



HOUSE BILL 204: Hertford County Occupancy Tax.

2021-2022 General Assembly

Committee:	House Rules, Calendar, and Operations of the House	Date:	May 11, 2021
Introduced by:	Rep. Hunter	Prepared by:	Trina Griffin
Analysis of:	Second Edition		Staff Attorney

OVERVIEW: *House Bill 204 would do the following:*

- *Recodify and rewrite Hertford County's current authority to levy a 3% room occupancy tax and provide that at least two-thirds of the proceeds would have to be used for tourism promotion and the remainder for tourism-related expenditures. The tax rate would remain the same.*
- *Create a special taxing district consisting of that part of Hertford County that is located outside the incorporated areas of the Towns of Ahoskie and Murfreesboro and authorize that special taxing district to levy a 3% room occupancy tax. The proceeds would be deposited into a special fund, at least two-thirds of which would have to be used for tourism promotion and the remainder for tourism-related expenditures.*

This bill conforms to the Guidelines for Occupancy Tax adhered to by the House Finance Committee and was given a favorable report by the Occupancy Tax Subcommittee.

CURRENT LAW: Hertford County has the authority to levy a 3% room occupancy tax, the proceeds of which may be used for any lawful purpose.¹ The Towns of Ahoskie and Murfreesboro, which are located in Hertford County, also have the authority to levy a 3% room occupancy tax.

BILL ANALYSIS: House Bill 204 would recodify and rewrite Hertford County's current authority to levy a 3% room occupancy tax to better conform to the occupancy tax guidelines currently adhered to by the House Finance Committee. The tax rate would remain the same. Among the changes, the rewrite would eliminate the existing 3% merchant's discount, require the establishment of a tourism development authority, and restrict the use of funds to tourism purposes. Specifically, at least two-thirds of the proceeds would have to be used for tourism promotion and the remainder for tourism-related expenditures.

The bill would also create a special taxing district consisting of that part of Hertford County located outside of the incorporated areas of the Towns of Ahoskie and Murfreesboro. The Hertford County Board of Commissioners would serve ex officio 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 the Authority, which must put the proceeds into a special fund that bears interest or is invested in accordance with G.S. 159-30. At least two-thirds of the proceeds must be used for tourism promotion and the remainder must be used for tourism-related expenditures.

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

¹ [S.L. 1987-979](#) and [Section 21\(z\) of S.L. 2007-527](#).

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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.

Nick Giddings, Staff Attorney, substantially contributed to this summary.

² G.S. 153A-155 and G.S. 160A-215.