



HOUSE BILL 240: Currituck/NH Beach Towns/J'ville OT.

2025-2026 General Assembly

Committee: Senate Rules and Operations of the Senate	Date: June 16, 2026
Introduced by: Rep. Carver	Prepared by: Trina Griffin
Analysis of: Second Edition	Staff Attorney

OVERVIEW: House Bill 240 would do the following:

- *Provide Currituck County with explicit authorization to use two-thirds of its occupancy tax proceeds for services and programs needed due to the impact of tourism and seasonal population increases, such as law enforcement, emergency services, fire protection, construction and maintenance of public facilities, solid waste collection and disposal, and beach nourishment, to the extent such services enhance the ability of the county to attract and provide for tourists.*
- *Provide the New Hanover beach towns of Carolina Beach, Kure Beach, and Wrightsville Beach with explicit authorization to use the portion of its occupancy tax proceeds dedicated to tourism-related expenditures to include seasonal ocean rescue and lifeguard services and police and fire overtime pay for festivals and special events that are funded by occupancy tax proceeds.*
- *Extend for 10 years the City of Jacksonville's authority to use two-thirds of its occupancy tax proceeds for tourism-related expenditures.*

PART I. CURRITUCK COUNTY OCCUPANCY TAX CHANGES

CURRENT LAW: Currituck County has the authority to levy a 6% occupancy tax. The net proceeds of the first 3% must be used for tourism-related expenditures, including beach nourishment. Of the second 3%, at least two-thirds must be used to promote travel and tourism, and the remainder must be used for tourism-related expenditures. Collectively, Currituck may use a total of two-thirds of its occupancy tax proceeds for tourism-related expenditures and the remainder for tourism promotion. The local act defines "tourism-related expenditures" as:

"Expenditures that, in the judgment of the Currituck County Board of Commissioners, are designed to increase the use of lodging facilities, meeting facilities, recreational facilities, and convention facilities in a county by attracting tourists or business travelers to the county. The term includes tourism-related capital expenditures and beach nourishment."

Historically, Currituck County has used occupancy tax proceeds on certain public safety services, including law enforcement, emergency medical services, and fire response. A group of vacation rental property owners who collect and remit occupancy taxes in the County brought a lawsuit against the County arguing the tax funds were being spent unlawfully because these services are not "tourism-related." They cited to the fact that Currituck's prior legislation, which was originally enacted in 1987 and explicitly listed police protection and emergency services among permissible "tourist-related purposes," was amended in 2004, after the establishment of the House Finance Guidelines for Occupancy Tax, to strike through those references and replace them with the above-mentioned tourism-related expenditures definition, which

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relies on the judgment of the board of commissioners. The plaintiffs argued that the General Assembly's removal of those uses reflected legislative intent to constrain the board of commissioner's judgment, at least with respect to those specific uses.

In an [opinion](#) issued on May 22, 2026, the North Carolina Supreme Court disagreed and ruled in favor of the County in *Costanzo v. Currituck County*. The Court cited the following among the factors in its decision:

- The local act's use of the word "judgment" authorizes the Commissioners to use some measure of their own opinion or assessment regarding whether certain expenditures will attract tourists and that judgment should be supported as long as it is not in bad faith, arbitrary or capricious, or in disregard of the law.
- The definition of "tourism-related expenditures" does not include any express prohibitions of certain types of expenditures.
- The 2004 amendments could be interpreted as opening the original term up to wider, not narrower, interpretation.
- The Commissioners' reasoning was sound and in good faith because tourists won't visit an area they perceive as unsafe and a doubled seasonal population requires more law enforcement and EMS capacity. Moreover, the fact that about 80% of the occupancy tax funds were spent in Corolla, which is the area's primary tourist destination, supported that the spending was tied to tourism rather than general county operations.

Under this opinion, Currituck County may continue to use occupancy tax proceeds for various public safety services and, potentially, other services if, in the Commissioners' judgment, those services are tourism-related.

BILL ANALYSIS: Part I of the bill would provide Currituck County with explicit authorization in its local act to use two-thirds of its occupancy tax proceeds for services and programs needed due to the impact of tourism and seasonal population increases, such as law enforcement, emergency services, fire protection, construction and maintenance of public facilities, solid waste collection and disposal, and beach nourishment, to the extent such services enhance the ability of the county to attract and provide for tourists.

EFFECTIVE DATE: This Part would become effective when the act becomes law and would apply to the expenditure of occupancy tax proceeds collected on or after that date.

PART II. NEW HANOVER BEACH TOWNS OCCUPANCY TAX CHANGES

CURRENT LAW: Carolina Beach, Kure Beach, and Wrightsville Beach each have the authority to levy a 3% occupancy tax. The net proceeds are remitted to a Tourism Development Authority, which must deposit the proceeds from each beach town into a separate account for each beach town. The Authority must use at least one-half of the funds in each beach town account to promote travel and tourism in that beach town and shall use the remainder in each beach town account for tourism-related expenditures in that beach town. Before spending any funds in a beach town account for promoting travel and tourism or for tourism-related expenditures, the Authority must consult with the affected beach town regarding its needs for promoting travel and tourism and for tourism-related expenditures.

BILL ANALYSIS: Part II of the bill would amend the definition of "tourism-related expenditures" in the local act applicable to the New Hanover beach towns to explicitly include use for seasonal ocean

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rescue and lifeguard services and police and fire overtime pay for festivals and special events that are funded by occupancy tax proceeds.

EFFECTIVE DATE: This Part would become effective when the act becomes law and would apply to the expenditure of occupancy tax proceeds collected on or after that date.

PART III. EXTEND SUNSET ON JACKSONVILLE'S USE OF OCCUPANCY TAX

CURRENT LAW: In 2009, the General Assembly authorized the City of Jacksonville to levy a 3% occupancy tax. From 2009 through June 30, 2017, at least two-thirds of the net proceeds were required to be used for tourism promotion and the remainder for tourism-related expenditures. In 2017, S.L. 2017-202 reversed the use percentages for a period of 10 years, which ends on July 1, 2027.

BILL ANALYSIS: Part III of the bill would extend for 10 years through July 1, 2037, Jacksonville's ability to use two-thirds of its occupancy tax proceeds for tourism-related expenditures and the remainder for tourism promotion.

EFFECTIVE DATE: This Part is effective when the act becomes law.