

**NORTH CAROLINA GENERAL ASSEMBLY
LEGISLATIVE FISCAL NOTE**

BILL NUMBER: HB 698 (3rd Edition)

SHORT TITLE: Carteret Occupancy Tax Changes

SPONSOR(S):

FISCAL IMPACT					
	Yes (X)	No ()	No Estimate Available ()		
	<u>FY 2001-02</u>	<u>FY 2002-03</u>	<u>FY 2003-04</u>	<u>FY 2004-05</u>	<u>FY 2005-06</u>
REVENUES					
General Fund	* No General Fund Impact *				
Carteret County					
Gov. and TDA	638,421	1,330,908	1,384,976	1,439,040	1,493,107
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: Carteret County.					
EFFECTIVE DATE: The bill becomes effective when law.					

BILL SUMMARY: The bill repeals Carteret County's current occupancy tax rate of 3% and instead authorizes the county to levy a 5% occupancy tax. The new tax rate cannot become effective before January 1, 2002. An additional 1% occupancy tax can be levied beginning July 2006 if certain conditions are met. The legislation also revises the levy and its administration to conform to the uniform occupancy tax provisions outlined in G.S. 153A-155. The bill stipulates that one half of the proceeds of the 5% tax must be remitted to the Carteret County Tourism Development Authority (TDA). The TDA must use the proceeds to promote travel and tourism. The TDA's administrative expenses may not exceed 10% and may not include operation of a visitors' center. The remaining one half of the 5% levy will be retained by the county but will be redistributed by the county to listed municipalities for beach renourishment. Specific amounts of the county funds must also be allocated to listed municipalities to promote travel and tourism and for tourism related expenditures. Between 2006 and 2010 all of the county (non-TDA) funds must be used for beach renourishment. Starting in 2010, 60% of the total proceeds (at 5%) will go to the TDA to promote travel and tourism, while 40% will go to the county for beach renourishment. If the additional 1% tax were levied starting in 2006, a portion of the total proceeds would be directed towards a convention center.

ASSUMPTIONS AND METHODOLOGY: In 1999-00 the 3% room tax in Carteret County raised \$1,767,647 or \$589,216 per each 1%. The distribution of the funds was as follows:

Organization	Amount
County	352,379
Municipalities	446,227
TDA/Other	969,041
TOTAL	1,767,647

The bill effectively increases the rate of tax from 3% to 5%. Historically, Carteret County's collections at 3% have been as follows:

Year	Amount	Each 1%
1994-95	1,413,022	471,007
1995-96	1,416,898	472,299
1996-97	1,401,818	467,273
1997-98	1,594,830	531,610
1998-99	1,707,678	569,226
1999-00	1,767,647	589,216

Extending this trend suggests the following increase in total occupancy tax revenue as a result of the bill:

Year	Amount @ 3%	Each 1%	Amount @ 5%	Change
2001-02	1,915,263	638,421	3,192,104	1,276,842
2002-03	1,996,362	665,454	3,327,270	1,330,908
2003-04	2,077,461	692,487	3,462,435	1,384,974
2004-05	2,158,561	719,520	3,597,601	1,439,040
2005-06	2,239,660	746,553	3,732,767	1,493,107

The number in the fiscal impact box is adjusted to reflect the January 1, 2002, effective date of the tax.

FISCAL RESEARCH DIVISION: 733-4910

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DATE: August 14, 2001



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