

GENERAL ASSEMBLY OF NORTH CAROLINA



Session 2009

Legislative Fiscal Note

BILL NUMBER: Senate Bill 40 (Fourth Edition)

SHORT TITLE: Murfreesboro/Salisbury/Rockingham OT.

SPONSOR(S): Senator Jones

FISCAL IMPACT					
	Yes (X)	No ()	No Estimate Available ()		
	<u>FY 2009-10</u>	<u>FY 2010-11</u>	<u>FY 2011-12</u>	<u>FY 2012-13</u>	<u>FY 2013-14</u>
REVENUES					
Town of Murfreesboro	\$11,148	\$52,954	\$56,987	\$60,644	\$63,019
City of Salisbury	\$439,364	\$459,985	\$495,015	\$526,787	\$547,415
Rockingham County	\$54,137	\$56,678	\$60,995	\$64,909	\$67,561
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: Town of Murfreesboro, City of Salisbury, and Rockingham County					
EFFECTIVE DATE: This act is effective when it becomes law.					

BILL SUMMARY:

Part I. of the bill authorizes the Town of Murfreesboro to levy a room occupancy tax of up to three percent (3%). Once levied, the total occupancy tax rate in Murfreesboro would be six percent (6%) when the county tax is included. The proceeds must be remitted to a town Tourism Development Authority (TDA), which must use at least two-thirds of the proceeds to promote travel and tourism and the remainder for tourism-related expenditures.

Part II. of the bill authorizes the City of Salisbury to levy a room occupancy tax of up to three percent (3%). Once levied, the total occupancy tax rate in Salisbury would be six percent (6%) when the county tax is included. The proceeds must be remitted to a city Tourism Development Authority (TDA), which must use at least two-thirds of the proceeds to promote travel and tourism and the remainder for tourism-related expenditures.

Part III. of the bill would provide the Rockingham County Board of Commissioners the authority to levy an additional 1% room occupancy tax. If levied, the total occupancy tax rate within the county would be 4%. The net proceeds of the tax would be remitted to the Rockingham County TDA, which must use at least two-thirds of the proceeds to promote travel and tourism and the remainder for tourism-related expenditures.

Source: Adopted from the Bill Analysis done by the Committee Counsel to House Finance on July 29, 2009.

ASSUMPTIONS AND METHODOLOGY:

The Town of Murfreesboro currently has 16 rooms that would be subject to the proposed 3% local room occupancy tax. There is also a 60 room hotel slated to open in the middle of 2010. According to the North Carolina Division of Tourism, Film and Sports Development, the region Murfreesboro is located in has a 60.2% hotel occupancy rate and an average daily room rate of \$105.70.

Using these assumptions, the 3% room occupancy tax would generate \$11,148 (16 rooms * .602 occupancy rate * 365 days/year * \$105.70 average daily rate * .03 occupancy tax) in FY2009-10. With the additional 60 rooms beginning in FY2010-11, the estimated revenue would increase to \$52,954. This amount was then grown using the leisure and hospitality portion of North Carolina's gross state product as projected by Moody's Economy.com.

The City of Salisbury currently has 809 rooms that would be subject to the proposed 3% local room occupancy tax. According to the North Carolina Division of Tourism, Film and Sports Development, the region Salisbury is located in has a 59.2% hotel occupancy rate and an average daily room rate of \$83.78.

Using these assumptions, the 3% room occupancy tax would generate \$439,364 (809 rooms * .592 occupancy rate * 365 days/year * \$83.78 average daily rate * .03 occupancy tax) in FY2009-10. This amount was then grown using the leisure and hospitality portion of North Carolina's gross state product as projected by Moody's Economy.com.

Rockingham County currently has a maximum occupancy tax of 3%. House Bill 596 would allow the County to levy an addition 1%, for a combined 4% local room occupancy tax.

According to Rockingham County, FY08-09 local occupancy tax collections were about \$163,000 at the current 3% rate. Assuming a base of \$5,433,333, an additional 1% room occupancy tax would have raised \$54,333 in FY08-09. Those collections were then grown using North Carolina's leisure and hospitality growth rates as projected by Moody's Economy.com.

SOURCES OF DATA: Town of Murfreesboro; City of Salisbury; Rockingham County; North Carolina Division of Tourism, Film and Sports Development; Moody's Economy.com

TECHNICAL CONSIDERATIONS: None

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