



# HOUSE BILL 239: Additional North Topsail Occupancy Tax.

2021-2022 General Assembly

<b>Committee:</b>	House Local Government. If favorable, re-fer to Finance. If favorable, re-refer to Rules, Calendar, and Operations of the House	<b>Date:</b>	March 16, 2021
<b>Introduced by:</b>	Rep. Shepard	<b>Prepared by:</b>	Nicholas Giddings Staff Attorney
<b>Analysis of:</b>	First Edition		

**OVERVIEW:** House Bill 239 would authorize the Town of North Topsail Beach to levy an additional 1% room occupancy tax. The proceeds of the additional tax would be used to help pay the required nonfederal partner match for a qualifying beach renourishment project with the U.S. Army Corps of Engineers.

*This bill does not conform to the Guidelines for Occupancy Tax adhered to by the House Finance Committee.*

**CURRENT LAW:** Onslow County has the authority to levy a 3% room occupancy tax, to be used only to further the development of travel, tourism, and conventions in the county. The Town of North Topsail Beach has additional authority to levy a 3% room occupancy tax which must be used for beach renourishment.<sup>1</sup> In total, the Town of North Topsail Beach currently levies a 6% room occupancy tax.

**BILL ANALYSIS:** House Bill 239 would authorize the Town of North Topsail Beach to levy an additional 1% room occupancy tax within the Town, for a total of 7%. The proceeds of the additional tax must be used for the nonfederal partner match requirement of a beach renourishment qualifying project. A qualifying project is defined as a beach renourishment project with the U.S. Army Corps of Engineers (i) estimated to have a total cost of approximately nine hundred million dollars (\$900,000,000), (ii) consisting of an estimated six renourishment cycles over a span of approximately 50 years, and (iii) requiring a nonfederal partner match for a portion of which the town will be responsible.

The bill would not conform to the Guidelines for Occupancy Tax adhered to by the House Finance Committee because it would authorize the Town of North Topsail Beach to levy an occupancy tax that exceeds 6%<sup>2</sup> and the proceeds would not be used for tourism related expenditures or to promote tourism development.

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

**BACKGROUND:** The Towns of North Topsail Beach and Surf City will partner with the U.S. Army Corps of Engineers on a joint, 50-year, multi-million-dollar beach renourishment project.<sup>3</sup> The proposed project would secure beach renourishment along 10 miles of Topsail Island’s oceanfront shore, encompassing all 6 miles of shoreline in Surf City and the first 4 adjoining miles in North Topsail Beach,

<sup>1</sup> Section 5.1 of [S.L. 2001-439](#).

<sup>2</sup> Currently, only Mecklenburg County has the authority to levy an occupancy tax in excess of 6%. [S.L. 2005-68](#) authorized Mecklenburg County to levy an additional 2% room occupancy tax (for a total of 8%) upon receiving written confirmation from NASCAR that it would license or otherwise legally authorize the location of the NASCAR Hall of Fame Museum facility in Charlotte, NC.

<sup>3</sup> [Army Corps of Engineers Surf City and North Topsail Beach Coastal Storm Damage Reduction Project](#)

Jeffrey Hudson  
Director



Legislative Analysis  
Division  
919-733-2578

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approximately every 6 years for the next 50 years. The program would require the Towns to pay a nonfederal partner match. North Topsail Beach's match requirement is expected to be \$3 million annually.

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.