



HOUSE BILL 490: Sanford Occupancy Tax Authorization

This Bill Analysis reflects the contents of the bill as it was presented in committee.

2015-2016 General Assembly

Committee:	House Finance	Date:	July 30, 2015
Introduced by:	Reps. Salmon, Reives	Prepared by:	Greg Roney Committee Counsel
Analysis of:	PCS to First Edition H490-CSTMx-43		

SUMMARY: *The Proposed Committee Substitute (PCS) to House Bill 490 would authorize the City of Sanford to levy a room occupancy tax of up to 3%, the proceeds of which would be remitted to a Tourism Development Authority. The PCS would require that 100% of the proceeds be used for tourism promotion.*

CURRENT LAW: The City of Sanford is located in Lee County, which has the authority to levy a 3% room occupancy tax.¹ The proceeds of the county tax are used for the construction and maintenance of a community resource center; the excess over the amount needed for maintenance may be used for any lawful purpose.

BILL ANALYSIS: The PCS to House Bill 490 would authorize Sanford to levy a 3% room occupancy tax. The City would be required to establish a Tourism Development Authority (TDA) to administer the proceeds. One hundred percent (100%) of the proceeds must be used for tourism promotion. Under the guidelines, *at least* two-thirds of the proceeds must be used for tourism promotion; two-thirds is a minimum requirement and a TDA has discretion to use more funds for that purpose. In this instance, because Lee County's occupancy tax legislation pre-dates the guidelines and dedicates 100% of the proceeds for tourism-related expenditures, this bill proposes using all of the funds derived from Sanford accommodations for tourism promotion to achieve a balance. The bill conforms to the Guidelines for Occupancy Tax adopted by the House Finance Committee.

EFFECTIVE DATE: The PCS to House Bill 490 would be effective when it becomes law.

BACKGROUND: Since 1983, the General Assembly has authorized many units of local government to levy a room occupancy tax. Over the past several years, there has been a greater effort to make the occupancy taxes uniform. In 1997, the General Assembly enacted uniform municipal and county administrative provisions for occupancy tax,² which provide uniformity among counties and cities with respect to the levy, administration, collection, repeal, and imposition of penalties.

In 1993, the House Finance Committee established the Occupancy Tax Guidelines, which address the rate of tax, the use of the tax proceeds, the administration of the tax, and the body with authority to determine how the proceeds will be spent. A summary of these provisions is detailed in the chart below. Many of the principles contained in the Guidelines are similar to those contained in policy statements adopted by the North Carolina Travel and Tourism Coalition and the North Carolina Restaurant and Lodging Association.

¹ S.L. 1987-538

² G.S. 153A-155 and G.S. 160A-215.

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House Bill 490

Page 2

UNIFORM OCCUPANCY TAX PROVISIONS
Rate – The county tax rate cannot exceed 6% and the city tax rate, when combined with the county rate, cannot exceed 6%.
Use – Two-thirds of the proceeds must be used to promote travel and tourism and the remainder must be used for tourism related expenditures.
Definitions The term "net proceeds", "promote travel and tourism", and "tourism related expenditures" are defined terms.
Administration – The net revenues must be administered by a local tourism development authority that has the authority to determine how the tax proceeds will be used, is created by a local ordinance, and at least 1/2 of the members must be currently active in the promotion of travel and tourism in the county and 1/3 of the members must be affiliated with organizations that collect the tax.
Costs of Collection – The taxing authority may retain from the revenues its actual costs of collection, not to exceed 3% of the first \$500,000 collected each year plus 1% of the remainder collected each year.

Trina Griffin with the Research Division substantially contributed to this summary.