



SENATE BILL 154: Avery/Union/Stallings/Indian Trail OT Chngs.

2023-2024 General Assembly

Committee:		Date:	June 22, 2023
Introduced by:	Sen. Hise	Prepared by:	Trina Griffin
Analysis of:	Second Edition		Staff Attorney

OVERVIEW: *Senate Bill 154 would do the following:*

- *Create a taxing district comprised of the unincorporated areas of Avery County and authorize that district to levy a room occupancy tax within the district of up to 6%. The proceeds would be required to be remitted to the Avery County District A Tourism Development Authority. The Authority must use at least one-third of the proceeds for tourism promotion and the remainder for tourism-related expenditures.*
- *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%. It would also authorize Union County to levy a 1% occupancy tax. The taxes may only be levied if approved by a majority of voters in a referendum in each respective jurisdiction.*

PART I. AVERY COUNTY OCCUPANCY TAX

CURRENT LAW: All of the cities¹ in Avery County currently have authority to levy a 6% room occupancy tax; Avery County does not.

BILL ANALYSIS: Part I of Senate Bill 154 would create a special taxing district consisting of that part of Avery County located outside of the incorporated areas of the county (Avery County District A). The Avery County Board of Commissioners would serve ex officio 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 the Avery County District A Tourism Development Authority, which is to be established upon levy of the tax. The Authority must use at least one-third of the funds for tourism promotion and the remainder for tourism-related expenditures.

PARTS II, III, AND IV. INDIAN TRAIL, STALLINGS, AND UNION COUNTY OCCUPANCY TAX

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%.² 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

¹ Banner Elk, Beech Mountain, Crossnore, Elk Park, Grandfather Village, Newland, Seven Devils, and Sugar Mountain.

² 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.

Jeffrey Hudson
Director



Legislative Analysis
Division
919-733-2578

Senate Bill 154

Page 2

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:

Sections 3 & 4 - Indian Trail

Sections 3 and 4 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 to promote travel and tourism and the remainder must be used for tourism-related expenditures.

Sections 5, 6, & 7 - Stallings

Sections 5, 6, & 7 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 to promote travel and tourism 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.

Sections 8 & 9 – Union County

Sections 8 & 9 of the bill would authorize Union County to levy a 1% room occupancy tax if approved by a majority of the voters in a referendum. If approved by a majority of voters, the board of commissioners 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 Union County Tourism Development Authority. At least two-thirds of the funds must be used to promote travel and tourism and the remainder must be used for tourism-related expenditures.

EFFECTIVE DATE: This bill would become effective when the act 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.
Definitions The term "net proceeds", "promote travel and tourism", and "tourism related expenditures" are defined terms.

³ G.S. 153A-155 and G.S. 160A-215.

Senate Bill 154

Page 3

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.