

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE FISCAL NOTE

BILL NUMBER: Senate Bill 1195 (First Edition)

SHORT TITLE: Seven Devils Occupancy Tax

SPONSOR(S): Senator Foxx

| FISCAL IMPACT | | | | | |
|--|--------------------------|--------------------------|----------------------------------|--------------------------|--------------------------|
| | Yes (X) | No () | No Estimate Available () | | |
| | <u>FY 2002-03</u> | <u>FY 2003-04</u> | <u>FY 2004-05</u> | <u>FY 2005-06</u> | <u>FY 2006-07</u> |
| REVENUES | | | | | |
| Seven Devils | \$61,000 | \$73,000 | \$73,000 | \$73,000 | \$73,000 |
| PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: Seven Devils Tourism Development Authority | | | | | |
| EFFECTIVE DATE: When it becomes law. | | | | | |

BILL SUMMARY: The legislation will create an occupancy tax district in the Town of Seven Devils with the authorization to levy an occupancy tax in Watauga County. The governing body of Seven Devils District W will be the members of the Seven Devils Board of Aldermen. The governing body may levy a room occupancy tax of up to three percent (3%) of the gross receipts derived from the rental of any room, lodging, or accommodation furnished by a hotel, motel, inn, tourist camp, or similar place within the district that is subject to sales tax. This is in addition to any existing state or local sales or room occupancy tax. The net proceeds shall be remitted to the Seven Devils Tourism Development Authority.

BACKGROUND: The Town of Seven Devils has requested a 6% occupancy tax rate. The General Assembly Bill Drafting Division found that the town already had the authority under current law to levy a 3% occupancy tax throughout the town; however, the town did not realize this and has not been collecting this revenue. The proposed legislation would add an additional 3% occupancy tax in the Watauga County portion of the town, raising its occupancy tax rate to the requested 6%. This gives the Seven Devils District W the same occupancy tax authority as its neighbor, Beech Mountain District W. The Avery County portion of Seven Devils will maintain its current 3% occupancy tax rate.

ASSUMPTIONS AND METHODOLOGY: All fees and revenues generated by the town remain with the town, thus the bill will have no fiscal impact on the state General Fund. However, the legislation will have an impact on the revenues of the town.

The Town of Seven Devils does not have any hotels or bed and breakfasts. Instead, tourism revenue is generated via the rental of condos, cabins and personal residences. It is estimated that approximately 125 rental units are present in the Watauga County portion of Seven Devils. The units are rented out at an average of \$750 a week with an approximate 50% occupancy rate for the year (predominately summer and winter). This would generate approximately \$2.4 million a year in rental income.

Recent years have seen fluctuations in rental occupancy rates, as they are very dependent on personal income changes and consumers' ability to take vacations. Assuming no tourism growth, the additional 3% occupancy tax on \$2.4 million rental income would generate approximately \$73,000 annually.

SOURCES OF DATA: Eric Davis, Seven Devils Town Manager; High Country Realty

TECHNICAL CONSIDERATIONS: The estimate for fiscal year 2002-03 assumes a two-month lag time before collections will begin. The legislation will not pass before July 1, 2002, and although the town plans to implement the occupancy tax as soon as it becomes law, there will be at least a month's set up time.

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DATE: June 26, 2002



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