVE FISCAL NOTE**

**BILL NUMBER:** H.B. 163 < 2<sup>nd</sup> Edition>  
**SHORT TITLE:** Furniture Market Improvement Act  
**SPONSOR(S):** Rep. Jarrell

**FISCAL IMPACT**

	<b>Yes (X)</b>	<b>No ( )</b>	<b>No Estimate Available (X)</b>		
	<b><u>FY 2001-02</u></b>	<b><u>FY 2002-03</u></b>	<b><u>FY 2003-04</u></b>	<b><u>FY 2004-05</u></b>	<b><u>FY 2005-06</u></b>

**REVENUES**

General Fund	<b>* No General Fund Impact *</b>				
High Point	<b>*See Assumptions and Methodology *</b>				

**PRINCIPAL DEPARTMENT (S) & PROGRAM (S) AFFECTED:** City of High Point.

**EFFECTIVE DATE:** When it becomes law.

**BILL SUMMARY:** The bill authorizes the city of High Point to levy a room occupancy tax of up to 3%. It also authorizes that city to charge a privilege license tax on wholesale furniture showroom operators. The levy cannot exceed \$0.15 per square foot of showroom floor surface area. It included a minimum payment of \$250.00 per showroom location. The proceeds of these taxes must be used to promote the International Home Furnishings Market and assist visitors. The city can contract with a non-profit organization to carry out the promotion activities. The city can retain the cost of collecting and administering the tax. The administration fee cannot exceed 3% of the first \$500,000 of annual gross proceeds. The maximum administration fee drops to 1% after \$500,000 in annual gross collections.

**ASSUMPTIONS AND METHODOLOGY:** Both the occupancy tax and the privilege license tax portions of the bill will have a local fiscal impact.

In 1998-99 Guilford County collected \$3,793,732 in occupancy taxes using a 3% rate. Based on the proportion of Guilford County occupancy taxes collected within the city of High Point, city leaders estimate that the 3% occupancy tax will raise approximately \$360,000 annually. While highly volatile that revenue source has grown by approximately 10% a year.

The High Point City Manager reports that wholesale showroom operators own approximately 10.9 million square feet of commercial space in the city. They believe that approximately 85%

of this amount, or 9.2 million square feet, are actually devoted to wholesale showrooms, while the balance lies in non-productive space (restrooms, stairs, etc.). If the city charges the maximum tax of \$0.15 per square foot on the productive space, the privilege license portion of the bill will raise approximately \$1.38 million annually.

Because the language is permissive, and the exact tax rate is unknown, Fiscal Research cannot produce an accurate fiscal estimate on the bill.

**FISCAL RESEARCH DIVISION 733-4910**

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**DATE:** March 5, 2001



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