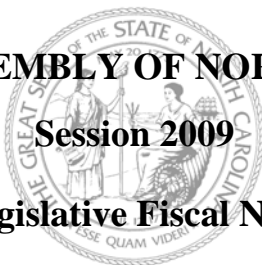# GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2009

Legislative Fiscal Note

BILL NUMBER: House Bill 533 (Second Edition)

SHORT TITLE: Modify Hickory and Conover Occupancy Tax.

SPONSOR(S):   Representatives Setzer and R. Warren

FISCAL IMPACT				
Yes (X) No ( ) No Estimate Available ( )				
FY 2009-10	**FY 2010-11**	**FY 2011-12**	**FY 2012-13**	**FY 2013-14**
REVENUES				
Cities of Hickory and Conover				
$225,466	**$236,048**	**$254,026**	**$270,326**	**$280,914**
EXPENDITURES				
POSITIONS (cumulative):				
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: Cities of Hickory and Conover				
EFFECTIVE DATE: This act is effective when it becomes law.				

BILL SUMMARY:

House Bill 533 revises and consolidates SL 1985-929, as amended, to authorize the cities of Hickory and Conover, by joint resolution, to levy a room occupancy and tourism development tax between 3% and 5%. The cities may also, by joint resolution, levy an additional 1% room occupancy tax. It provides that the tax must be levied, administered, collected, and repealed as provided in GS 160A-215 (Uniform provisions for room occupancy taxes).

The bill requires the Hickory-Conover Tourism Development Authority (TDA) to (1) prior to and through December 31, 2019, use two-thirds of the occupancy tax proceeds for improving, leasing, constructing, financing, operating, or acquiring facilities and properties as needed to provide for a convention center facility, including parking facilities, and the remainder used to promote travel and tourism and (2) after December 31, 2019, use at least two-thirds of the proceeds to promote travel and tourism and the remainder for tourism-related expenditures. It mandates that the TDA membership consists of (1) three owners or operators of hotels, motels, or other taxable accommodations in the cities of Hickory and Conover, two of whom are to be appointed by the

Hickory City Council and one appointed by the Conover City Council; (2) three individuals who have demonstrated an interest in convention and tourism development and do not own or operate taxable accommodations, one appointed by the Catawba County Chamber of Commerce, one appointed by the Hickory City Council, and one by the Conover City Council; and (3) the three following ex officio members: the city managers of Hickory and Conover and the Executive Vice President of the Catawba County Chamber of Commerce. Either city may create the TDA, by resolution, when adopting its resolution to levy its occupancy tax, unless the other city has already established it.

House Bill 533 makes a conforming change to GS 160A-215(g). It repeals (1) SL 1985-929 (multi-city occupancy tax) as it relates to the cities of Hickory and Conover only, (2) SL 1987-319 (modifying the Hickory-Conover occupancy tax law), and (3) Section 21(j) of SL 2007-527 (amending SL 1985-929). And the bill specifies that all existing resolutions of the cities of Hickory and Conover adopted that are not inconsistent with the provisions of this act will continue in full force and effect until repealed, modified, or amended.

ASSUMPTIONS AND METHODOLOGY:

The cities of Hickory and Conover currently have a maximum room occupancy tax rate of 5%. House Bill 533 would authorize the cities, by joint resolution, to levy an additional 1% tax, for a combined 6% local room occupancy tax.

According to the North Carolina Department of the State Treasurer, FY07-08 local occupancy tax collections for the cities of Hickory and Conover were $1,119,312 at the current 5% rate. Assuming a base of $22,386,430, an additional 1% room occupancy tax would have raised $223,864 in FY07-08. Those collections were then grown using North Carolina's leisure and hospitality growth rates as projected by Moody's Economy.com.

SOURCES OF DATA: Moody's Economy.com, North Carolina Department of the State Treasurer

TECHNICAL CONSIDERATIONS: None

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