

**GENERAL ASSEMBLY OF NORTH CAROLINA**

**Session 2015**

**Legislative Fiscal Note**

**BILL NUMBER:** Senate Bill 874 (First Edition)

**SHORT TITLE:** Sanford/Harnett OT.

**SPONSOR(S):** Senator Rabin

<b>FISCAL IMPACT</b>					
(\$ in millions)					
<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> No Estimate Available					
	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
<b>State Impact</b>					
General Fund Revenues:					
General Fund Expenditures:					
State Positions:					
<b>NET STATE IMPACT</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>
<b>Local Impact</b>					
Revenues:					
Expenditures:					
<b>NET LOCAL IMPACT</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>
<p><b>PRINCIPAL DEPARTMENT(S) &amp; PROGRAM(S) AFFECTED:</b> City of Sanford; Harnett County District H</p> <p><b>EFFECTIVE DATE:</b> This act is effective when it becomes law.</p> <p><b>TECHNICAL CONSIDERATIONS:</b> None</p>					

**BILL SUMMARY:**

Senate Bill 874 authorizes the Sanford City Council to levy a room occupancy tax of up to 3%. It provides that the tax must be levied, administered, collected, and repealed as provided in GS 160A-215 (Uniform provisions for room occupancy taxes). The bill requires the Sanford Tourism Development Authority (TDA) to use at least two-thirds of the occupancy tax proceeds to promote travel and tourism in the city and the remainder for the operation, maintenance, promotion, and renovation of the Dennis A. Wicker Civic Center; any funds dedicated for the Civic Center that are not spent or obligated by the close of the fiscal year may be used to promote travel and tourism in Sanford. Also, the bill mandates that at least one-third of the TDA’s members must be affiliated with businesses that collect the tax in the city and at least one-half must be currently active in the city’s travel and tourism promotion.

The bill creates Harnett County District H as a taxing district, with jurisdiction consisting of all of Harnett County, exclusive of the Averasboro Township. It authorizes the governing body of Harnett County District H to levy a room occupancy tax of up to 6% and specifies that the tax is in addition to any state or local sales or room occupancy tax. Senate Bill 874 requires that any tax be levied, administered, collected, and repealed as provided in GS 153A-155 as if Harnett County District H were a county. It requires Harnett County District H to remit the net proceeds of the occupancy tax on a quarterly basis to the Harnett County District H Tourism Development Authority. The Tourism Development Authority is required to use at least two-thirds of the proceeds to promote travel and tourism and the remainder for tourism-related expenditures in the district. The bill mandates that at least one-third of the Tourism Development Authority members must be affiliated with businesses that collect the tax in the city and at least one-half must be currently active in the city's travel and tourism promotion. It also makes conforming changes.

#### **ASSUMPTIONS AND METHODOLOGY:**

Senate Bill 874 would authorize the Sanford City Council to levy a room occupancy tax of up to 3%. The City of Sanford reports there are 587 rooms in the city that would be eligible for the room occupancy tax. Using tourism related economic estimates from the North Carolina Department of Commerce, Fiscal Research estimates \$337,100 in occupancy tax revenue in 2016-17. The revenue projected is estimated using the following formula:  $587 \text{ (Rooms)} * \$86.82 \text{ (Average Daily Room Rate)} * 60.4\% \text{ (Occupancy Rate)} * 365 \text{ (Days in the Year)} * 3\% \text{ (Occupancy Tax Rate)}$ . Subsequent years are estimated using the growth rates of the Leisure and Hospitality portion of North Carolina's Gross State Product. Collections would increase to an estimated \$390,581 by FY 2020-21.

Also, the bill would create the Harnett County District H taxing district and authorize it to levy a room occupancy tax of up to 6%. The Dunn Area Tourism Authority reports there are approximately 55 rooms in the District H area that would be eligible for the room occupancy tax. Using tourism related economic estimates from the North Carolina Department of Commerce, Fiscal Research estimates \$63,200 in occupancy tax revenue in 2016-17. The revenue projected is estimated using the following formula:  $55 \text{ (Rooms)} * \$86.82 \text{ (Average Daily Room Rate)} * 60.4\% \text{ (Occupancy Rate)} * 365 \text{ (Days in the Year)} * 6\% \text{ (Occupancy Tax Rate)}$ . Subsequent years are estimated using the growth rates of the Leisure and Hospitality portion of North Carolina's Gross State Product. Collections would increase to an estimated \$73,227 by FY 2020-21.

The table below shows estimated occupancy tax collections for both the City of Sanford and Harnett County District H.

<b>Senate Bill 874 Occupancy Tax Collections</b>		
	<b>City of Sanford</b>	<b>Harnett County District H</b>
<b>Tax Rate</b>	<b>3%</b>	<b>6%</b>
<b>2016-17</b>	\$337,100	\$63,200
<b>2017-18</b>	\$353,531	\$66,281
<b>2018-19</b>	\$367,757	\$68,948
<b>2019-20</b>	\$379,225	\$71,098
<b>2020-21</b>	\$390,581	\$73,227

**SOURCES OF DATA:** Moody’s Economy.com, North Carolina Department of Commerce; City of Sanford; Dunn Area Tourism Authority

**TECHNICAL CONSIDERATIONS:** None

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**DATE:** May 26, 2016

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