

**NORTH CAROLINA GENERAL ASSEMBLY**

**LEGISLATIVE FISCAL NOTE**

**BILL NUMBER:** SB 92 2nd 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
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 *				
Surf City	\$133,907	\$136,585	\$139,317	\$144,890	\$150,685
Topsail Beach	\$166,102	\$169,424	\$172,812	\$179,725	\$186,914
Dare County	\$1,912,269	\$1,950,514	\$1,989,524	\$2,069,105	\$2,151,870
<b>PRINCIPAL DEPARTMENT(S) &amp; PROGRAM(S) AFFECTED:</b> Communities of Gastonia, Kings Mountain, Lincolnton, Monroe, North Topsail, Surf City, Topsail Beach, and Dare County.					
<b>EFFECTIVE DATE:</b> When it becomes law.					

**BILL SUMMARY:** The bill authorizes the creation or addition of occupancy taxes to eight (8) North Carolina communities. The impacted communities are Gastonia, Kings Mountain, Lincolnton, Monroe, North Topsail, Surf City, Topsail Beach, and Dare County. 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, economic development promotion, beach Renourishment, and shoreline preservation.

**ASSUMPTIONS AND METHODOLOGY:** The bill impacts the revenues of 8 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.

**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 tourism and economic development.

**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. Five percent of the net proceeds are to be used to promote travel and tourism. The remainder must be used for construction of a civic center.

**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.

**Surf City:** Onslow County levies a 3% room tax. Pender County has no occupancy taxes. Surf City now has the authority to levy a 3% room tax. The bill permits the city to levy an additional 3% occupancy tax. As a result the combined rate in the Onslow County portion of Surf City will be 9%. This will be the first time the total occupancy taxes levied exceed 6%. In 1998-99 Surf City reported room tax revenue of \$119,043. Growing this number by the census estimates mentioned above creates a 2001-02 estimated revenue stream of \$133,07. The new revenue must be used for beach renourishment. The bill also modifies the existing room tax law to conform to the uniform provisions in G.S. 160A-215.

**Topsail Beach:** Pender County does not levy an occupancy tax. The town of Topsail Beach charges a 3% room tax. The bill increases the town occupancy tax to 6%. In 1998-99 Topsail Beach gleaned \$147,664 in hotel/motel revenues. Applying the 4% grow rate suggested by the US Census Bureau creates a 2001-02 revenue increase of 166,102. This new funding must be used for beach renourishment and protection. The bill also modifies the existing town occupancy tax to conform to the uniform provisions for municipal occupancy taxes in G.S. 160A-215.

**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 shoreline preservation. Inflating the 1998-99 numbers to the 2001-02 fiscal year creates an additional revenue stream of \$1,912,269.

**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:** April 15, 2001



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