



# SENATE BILL 552: Omnibus Occupancy Taxes.

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

2017-2018 General Assembly

<b>Committee:</b>	House Finance	<b>Date:</b>	June 26, 2017
<b>Introduced by:</b>	Sens. Tillman, Cook	<b>Prepared by:</b>	Trina Griffin
<b>Analysis of:</b>	PCS to First Edition S552-CSSVxr-40		Committee Co-Counsel

**OVERVIEW:** *The Proposed Committee Substitute for Senate Bill 552 would place into one bill various occupancy tax changes that are currently in stand-alone bills plus one additional provision. The changes would affect the cities of Sanford, Saluda, Jacksonville, Hickory, and Conover, and the counties of Harnett, Sampson, Yadkin, and Rowan.*

## CURRENT LAW & BILL ANALYSIS:

### 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.<sup>1</sup> 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 PCS 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 Authority must use two-thirds of the funds to promote travel and tourism in Sanford and must use the remainder for the operation, maintenance, promotion, and renovation of the Dennis A. Wicker Civic Center. If any of the funds dedicated for the Dennis A. Wicker Civic Center are not spent or obligated by the close of a fiscal year, they may be used by the Authority for the promotion of travel and tourism in Sanford.

**This Part of the PCS reflects the contents of Senate Bill 13, which is different than the Sanford provision of House Bill 143, which passed the House on June 15. Under that bill, 100% of the proceeds of the 3% tax would be used for tourism promotion.**

### PART II. SALUDA OCCUPANCY TAX

**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%.

<sup>1</sup> S.L. 1987-538.

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# Senate PCS 552

Page 2

**BILL ANALYSIS:** In order to effectuate the levy of a tax in only part of the city that meets the constitutional uniformity requirement, this Part 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.

**This Part of the PCS reflects the contents of House Bill 429, which passed the House on June 15, 2017.**

## PART III. JACKSONVILLE OCCUPANCY TAX

**CURRENT LAW:** Session Law 2009-429 authorized the City of Jacksonville<sup>2</sup> to levy a room occupancy tax of up to 3%. The provisions of the 2009 authorization conform to the uniform guidelines traditionally followed by the House Finance Committee. Under those guidelines, the proceeds are used as follows:

- At least two-thirds of the proceeds to promote travel and tourism. – Proceeds dedicated for this purpose must be used to advertise or market the city, publish and distribute marketing materials, or engage in similar promotional activities that attract tourists to the city.
- The remainder for tourism-related expenditures. – Proceeds dedicated for this purposes must be used for expenditures that, in the judgment of the Jacksonville Tourism Development Authority, are designed to increase the use of facilities in the city or to attract people to the city.

**BILL ANALYSIS:** Part III of the PCS would modify the use of occupancy tax proceeds for the City of Jacksonville by reversing the normal distribution formula so that for a period of 10 years, the majority, and potentially all, of the proceeds could be used for tourism-related expenditures and the remainder for the promotion of travel and tourism. After 10 years, the formula would revert to the current distribution formula, at which point the legislation would comply with the uniform guidelines.

**This Part of the PCS reflects the contents of Senate Bill 283, which is currently in Senate Finance.**

## PART IV. HICKORY AND CONOVER OCCUPANCY TAX

**CURRENT LAW:** In 1986, the General Assembly authorized the Cities of Hickory and Conover to levy a room occupancy tax of not less than 3% and not more than 5%, with 100% of the proceeds to be remitted to the Hickory-Conover Tourism Development Authority, for its use in funding tourism-related projects, events, and activities, with priority to be given to providing a civic center facility.

In 2009, both Cities were authorized to levy an additional 1% room occupancy tax<sup>3</sup>, for a total rate of up to 6%. Under that legislation, the TDA may use up to two-thirds of the funds, through December 31, 2019, for the convention center facility, including parking facilities, with the remainder being used to promote travel and tourism. After December 31, 2019, the distribution of the tax proceeds would return to the standard formula set out in the House Finance Occupancy Tax Guidelines, which require at least two-thirds for promote travel and tourism and the remainder for tourism-related expenditures. The current local act also requires that any debt service entered into to finance improvements to the convention center, including parking facilities, mature on or before December 31, 2019.

<sup>2</sup> Jacksonville is located in Onslow County, which also has authority to levy a 3% occupancy tax.

