

GENERAL ASSEMBLY OF NORTH CAROLINA



Legislative Fiscal Note

BILL NUMBER: Senate Bill 339 (Fourth Edition)

SHORT TITLE: Omnibus Occupancy Taxes-III.

SPONSOR(S): Senator Holloman

	FISCAL IMPACT				
	Yes (X)	No ()	No Estimate Available ()		
	<u>FY 2006-07</u>	<u>FY 2007-08</u>	<u>FY 2008-09</u>	<u>FY 2009-10</u>	<u>FY 2010-11</u>
REVENUES:					
Town of Ahoskie	\$20,695	\$21,337	\$21,827	\$22,329	\$22,843
Town of Elkin	\$19,710	\$20,321	\$20,788	\$21,267	\$21,756
Ocracoke Special District	\$200,000	\$206,200	\$210,943	\$215,794	\$220,758
Chowan County	\$48,176	\$49,622	\$51,110	\$52,644	\$54,223
Martin County	\$142,102	\$151,622	\$161,781	\$172,620	\$184,186
Carteret County		*See Assumptions and Methodology*			
Caswell County	\$3,133	\$3,231	\$3,305	\$3,381	\$3,459
Town of Yanceyville	\$3,133	\$3,231	\$3,305	\$3,381	\$3,459
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: Town of Ahoskie, Town of Elkin, Ocracoke Special District, Chowan County, Martin County, Carteret County, Caswell County and Town of Yanceyville.					
EFFECTIVE DATE: Becomes effective when law.					

BILL SUMMARY: Senate Bill 339 authorizes the towns of Ahoskie and Elkin to levy room occupancy taxes, creates a special taxing district in Ocracoke Township for the purposes of levying an occupancy tax, amends the occupancy taxes in Chowan and Martin counties, and reenacts the Carteret occupancy tax amendments that passed earlier this session. The fourth edition authorizes Caswell County and the Town of Yanceyville to each levy a 3% occupancy tax.

ASSUMPTIONS AND METHODOLOGY:

Town of Ahoskie

The bill would allow the Town of Ahoskie to levy a room occupancy tax of 3%. According to the Ahoskie Chamber of Commerce, there are 3 motels in Ahoskie and 1 bed and breakfast. Assuming an average of 20 rooms each for the motels and 3 rooms for the bed and breakfast, an average room rate of \$50 per night and a 60% rate of room occupancy, FRD estimates the 3% occupancy tax would generate \$20,695 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.

Fiscal Year	Proposed 3% Tax	Each 1%
2006-07	\$20,695	\$6,898
2007-08	\$21,337	\$7,112
2008-09	\$21,827	\$7,276
2009-10	\$22,329	\$7,443
2010-11	\$22,843	\$7,614

Town of Elkin

SB 339 would authorize the Town of Elkin to levy a 6% occupancy tax. According to the Town of Elkin, there is currently 1 bed and breakfast with 3 rooms, and 1 motel with 25-30 rooms in the town limits of Elkin. Assuming an average room rate of \$50 per night and a room occupancy rate of 60%, the 6% tax would generate approximately \$19,710. 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.

Fiscal Year	Proposed 6% Tax	Each 1%
2006-07	\$19,710	\$3,285
2007-08	\$20,321	\$3,387
2008-09	\$20,788	\$3,465
2009-10	\$21,267	\$3,544
2010-11	\$21,756	\$3,626

Ocracoke Township

The bill would create a special taxing district in the existing Ocracoke Township and authorize a 2% occupancy tax. There is currently a 3% occupancy tax levied in Hyde County, which generated \$316,080 in 2004. Of this amount, the county manager estimates that approximately \$300,000 was generated within the boundaries of the proposed Ocracoke special district. Based on this estimate

and the General Consumer Price Index rate of increase, the following revenue stream is projected for the proposed 2% occupancy tax:

Fiscal Year	Proposed 2% Tax	Each 1%
2006-07	\$200,000	\$100,000
2007-08	\$206,200	\$103,100
2008-09	\$210,943	\$105,471
2009-10	\$215,794	\$107,897
2010-11	\$220,758	\$110,379

Chowan County

The bill would allow Chowan County to levy an occupancy tax of 2% in addition to the 3% tax that is currently levied. The total rate of tax for Chowan County would be 5%. The table below provides collections data for the existing tax for the last four years.

Fiscal Year	Chowan County 3% (Existing)	Each 1%
2001-02	\$63,757	\$21,252
2002-03	\$62,581	\$20,860
2003-04	\$74,512	\$24,837
2004-05	\$68,117	\$22,705

Extending this trend for the proposed 2% tax suggests the following revenue stream:

Fiscal Year	Proposed 2% Tax	Each 1%
2006-07	\$48,176	\$24,088
2007-08	\$49,622	\$24,811
2008-09	\$51,110	\$25,555
2009-10	\$52,644	\$26,322
2010-11	\$54,223	\$27,112

Martin County

SB 339 would allow Martin County to levy a 3% occupancy tax in addition to the existing 3% tax. The total rate of tax in Martin County would be 6%. The table below provides collections data for the current tax for the last six years.

Fiscal Year	Martin County 3% (Existing)	Each 1%
1999-00	\$93,095	\$31,032
2000-01	\$88,631	\$29,544
2001-02	\$88,222	\$29,407
2002-03	\$90,575	\$30,192
2003-04	\$118,740	\$39,580
2004-05	\$124,816	\$41,605

Extending this trend for the proposed 3% tax suggests the following revenue stream:

Fiscal Year	Proposed 3% Tax	Each 1%
2006-07	\$142,102	\$47,367
2007-08	\$151,622	\$50,541
2008-09	\$161,781	\$53,927
2009-10	\$172,620	\$57,540
2010-11	\$184,186	\$61,395

Carteret County

The bill includes a provision to extend the sunset of a the 1% Carteret County occupancy tax to allow more time to develop plans for a convention center. This provision is no longer necessary since it was included in the Technical Corrections bill last year.

Caswell County and the Town of Yanceyville

The bill allows Caswell County and the Town of Yanceyville to each levy a 3% occupancy tax. The Town of Yanceyville is located in Caswell County. According to the county manager for Caswell County, there is one motel in the county. The motel is located in Yanceyville and is expected to generate approximately \$3,000 each year for the Town of Yanceyville and Caswell County based on the proposed occupancy tax rate of 3% each for the county and the town. Applying the General Consumer Price Index rate of increase for future years provides the following revenue estimate:

Fiscal Year	Yanceyville	Caswell Co.	Each 1%
2006-07	\$3,133	\$3,133	\$1,044
2007-08	\$3,231	\$3,231	\$1,077
2008-09	\$3,305	\$3,305	\$1,102
2009-10	\$3,381	\$3,381	\$1,127
2010-11	\$3,459	\$3,459	\$1,153

SOURCES OF DATA: Town of Ahoskie, Town of Elkin, Hyde County, Caswell County and NC Dept. of State Treasurer

TECHNICAL CONSIDERATIONS: None

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Signed Copy Located in the NCGA Principal Clerk's Offices