HOUSE BILL 238:
Town of Clayton Occupancy Tax.

2023-2024 General Assembly

Committee:	Senate Finance. If favorable, re-refer to Rules and Operations of the Senate	**Date:**	June 21, 2023
Introduced by:	Reps. White, Strickland, Penny	**Prepared by:**	Nicholas Giddings Staff Attorney
Analysis of:	Second Edition		

***OVERVIEW:** House Bill 238 would create a taxing district consisting of the part of the Town of Clayton located within Johnston County and authorize that district to levy a room occupancy tax of up to 2%. The proceeds would be remitted to the Johnston County Tourism Authority. At least two-thirds of the proceeds must be used to promote travel and tourism in the district and the remainder must be used for tourism-related expenditures in the district.*

CURRENT LAW: The Guidelines for Occupancy Tax adhered to by the House Finance Committee limits the levy of room occupancy taxes at 6%. The Town of Clayton lies partially in Johnston and Wake Counties. Johnston County currently has the authority to levy a 3% room occupancy tax.[1] Wake County currently has the authority to levy a 6% room occupancy tax.[2] Under the House Guidelines, the portion of Clayton that lies in Wake County cannot be provided authority to levy an occupancy tax.

BILL ANALYSIS: House Bill 238 would create a special taxing district consisting of that part of the Town of Clayton located within Johnston County. The Town Council of the Town of Clayton would serve as the governing body of the district and would be authorized to levy a room occupancy tax of up to 2% in the district. The proceeds of the tax must be remitted to the Johnston County Tourism Authority. At least two-thirds of the funds must be used to promote travel and tourism in the district and the remainder must be used for tourism-related expenditures in the district.

EFFECTIVE DATE: The bill would be effective when it becomes law.

BACKGROUND: In 1997, the General Assembly enacted uniform municipal and county administrative provisions for occupancy tax,[3] 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.

[1] S.L. 1987-647.
[2] S.L. 1991-594.
[3] G.S. 153A-155 and G.S. 160A-215.

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.

Trina Griffin, counsel to House Finance, substantially contributed to this summary.