SENATE BILL 50: Wilson County Occupancy Tax Modification

2015-2016 General Assembly

Committee:	House Finance	**Date:**	July 15, 2015
Introduced by:	Sen. Bryant	**Prepared by:**	Trina Griffin Committee Counsel
Analysis of:	PCS to Third Edition S50-CSSVx-34		

***SUMMARY:** The Proposed Committee Substitute for Senate Bill 50 authorizes Wilson County to levy an additional three percent (3%) room occupancy and tourism development tax. This bill and Wilson County's existing legislation conform to the Occupancy Tax Guidelines supported by the North Carolina Travel and Tourism Coalition and adhered to by the House Finance Committee.*

CURRENT LAW: In 1987, the General Assembly authorized Wilson County to levy a three percent occupancy tax.[1] The funds are required to be remitted to a Tourism Development Authority and used for tourism-related purposes. Although largely conforming already, the legislation was brought into full conformity in 2009 when other administrative changes were made.

BILL ANALYSIS: The bill would authorize Wilson County to levy an additional 3% room occupancy tax. The net proceeds of the additional 3% would be used in the same manner as the existing 3%, which is in accordance with the House Finance guidelines for occupancy tax: at least two-thirds for tourism promotion and the remainder for tourism-related expenditures.

EFFECTIVE DATE: This act is 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. The House Finance Committee Chairs have traditionally appointed a Subcommittee on Occupancy Taxes to scrutinize occupancy tax legislation to determine whether the legislation adheres to the Guidelines.

[1] The Town of Kenly is authorized to levy a two percent (2%) occupancy tax. Kenly lies partly in Johnston County and partly in Wilson County. According to the Town, there are no hotels currently located on the Wilson side of Kenly. However, if a hotel was to locate there, the tax rate would be eight percent (8%), which would exceed the guidelines. If this situation arose, the legislation could be modified to address it.

[2] G.S. 153A-155 and G.S. 160A-215.

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.