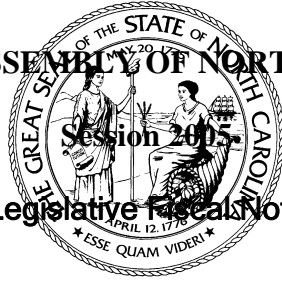


GENERAL ASSEMBLY OF NORTH CAROLINA



**BILL NUMBER:** House Bill 945 (Third Edition)

**SHORT TITLE:** Omnibus Occupancy Taxes

**SPONSOR(S):** Representatives Luebke, Michaux, Miller, and Wilkins

	<b>FISCAL IMPACT</b>				
	<b>Yes (X)</b>	<b>No ( )</b>	<b>No Estimate Available ( )</b>		
	<b><u>FY 2006-07</u></b>	<b><u>FY 2007-08</u></b>	<b><u>FY 2008-09</u></b>	<b><u>FY 2009-10</u></b>	<b><u>FY 2010-11</u></b>
<b>REVENUES:</b>					
<b>General Fund</b>	No General Fund Impact				
Town of Benson	\$8,200	\$8,454	\$8,649	\$8,848	\$9,051
Town of Boiling Springs	\$14,782	\$15,240	\$15,591	\$15,949	\$16,316
Town of Kenly	\$16,400	\$16,777	\$17,146	\$17,489	\$17,891
Clay County	No Fiscal Impact				
Halifax County	No Fiscal Impact				
Town of Selma	\$66,947	\$69,022	\$70,610	\$72,234	\$73,895
Town of Smithfield	\$32,465	\$33,471	\$34,241	\$35,029	\$35,834
Town of Clayton	No Fiscal Impact				
<b>PRINCIPAL DEPARTMENT(S) &amp; PROGRAM(S) AFFECTED:</b> Towns of Benson, Boiling Springs, Kenly, Selma, Smithfield and Clayton, Clay County and Halifax County.					
<b>EFFECTIVE DATE:</b> Becomes effective when law.					

**BILL SUMMARY:** House Bill 945 authorizes the levy of new occupancy taxes in the towns of Benson (2%), Boiling Springs (3%) and Kenly (2%). It also authorizes an increase in occupancy taxes in the towns of Selma and Smithfield and amends administrative provisions of the existing Halifax and Clay County occupancy tax legislation. The bill also adds a provision authorizing the Town of Clayton to hold an advisory referendum on the method of election of town council.

## ASSUMPTIONS AND METHODOLOGY:

### Benson

According to the town manager of Benson, there are 2 motels located in the city limits. Assuming an average of 25 rooms, a 50% rate of occupancy and an average rate of \$45 per night, the annual revenue for a 2% occupancy tax is approximately \$8,200. Estimates for future years are based on the General Consumer Price Index rate of increase.

	<b>Benson</b>	<b>Each 1%</b>
<b>FY07</b>	\$8,200	\$4,100
<b>FY08</b>	\$8,454	\$4,227
<b>FY09</b>	\$8,649	\$4,324
<b>FY10</b>	\$8,848	\$4,424
<b>FY11</b>	\$8,051	\$4,526

### Town of Boiling Springs

According to the Town of Boiling Springs, there is 1 motel in the city limits with approximately 50 rooms. Assuming an average room rate of \$45 per night and a 60% rate of room occupancy, FRD estimates the 3% occupancy tax would generate \$14,783 per year. Because no historic data is available, the General Consumer Price Index estimated rate of increase is used to estimate future growth in occupancy tax receipts. No development of additional motels or other accommodations is assumed in the estimates of subsequent year revenues.

	<b>Boiling Springs</b>	<b>Each 1%</b>
<b>FY07</b>	\$14,782	\$4,927
<b>FY08</b>	\$15,240	\$5,080
<b>FY09</b>	\$15,591	\$5,197
<b>FY10</b>	\$15,949	\$5,316
<b>FY11</b>	\$16,316	\$5,439

### Kenly

According to the town manager of Kenly, there are 4 motels in Kenly. Assuming an average of 25 rooms each and a 50% rate of room occupancy, the annual revenue for a 2% occupancy tax is approximately \$16,400. Estimates for future years are based on the General Consumer Price Index rate of increase.

	<b>Kenly</b>	<b>Each 1%</b>
<b>FY07</b>	\$16,400	\$8,200
<b>FY08</b>	\$16,777	\$8,388
<b>FY09</b>	\$17,146	\$8,573
<b>FY10</b>	\$17,489	\$8,744
<b>FY11</b>	\$17,891	\$8,945

**Clay County**

House Bill 945 brings the administrative and use provisions for Clay County into conformity with the occupancy tax guidelines, with the exception that a county TDA need only be established once the annual net proceeds exceed \$150,000. Prior to reaching that threshold, the county would administer the proceeds. In FY 2005, Clay County received \$17,752 in revenue from the 3% occupancy tax.

**Halifax County**

House Bill 945 makes changes to the administrative procedures for the tourism and development authority for Halifax County and makes other technical changes, but does not have a fiscal impact.

**Selma**

The current 1% occupancy tax in the Town of Selma generated \$64,222 in FY05. Applying the general Consumer Price Index rate of increase suggests the following revenue stream as a result of the proposed 1% increase:

	<b>Selma</b>
<b>FY07</b>	\$66,947
<b>FY08</b>	\$69,022
<b>FY09</b>	\$70,610
<b>FY10</b>	\$72,234
<b>FY11</b>	\$73,895

**Smithfield**

The 1% occupancy tax for the Town of Smithfield generated \$31,144 in revenue during FY 2005. Applying the general Consumer Price Index rate of increase suggests the following revenue increase as a result of the proposed 1% rate increase:

	<b>Smithfield</b>
<b>FY07</b>	\$32,465
<b>FY08</b>	\$33,471
<b>FY09</b>	\$34,241
<b>FY10</b>	\$35,029
<b>FY11</b>	\$35,834

**SOURCES OF DATA:** Towns of Benson, Boiling Springs and Kenly, NC Department of Revenue.

**FISCAL RESEARCH DIVISION: (919) 733-4910**

**PREPARED BY:** Rodney Bizzell

**APPROVED BY:** Lynn Muchmore, Director  
Fiscal Research Division



**DATE:** June 21, 2006

**Signed Copy Located in the NCGA Principal Clerk's Offices**