

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2005

Legislative Fiscal Note

BILL NUMBER: Senate Bill 339 (Third Edition)

SHORT TITLE: Omnibus Occupancy Taxes-III.

SPONSOR(S): Senator Holloman

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>
REVENUES:					
Town of Ahoskie	\$15,522	\$19,054	\$19,474	\$19,863	\$20,260
Town of Elkin	\$15,387	\$22,668	\$23,166	\$23,630	\$24,102
Ocracoke Special District	\$166,666	\$204,600	\$209,101	\$213,283	\$217,549
Chowan County	\$49,182	\$64,330	\$70,119	\$76,430	\$83,309
Martin County	\$113,288	\$145,462	\$155,644	\$166,539	\$178,197
Carteret County	* No Fiscal Impact *				
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: Town of Ahoskie, Town of Elkin, Ocracoke Special District, Chowan County, Martin County and Carteret County					
EFFECTIVE DATE: Becomes effective when law.					

BILL SUMMARY: The third edition of Senate Bill 339 authorizes the towns of Ahoskie and Elkin to levy room occupancy taxes, creates a special taxing district in Ocracoke Township for the purposes of levying an occupancy tax, amends the occupancy taxes in Chowan and Martin counties, and reenacts the Carteret occupancy tax amendments that passed earlier this session. All taxes fully conform to the House Finance committee's occupancy tax guidelines.

ASSUMPTIONS AND METHODOLOGY:

Town of Ahoskie

According to the Ahoskie Chamber of Commerce, there are 3 motels in Ahoskie and 1 bed and breakfast. Assuming an average of 20 rooms each for the motels and 3 rooms for the bed and breakfast, an average room rate of \$45 per night and a 60% rate of room occupancy, FRD estimates the 3% occupancy tax would generate \$18,626 per year. 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. No development of additional motels or other accommodations is assumed in the estimates of subsequent year revenues.

Fiscal Year	Proposed 3% Tax	Each 1%
2006	\$15,522*	\$5,174
2007	\$19,054	\$6,351
2008	\$19,474	\$6,491
2009	\$19,863	\$6,621
2010	\$20,260	\$6,753

* First-year revenue assumes September 1, 2006 effective date.

Town of Elkin

According to the Town of Elkin, there is currently 1 bed and breakfast with 3 rooms, and 1 motel with 25-30 rooms in the town limits of Elkin. Assuming an average room rate of \$50 per night and a room occupancy rate of 60%, the 6% tax would generate approximately \$22,158. 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. No development of additional motels or other accommodations is assumed in the estimates of subsequent year revenues.

Fiscal Year	Proposed 6% Tax	Each 1%
2006	\$15,387*	\$2,564
2007	\$22,668	\$3,778
2008	\$23,166	\$3,861
2009	\$23,630	\$3,938
2010	\$24,102	\$4,017

* First-year revenue assumes September 1, 2006 effective date.

Ocracoke Township

The 3% occupancy tax currently levied in Hyde County generated \$316,080 in 2004. Of this amount, the county manager estimates that approximately \$300,000 was generated within the boundaries of the proposed Ocracoke special district. Based on this estimate and the General Consumer Price Index rate of increase, the following revenue stream is projected for the proposed 2% occupancy tax:

Fiscal Year	Proposed 2% Tax	Each 1%
2006	\$166,666*	\$83,333
2007	\$204,600	\$102,300
2008	\$209,201	\$104,551
2009	\$213,283	\$106,642
2010	\$217,549	\$108,774

* First-year revenue assumes September 1, 2006 effective date.

Chowan County

Chowan County currently levies a 3% occupancy tax, and no city in the county levies an occupancy tax. The table below provides collections data for the current tax for the last three years.

Fiscal Year	Chowan County 3% (Existing)	Each 1%
2002	\$63,757	\$21,252
2003	\$62,581	\$20,860
2004	\$74,512	\$24,837

Extending this trend for the proposed 2% tax suggests the following revenue stream:

Fiscal Year	Proposed 2% Tax	Each 1%
2006	\$49,182*	\$24,591
2007	\$64,330	\$32,165
2008	\$70,119	\$35,059
2009	\$76,430	\$38,215
2010	\$83,309	\$41,654

* First-year revenue assumes September 1, 2006 effective date.

Martin County

Martin County currently levies a 3% occupancy tax, and no city in the county levies an occupancy tax. The table below provides collections data for the current tax for the last five years.

Fiscal Year	Martin County 3% (Existing)	Each 1%
2000	\$93,095	\$31,032
2001	\$88,631	\$29,544
2002	\$88,222	\$29,407
2003	\$90,575	\$30,192
2004	\$118,740	\$39,580

Extending this trend for the proposed 3% tax suggests the following revenue stream:

Fiscal Year	Proposed 3% Tax	Each 1%
2006	\$113,288*	\$37,762
2007	\$145,462	\$48,487
2008	\$155,644	\$51,881
2009	\$166,539	\$55,513
2010	\$178,197	\$59,399

* First-year revenue assumes September 1, 2006 effective date.

Carteret County

The portion of the bill related to Carteret County amends the Carteret County occupancy tax to extend the sunset of a 1% tax to allow the county more time to develop a convention center plan. There is no fiscal impact related to this portion of the bill.

SOURCES OF DATA: Town of Ahoskie, Town of Elkin, Hyde County and NC Dept. of State Treasurer

TECHNICAL CONSIDERATIONS: None

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Signed Copy Located in the NCGA Principal Clerk's Offices