



# HOUSE BILL 528: Indian Trail/Stallings Occupancy Tax Auth.

2019-2020 General Assembly

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<b>Committee:</b>	House Rules, Calendar, and Operations of the House	<b>Date:</b>	May 15, 2019
<b>Introduced by:</b>	Reps. Arp, Horn	<b>Prepared by:</b>	Trina Griffin
<b>Analysis of:</b>	Second Edition		Staff Attorney

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**OVERVIEW:** *House Bill 528 would create a taxing district consisting of the part of the Town of Stallings located within Union County and authorize that district and the Town of Indian Trail to levy an occupancy tax of up to 5%, if approved by a majority of voters in a referendum in each respective jurisdiction. This bill conforms to the Guidelines for Occupancy Tax adhered to by the House Finance Committee.*

**CURRENT LAW:** The Guidelines for Occupancy Tax adhered to by the House Finance Committee limits the levy of room occupancy taxes at 6%. Mecklenburg County currently levies an 8% room occupancy tax and is the only unit of local government that has been authorized to levy a room occupancy tax greater than 6%.<sup>1</sup> The Town of Stallings lies partially in Mecklenburg and Union Counties. Under the House guidelines, the portion of the Town that lies in Mecklenburg County cannot be provided authority to levy an occupancy tax. The Town of Indian Trail is also located in Union County. Currently, Union County does not have the authority to levy a room occupancy tax.

**BILL ANALYSIS:** **Section 1** of the bill would authorize the Town of Indian Trail to levy a room occupancy tax of up to 5% if approved by the majority of the voters in a referendum. If approved by a majority of voters, the town council must pass a resolution, after 10 days' public notice, in order to levy the tax. The proceeds of the tax must be distributed to the Indian Trail Tourism development authority. At least two-thirds of the funds must be used for tourism promotion and the remainder must be used for tourism-related expenditures.

**Section 2** of the bill would create a special taxing district consisting of that part of the Town of Stallings located within Union County. The Town Council of the Town of Stallings would serve as the officers of the governing body for the district and would be authorized to levy a room occupancy tax of up to 5% in the district if approved by the majority of the voters in a referendum. If approved by a majority of voters, the town council must pass a resolution, after 10 days' public notice, in order to levy the tax. The proceeds of the tax must be remitted to the Stallings District S Tourism Development Authority. At least two-thirds of the funds must be used for tourism promotion and the remainder must be used for tourism-related expenditures.

The bill also provides a mechanism for both Towns to increase the occupancy tax rate at some point in the future if, upon a successful referendum, a town opts to levy the tax at a rate of less than 5%, but in no event may the tax exceed the 5% maximum authorized by the ballot question.

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<sup>1</sup> S.L. 2005-68 authorized Mecklenburg County to exceed the 6% occupancy tax rate limit established under House guidelines so that an additional 2% occupancy tax could be levied for the acquisition, construction, repair, maintenance, and financing of the NASCAR Hall of Fame Museum and an adjacent NASCAR convention center ballroom facility.

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**EFFECTIVE DATE:** This act would be effective when it becomes law.

**BACKGROUND:** In 1997, the General Assembly enacted uniform municipal and county administrative provisions for occupancy tax,<sup>2</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.

*Nicholas Giddings, counsel to House State and Local Government, substantially contributed to this summary.*

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<sup>2</sup> G.S. 153A-155 and G.S. 160A-215.