

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2005

Legislative Fiscal Note



BILL NUMBER: Senate Bill 92 (Third Edition)

SHORT TITLE: Watauga Dist. U Occ. Tax/Force Account Limit.

SPONSOR(S): Senator Garwood

FISCAL IMPACT					
	Yes (X)	No ( )	No Estimate Available ( )		
	<u>FY 2005-06</u>	<u>FY 2006-07</u>	<u>FY 2007-08</u>	<u>FY 2008-09</u>	<u>FY 2009-10</u>
<b>REVENUES:</b>					
General Fund	No General Fund Impact				
Watauga District U	\$262,800	\$268,844	\$274,759	\$280,254	\$285,859
<b>PRINCIPAL DEPARTMENT(S) &amp; PROGRAM(S) AFFECTED:</b> Watauga District U					
<b>EFFECTIVE DATE:</b> Becomes effective when law.					

BILL SUMMARY:

Senate Bill 92 would create a new taxing district in Watauga County consisting of the unincorporated areas of the county and authorize that district to levy a room occupancy tax of up to 6%. The district would be authorized to levy a room occupancy tax of up to 6% and remit the net proceeds, on a quarterly basis, to a Tourism Development Authority established under this act. The Authority would be required to use at least two-thirds of the proceeds to promote travel and tourism and to use the remainder for tourism-related expenditures. The tax proceeds may be used only for the direct benefit of the Watauga County District U. It would also amend the local government bidding requirements statute to provide that Watauga County and the Town of Boone need not comply with the formal bidding requirements for construction and repair work to develop Anne Marie Park Drive if the work is performed by force account qualified labor and the total cost of the project does not exceed \$750,000.

**ASSUMPTIONS AND METHODOLOGY:**

According to the Watauga County Manager, the area that would comprise Watauga District U includes approximately 600 rooms in bed and breakfasts, cabins and condominiums that are for rent. Because many of these are rented on a seasonal basis, the average occupancy rate is assumed to be 20%. Assuming an average room rental rate of \$100 suggests the following revenue stream:

<b>Year</b>	<b>Amount</b>	<b>Each 1%</b>
<b>2005-06</b>	\$262,800	43,800
<b>2006-07</b>	\$268,844	44,807
<b>2007-08</b>	\$274,759	45,793
<b>2008-09</b>	\$280,254	46,709
<b>2009-10</b>	\$285,859	47,643

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. There is no fiscal impact associated with the portion of the bill related to bidding requirements.

**SOURCES OF DATA:** Watauga County

**TECHNICAL CONSIDERATIONS:** None

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

**PREPARED BY:** Rodney Bizzell

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



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