

**NORTH CAROLINA GENERAL ASSEMBLY**

**LEGISLATIVE FISCAL NOTE**

**BILL NUMBER:** SB 92 1<sup>st</sup> Edition

**SHORT TITLE:** Gastonia Occupancy Tax

**SPONSOR(S):** Sen. Hoyle

<b>FISCAL IMPACT</b>					
	<b>Yes (X)</b>	<b>No ( )</b>	<b>No Estimate Available ( )</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>
<b>REVENUES</b>					
General Fund		<b><u>* No General Fund Impact *</u></b>			
Gastonia	\$382,444	\$390,093	\$397,895	\$413,811	\$430,363
<b>PRINCIPAL DEPARTMENT(S) &amp; PROGRAM(S) AFFECTED:</b> City of Gastonia.					
<b>EFFECTIVE DATE:</b> When it becomes law.					

**BILL SUMMARY:** The bill authorizes the Gastonia City Council to levy a 3% tax 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. Tax proceeds are remitted to the Gastonia Tourism Development Authority. (The Gastonia Tourism Development Authority is also formed by the bill). The Authority must use 2/3 of the proceeds to promote travel and tourism, and 1/3 for tourism-related expenditures.

**ASSUMPTIONS AND METHODOLOGY:** 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. Because of the recent economic slow down, a 2% growth figure is used for two years, with 4% growth anticipated in the following years.

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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**DATE:** February 9, 2001



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