HOUSE BILL 429:
City of Saluda Occupancy Tax.

2017-2018 General Assembly

Committee:	House Finance	**Date:**	June 14, 2017
Introduced by:	Rep. Henson	**Prepared by:**	Trina Griffin Committee Co-Counsel
Analysis of:	First Edition		

OVERVIEW:* House Bill 429 would create a special taxing district consisting of the part of the City of Saluda that is located in Polk County and would authorize that special taxing district to levy a 3% 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. The bill conforms to the Occupancy Tax Guidelines established by the House Finance Committee.

CURRENT LAW: Saluda does not currently have an occupancy tax. Saluda lies in both Henderson and Polk Counties. The occupancy tax guidelines set a maximum total rate of 6% (county and city combined). Henderson County already has authority to levy a 6% occupancy tax, which effectively prevents Saluda from levying an occupancy tax in that part of the city that lies in Henderson County. Polk County has authority to levy 3%, which means that the maximum rate that Saluda could levy on the Polk side would be 3%.

BILL ANALYSIS: In order to effectuate the levy of a tax in only part of the city that meets the constitutional uniformity requirement, House Bill 429 would create a special taxing district consisting of the part of the City of Saluda that is located in Polk County. The Saluda Board of Commissioners would serve as the governing body for the district and would be authorized to levy a 3% 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,[1] 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.

[1] 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.