

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2017

Legislative Fiscal Note

BILL NUMBER: House Bill 143 (Second Edition)
SHORT TITLE: Sanford and Harnett Occupancy Tax.
SPONSOR(S): Representative Sauls

FISCAL IMPACT					
(\$ in millions)					
<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> No Estimate Available					
	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22
State Impact					
General Fund Revenues:					
General Fund Expenditures:					
State Positions:					
NET STATE IMPACT	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Local Impact					
Revenues:					
Expenditures:					
NET LOCAL IMPACT	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
<p>PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: City of Sanford; Harnett County District H</p> <p>EFFECTIVE DATE: This act is effective when it becomes law.</p> <p>TECHNICAL CONSIDERATIONS: None</p>					

BILL SUMMARY:

House Bill 143 (Second Edition) authorizes the City of Sanford to levy a room occupancy tax of 3%. The proceeds must be remitted to a city Tourism Development Authority and 100% of the net proceeds must be used for tourism promotion.

Also, it creates a special taxing district consisting of all of Harnett County, with the exclusion of the Averagesboro Township, and authorizes that special taxing district to levy a 6% room occupancy tax. The proceeds must be remitted to a Tourism Development Authority and must be used as follows: at least two-thirds for tourism promotion and the remainder for tourism-related expenditures.

ASSUMPTIONS AND METHODOLOGY:

House Bill 143 would authorize the City of Sanford to levy a room occupancy tax of up to 3%. The City of Sanford reports there are 587 rooms in the city that would be eligible for the room occupancy tax. Using tourism related economic estimates from the North Carolina Department of Commerce, Fiscal Research estimates \$337,100 in occupancy tax revenue in 2017-18. The revenue projected is estimated using the following formula: 587 (Rooms) * \$86.82 (Average Daily Room Rate) * 60.4% (Occupancy Rate) * 365 (Days in the Year) * 3% (Occupancy Tax Rate). Subsequent years are estimated using the growth rates of the Leisure and Hospitality portion of North Carolina’s Gross State Product. Collections would increase to an estimated \$397,500 by FY 2021-22.

Also, the bill would create the Harnett County District H taxing district and authorize it to levy a room occupancy tax of up to 6%. The Dunn Area Tourism Authority reports there are approximately 55 rooms in the District H area that would be eligible for the room occupancy tax. Using tourism related economic estimates from the North Carolina Department of Commerce, Fiscal Research estimates \$63,200 in occupancy tax revenue in 2017-18. The revenue projected is estimated using the following formula: 55 (Rooms) * \$86.82 (Average Daily Room Rate) * 60.4% (Occupancy Rate) * 365 (Days in the Year) * 6% (Occupancy Tax Rate). Subsequent years are estimated using the growth rates of the Leisure and Hospitality portion of North Carolina’s Gross State Product. Collections would increase to an estimated \$74,600 by FY 2021-22.

The table below shows estimated occupancy tax collections for both the City of Sanford and Harnett County District H.

House Bill 143		
Fiscal Year	City of Sanford	Harnett County District H
2016-17	337,100	63,200
2017-18	347,500	65,200
2018-19	361,500	67,800
2019-20	375,100	70,400
2020-21	384,800	72,200
2021-22	397,500	74,600

SOURCES OF DATA: Moody’s Economy.com; Legislative Bill Analysis; North Carolina Department of Commerce; City of Sanford; Dunn Area Tourism Authority

TECHNICAL CONSIDERATIONS: None

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DATE: June 13, 2017



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