



SENATE BILL 874: Sanford/Harnett OT.

2016-2017 General Assembly

Committee: House Finance
Introduced by: Sen. Rabin
Analysis of: PCS to First Edition
S874-CSSVx-58

Date: June 30, 2016
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SUMMARY: *The PCS for Senate Bill 874 does the following:*

- *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 must be used as follows: two-thirds for tourism promotion and the remainder for tourism-related expenditures. The PCS defines "tourism-relates expenditures" as including expenditures for the operation, maintenance, promotion, and renovation of the Dennis A. Wicker Civic Center.*
- *Creates a special taxing district consisting of all of Harnett County, with the exclusion of the Averasboro 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.*

PART I: SANFORD OCCUPANCY TAX

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. Specifically, these funds are used for the [Dennis A. Wicker Civic Center](#).

BILL ANALYSIS: Part I of the bill would authorize Sanford to levy a 3% room occupancy tax. The City would be required to establish a Tourism Development Authority to administer the proceeds. The First Edition of the bill, as passed by the Senate, would have required two-thirds of the proceeds to be used for tourism promotion and the remainder to be used for the operation, maintenance, promotion, and renovation of the Dennis A. Wicker Civic Center. The PCS modifies this provision by requiring that one-third of the funds be used for tourism-related expenditures. The definition of "tourism-related expenditures" is amended to specifically permit, but not require, expenditures for the operation, maintenance, promotion, and renovation of the Dennis A. Wicker Civic Center.

PART II: HARNETT COUNTY OCCUPANCY TAX

CURRENT LAW: In 1987, the General Assembly authorized Harnett County, as the governing body of Averasboro Township, to levy a 3% room occupancy tax in the township. In 2001, the taxing authority was increased to 6%. The proceeds must be remitted to the Averasboro Township Tourism Development Authority and must be used as follows: two-thirds for tourism promotion and the

¹ S.L. 1987-538.

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remainder for tourism-related expenditures. The tax only applies in within the township limits. Currently, there is no occupancy tax in Harnett County other than in Averagesboro.

BILL ANALYSIS: Part II of the bill would create a special taxing district consisting of all of Harnett County, exclusive of the Averagesboro Township. The Harnett County Board of Commissioners would serve as the governing body for the district and would be authorized to levy a 6% room occupancy tax in the district. The proceeds of the tax must be remitted to a district Tourism Development Authority. The Authority must use at least two-thirds of the funds for tourism promotion and the remainder for tourism-related expenditures.

EFFECTIVE DATE: This act is effective when it becomes law.

BACKGROUND: 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.

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.

² G.S. 153A-155 and G.S. 160A-215.