

**NORTH CAROLINA GENERAL ASSEMBLY**

**LEGISLATIVE FISCAL NOTE**

**BILL NUMBER:** Senate Bill 1181 (First Edition)

**SHORT TITLE:** Modify Alleghany Occupancy Tax.

**SPONSOR(S):** Senator Foxx

<b>FISCAL IMPACT</b>					
	<b>Yes (X)</b>	<b>No ( )</b>	<b>No Estimate Available ( )</b>		
	<b>(\$)</b>				
	<b><u>FY 2004-05</u></b>	<b><u>FY 2005-06</u></b>	<b><u>FY 2006-07</u></b>	<b><u>FY 2007-08</u></b>	<b><u>FY 2008-09</u></b>
<b>REVENUES</b>					
<b>General Fund</b>	<b>No General Fund Impact</b>				
<b>Alleghany County/ Chamber</b>	<b>16,000</b>	<b>19,776</b>	<b>20,369</b>	<b>20,980</b>	<b>21,609</b>
<b>PRINCIPAL DEPARTMENT(S) &amp; PROGRAM(S) AFFECTED:</b> Alleghany County.					
<b>EFFECTIVE DATE:</b> When it becomes law.					

**BILL SUMMARY:** The bill makes a series of changes to the Alleghany County occupancy tax laws. First, it eliminates the requirement that the Board of Commissioners pass a resolution, with appropriate public notice, before levying the tax. Second, it expands the tax to include businesses that offer less than five units for rent. Third, it alters the collection procedures and penalties to align with the standard occupancy tax procedures outlined in G.S. 153A-155. Fourth, it increases from 50% to 100% the amount of net tax proceeds allocated to the Alleghany County Chamber of Commerce. Fifth, it directs the Chamber to use at least two-thirds of the funds to promote travel and tourism, with the balance spent on tourism-related expenditures. Next, it requires when the annual net proceeds of the occupancy tax exceed \$100,000, the Board of Commissioners must create a county Tourism Development Authority, and outlines the requirements for that committee.

**ASSUMPTIONS AND METHODOLOGY:** In 2001-02, the most recent year for which data is available, Alleghany County gleaned \$28,309 from their 3% occupancy tax. Of this, \$4,309 was credited to the county, with the remaining \$24,000 being sent to another organization, presumably the Chamber of Commerce.

There are two potential fiscal impacts related to this legislation. First, by expanding the bill to include businesses that offer less than five units for rent, the bill effectively extends the occupancy

tax to bed and breakfasts and mountain cabins. Local Chamber of Commerce officials indicate that this would expand the tax to an additional 64 room units within the county. (There are actually more than 64 room units, in total, in these smaller facilities, but some are already remitting the tax as rental companies that handle more than five units manage them). These same chamber officials estimate that the expansion of the tax base will increase collections by approximately \$19,200. A growth rate of 3% is used for future years. The first year amount is discounted to allow time to implement the tax.

Second, the bill potentially changes the distribution of occupancy tax funds between the county, the Chamber of Commerce, and a potential Tourism Development Authority. Under current statute, the funds are split evenly between Alleghany County and their Chamber of Commerce. However, as a matter of practice, the bulk of the funds are already being transferred to the Chamber. As such, this portion of the legislation codifies current practice. In addition, the bill authorizes the county to create a Tourism Development Authority and transfer tourism funds to that unit once room tax proceeds exceed \$100,000 annually. This is a change from current law. However, given current collections and expected future collections, it is unlikely occupancy tax revenues will exceed \$100,000 in the five-year span of this fiscal note.

**SOURCES OF DATA:** North Carolina Department of Revenue, Alleghany County Chamber of Commerce.

**TECHNICAL CONSIDERATIONS:**

**FISCAL RESEARCH DIVISION: (919) 733-4910**

**PREPARED BY:** Linda Struyk Millsaps

**APPROVED BY:** James D. Johnson, Director  
Fiscal Research Division



**DATE:** June 1, 2004

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