



# SENATE BILL 484: Clarify Tourism-Related Expenditures.

2025-2026 General Assembly

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<b>Committee:</b>	House Finance. If favorable, re-refer to Rules, Calendar, and Operations of the House	<b>Date:</b>	June 2, 2026
<b>Introduced by:</b>	Sens. Moffitt, Daniel, Britt	<b>Prepared by:</b>	Trina Griffin
<b>Analysis of:</b>	PCS to Second Edition S484-CSSVf-44		Committee Counsel

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**OVERVIEW:** *The Proposed Committee Substitute for Senate Bill 484 would clarify that occupancy tax proceeds that may be used for "tourism-related expenditures" may not be used for expenditures ordinarily provided to residents through a local government's general fund, such as solid waste collection, law enforcement, emergency services, affordable housing, or education, unless explicitly provided for by local act.*

**CURRENT LAW:** Approximately 87 counties and 114 cities are authorized to levy a local room occupancy tax by local act. 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. In 1997, the General Assembly enacted statutory municipal and county administrative provisions for occupancy tax, which provide uniformity among counties and cities with respect to the levy, administration, collection, repeal, and imposition of penalties.

Since the introduction of the Guidelines, occupancy tax legislation has increasingly become more uniform and typically adheres to the terms and uses found in those Guidelines. However, a number of "legacy" local acts remain in place, which were enacted prior to the establishment of the Guidelines, as well as local acts enacted post-Guidelines that nevertheless deviate from those provisions.

Under the Guidelines, the permitted uses of occupancy tax proceeds are "tourism promotion" and "tourism-related expenditures." The term "tourism-related expenditures"<sup>1</sup> is defined as:

*"Expenditures that, in the judgment of the Tourism Development Authority, are designed to increase the use of lodging facilities, meeting facilities, and convention facilities in a city/county by attracting tourists or business travelers to the city/county. The term includes tourism-related capital expenditures (and for coastal areas may include beach nourishment).*

A tourism development authority is typically made up of hoteliers, or other collectors of the tax, and individuals who are active in the promotion of tourism in the area.

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<sup>1</sup> 66 of the 87 counties and 83 of the 114 cities with an occupancy tax have legislation with some form of the term "tourism-related expenditures."

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Currituck County currently has a local act that deviates from the Guidelines in that the definition of "tourism-related expenditures" is as follows:

*"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."*

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 Guidelines, to strike through those references and replace them with the above-mentioned tourism-related expenditures definition, which 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:** The PCS for Senate Bill 484 would clarify that occupancy tax proceeds that may be used for "tourism-related expenditures" may not be used for services ordinarily provided to or that primarily benefit residents, such as the type of services typically funded through a local government's general fund, unless explicitly provided for by local act. This limitation would apply to all counties and cities that levy an occupancy tax and would prohibit occupancy tax proceeds from being spent on services

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such as solid waste collection or disposal, water supply, distribution, or treatment, fire protection, law enforcement, public safety services, emergency services, affordable housing, or education, unless explicitly authorized in the local act.

There are a number of jurisdictions that were authorized to levy an occupancy tax prior to the establishment of the House Finance Occupancy Tax Guidelines that have explicit authority to use those funds for any public purpose, for beach nourishment, or for specified uses such as the criminal justice system, fire protection, public facilities and utilities, health facilities, or solid waste treatment. The expenditure of occupancy tax funds by these jurisdictions would not be affected by this bill to the extent they have explicit authority to use funds for these purposes. However, jurisdictions that are authorized to use occupancy tax proceeds for "tourism-related expenditures" generally, such as Currituck County, would not be permitted to use those proceeds for services or uses that primarily benefit residents absent specific authorization in the local act.

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