

GENERAL ASSEMBLY OF NORTH CAROLINA



Session 2007

Legislative Fiscal Note

BILL NUMBER: House Bill 346 (First Edition)

SHORT TITLE: Sales Tax Refund for TDAs.

SPONSOR(S): Representatives Alexander, Howard, and Faison

FISCAL IMPACT (\$ in millions)					
	Yes (X)	No ()	No Estimate Available ()		
	<u>FY 2007-08</u>	<u>FY 2008-09</u>	<u>FY 2009-10</u>	<u>FY 2010-11</u>	<u>FY 2011-12</u>
REVENUES:					
General Fund	-	(\$0.4)	(\$0.5)	(\$0.5)	(\$0.6)
Local Governments	-	(\$0.2)	(\$0.3)	(\$0.3)	(\$0.4)
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: NC Department of Revenue					
EFFECTIVE DATE: July 1, 2007					

BILL SUMMARY: House Bill 346 authorizes a sales tax refund for tourism development authorities (TDAs) or entities otherwise authorized by the General Assembly to spend occupancy tax proceeds on the promotion of travel and tourism.

ASSUMPTIONS AND METHODOLOGY: A review of the existing occupancy tax authorizations indicates that a total of 153 municipalities and counties currently have authorization to administer occupancy tax proceeds, either directly or through a tourism development authority. A survey of tourism development authorities was conducted by the NC Travel Industry Association. Each TDA was asked to indicate how much they pay in sales tax and whether they currently receive a refund. Fifteen responses were received.

Based on the responses, an average ratio of sales tax paid to occupancy tax proceeds collected was calculated. Using this ratio, the sales tax for non-responding units was estimated based on their occupancy tax collections. It is assumed that the governmental units administering funds directly already qualify for a sales tax refund under G.S. 105-164.14. Three units responding to the survey indicated that they currently receive refunds. In addition, Fiscal Research was provided a separate survey report detailing expenditures of convention and visitor bureaus, several of which serve as TDAs. The report suggests that the majority of bureau expenditures are in the areas of salaries and benefits, media advertising and promotions, which are largely non-taxable.

Refunds are paid annually based on taxes paid the prior fiscal year. The estimate assumes growth in taxable purchases consistent with the general consumer price index.

SOURCES OF DATA: NC Travel Industry Association, NC Office of State Treasurer

TECHNICAL CONSIDERATIONS: None

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