<sup>3</sup> The Towns sought the additional 1% to be able to construct a parking deck adjacent to the convention center.

# Senate PCS 552

Page 3

**BILL ANALYSIS:** Part IV of the PCS would extend by 10 years, the period for which the Cities of Hickory and Conover may use two-thirds of their occupancy tax proceeds for the convention center facility and the date by which any debt service to finance improvements to the convention center must mature.

## **PART V. HARNETT COUNTY OCCUPANCY TAX**

**CURRENT LAW:** Harnett County, as the governing body of Averagesboro Township, is authorized to levy a 6% room occupancy tax in the township. The proceeds must be remitted to the Averagesboro Township Tourism Development Authority and must be used as follows: two-thirds for tourism promotion and the remainder for tourism-related expenditures. The tax only applies in within the township limits. Currently, there is no occupancy tax levied in Harnett County other than in Averagesboro.

**BILL ANALYSIS:** Part V of the PCS 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.

**This Part of the PCS reflects the contents of House Bill 143, which passed the House on June 15.**

## **PART VI. SAMPSON OCCUPANCY TAX**

**CURRENT LAW:** In 2007, the General Assembly granted Sampson County the authority to levy a 3% room occupancy tax. The provisions of that act conform to the Occupancy Tax Guidelines adhered to by the House Finance Committee.

**BILL ANALYSIS:** This Part of the PCS would increase from 3% to 6% the county's authority to levy an occupancy tax. No other changes are being made, so this local act would continue to conform to the Occupancy Tax Guidelines.

**This Part of the PCS reflects the contents of House Bill 211, which passed the House on June 15.**

## **PART VII. YADKIN OCCUPANCY TAX**

**CURRENT LAW:** Yadkin County has the authority to levy a 6% occupancy tax in all of the unincorporated areas of the county. There are 4 municipalities in Yadkin County: Boonville, East Bend, Jonesville, and Yadkinville. Both Jonesville and Yadkinville have the authority to levy a 6% occupancy tax.

**BILL ANALYSIS:** This Part of the PCS would expand the area in which Yadkin County may levy the county tax to all areas in the county other than the Towns of Jonesville and Yadkinville.

**This Part of the PCS reflects the contents of House Bill 282, which passed the House on June 15.**

## **PART VIII. ROWAN OCCUPANCY TAX**

**CURRENT LAW:** Since 1987, Rowan County has had the authority to levy a 3% occupancy tax. The net proceeds are remitted to the county Tourism Development Authority, which may only use the funds

# Senate PCS 552

Page 4

to promote travel, tourism, and conventions and to sponsor tourist-oriented events and activities. The Authority may not spend any funds for the construction, improvement, or maintenance of real property or for any other capital project.

In 2009, the General Assembly authorized the City of Salisbury to levy a 3% occupancy tax, the proceeds of which are used for tourism promotion and tourism-related expenditures.

**BILL ANALYSIS:** This Part of the PCS would repeal the City of Salisbury's authority to levy an occupancy tax and it would increase Rowan County's authority to 6%. The net proceeds would be remitted to the Tourism Development Authority, which must use at least two-thirds for tourism promotion and the remainder for tourism-related expenditures. It modifies the composition of the Authority to reflect representation by both the county and the City of Salisbury; the overall number of members remains the same.

The Salisbury-Rowan County Convention & Visitors Bureau, which was formed by the Rowan County Tourism Development Authority and the Salisbury Tourism Development Authority, voted unanimously to amend the existing occupancy tax legislation so that there is a singular county-wide occupancy tax for all of Rowan County.

**This Part of the PCS reflects the contents of House Bill 444, which passed the House on June 19.**

**BACKGROUND:** In 1997, the General Assembly enacted uniform municipal and county administrative provisions for occupancy tax,<sup>4</sup> 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
<b>Rate</b> – The county tax rate cannot exceed 6% and the city tax rate, when combined with the county rate, cannot exceed 6%.
<b>Use</b> – Two-thirds of the proceeds must be used to promote travel and tourism and the remainder must be used for tourism related expenditures.
<b>Definitions</b> The term "net proceeds", "promote travel and tourism", and "tourism related expenditures" are defined terms.
<b>Administration</b> – 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.
<b>Costs of Collection</b> – 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.

<sup>4</sup> G.S. 153A-155 and G.S. 160A-215.