



HOUSE BILL 531: Dare County Local Tax Clarification.

2017-2018 General Assembly

Committee:	House State and Local Government II. If favorable, re-refer to Finance	Date:	April 20, 2017
Introduced by:	Rep. Boswell	Prepared by:	Trina Griffin Staff Attorney
Analysis of:	First Edition		

OVERVIEW: House Bill 531 would clarify the permitted uses of the Dare County prepared food and beverage tax and 1% of its room occupancy tax. The permitted uses would include services increasing traffic control, police, lifeguard, and sanitation personnel and would specifically exclude expenditures for events or improvements designed to increase tourism in the county or used by tourists.

CURRENT LAW: Dare County levies a 6% occupancy tax and a 1% prepared food and beverage tax, the net proceeds of which are distributed and used as follows:

Type of Tax	Rate	Administering Entity	Purpose
Occupancy	3%	2% - Cities ¹	Tourist-related purposes to include: <ul style="list-style-type: none"> • Construction and maintenance of public facilities and buildings • Garbage, refuse, and solid waste collection and disposal • Police protection • Emergency services
		1% - County	
Occupancy	2%	County	Beach Nourishment
Occupancy	1%	Dare County Tourism Board	75% - To promote tourism and administrative costs; promotion may include advertising to promote less-than-peak-season events, marketing research, a mail and telephone inquiry response program, and hospitality functions
Prepared Food & Beverage	1%		25% - Services and programs needed due to impact of tourism

BACKGROUND: In 2016, the State Auditor conducted an [audit](#) of the Dare County Tourism Board. The objective of the audit was to determine whether the Board spends its "restricted funds" in accordance with the enabling legislation. The term "restricted funds" refers to the 25% of the 2% that is remitted to the tourism board to be used for "services and programs needed due to the impact of tourism on the county." The legislation does not provide a definition or examples of the appropriate types of

¹ 68% of the first 3% is distributed among the towns in the county in proportion to the amount of property taxes levied for the preceding fiscal year.

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services or programs that would fall into this category. The audit disclosed that the Board places the net proceeds of the 25% in a Restricted Special Revenue Fund and uses it for things like firework displays, payments to lifeguards, a dredging project, the design of a multi-use center, the Duck boardwalk, multi-use paths and wellness trails, and restorations of historic attractions.

The legislation further provides that the tourism board may not purchase real property or use the proceeds in the restricted fund without prior approval of the Dare County Board of Commissioners.

The audit concluded that the Board should seek clarification from the legislature as to the intent of the restriction. The Board, however, does not agree that the enabling legislation lacks clarity.

BILL ANALYSIS: House Bill 531 would clarify the permitted uses of Dare County's 1% prepared food and beverage tax and 1% of its total 6% room occupancy tax, the proceeds of which are remitted to and administered by the Dare County Tourism Board. The permitted uses would ***include*** services or programs to respond to the burdens associated with the impact of tourism during peak season. Specifically, the funds could be used for increasing the following types of personnel:

- traffic control
- police
- lifeguard
- sanitation crew

The bill would specifically ***exclude*** expenditures for events or improvements designed to increase tourism in the county or used by tourists.

EFFECTIVE DATE: The bill would become effective when it becomes law and apply to expenditures of funds made on or after that date.