



# NORTH CAROLINA GENERAL ASSEMBLY

2023 Session

## Fiscal Analysis Memorandum

CONFIDENTIAL

**Requestor:** Rep. Bradford, Rep. Kidwell, Rep. Setzer, and Rep. Wray  
**Analyst(s):** Brent Lucas  
**RE:** PCS to SB 154-Omnibus Occupancy Tax Changes; PCS S154-CSSVxfr-38

### SUMMARY TABLE

#### FISCAL IMPACT OF PCS TO SB 154, V.7 (\$ in millions)

	<u>FY 2023-24</u>	<u>FY 2024-25</u>	<u>FY 2025-26</u>	<u>FY 2026-27</u>	<u>FY 2027-28</u>
<b>Local Impact</b>					
Local Revenue	5.7	7.9	8.6	8.8	9.1
Less Local Expenditures	-	-	-	-	-
<b>NET LOCAL IMPACT</b>	<b>\$5.7</b>	<b>\$7.9</b>	<b>\$8.6</b>	<b>\$8.8</b>	<b>\$9.1</b>

### FISCAL IMPACT SUMMARY

Part I of the bill would authorize Avery County to levy a 6% room occupancy tax.

Part II would authorize the town of Indian Trail to levy a 5% room occupancy tax.

Part III would authorize Stallings District S (consisting of the part of the Town of Stallings that is located within Union County) to levy up to a 5% room occupancy tax.

Part IV would authorize Union County to levy a 1% room occupancy tax.

Part V would authorize Graham County District G (consisting of the unincorporated areas of Graham County) to levy a 3% room occupancy tax.

Parts VI and VII would authorize the towns of Lansing and Jefferson to each levy a 3% room occupancy tax.

Part VIII would authorize Stokes County to levy a 6% room occupancy tax.

Part IX would repeal the 3% occupancy tax the town of Wilkesboro currently levies in its town limits as well the authorization of a 6% occupancy tax Wilkes County could (but presently does not) levy on the unincorporated areas of the county. The bill would authorize Wilkes County to



levy up to a 6% room occupancy tax on both incorporated and unincorporated areas within the county. All occupancy tax revenues would be remitted to the Wilkes County District W TDA.

Part X would authorize Yancey County to levy an additional 3% room occupancy tax.

Part XI would authorize the town of Clayton (consisting of the part of the town within Johnston County only) to levy a 2% room occupancy tax.

Part XII would authorize Mitchell County to levy an additional 3% room occupancy tax.

Part XIII would authorize Warren County to levy a 5% room occupancy tax.

Part XIV would authorize the town of St. James to levy a 5% room occupancy tax.

Part XV would authorize the town of Four Oaks to levy a 2% room occupancy tax.

Part XVI would authorize Bertie County to levy a 6% room occupancy tax.

Part XVII relates to Iredell County, which currently has the authority to levy a county-wide occupancy tax, but it does not. The bill repeals the current authorization and creates Iredell County District I, consisting of the unincorporated areas of Iredell County, and authorizes it to levy up to a 6% occupancy tax. At least two-thirds of the proceeds from each tax would have to be used for tourism promotion and the remainder for tourism-related expenditures.

Part XVIII would modify the distribution and use of Swain County occupancy tax revenues. It also directs the State Auditor to conduct to audit the county's Tourism Development Authority.

Part XIX would authorize the city of Burlington to levy a 3% room occupancy tax.

Part XX would authorize the city of Mebane to levy a 3% room occupancy tax.

Part XXI would authorize the town of Elon to levy a 3% occupancy tax.

Part XXIII would authorize Davidson County District D (consisting of the unincorporated areas of Davidson County) to levy a 6% room occupancy tax.

Part XXIV would authorize Davie County District E (consisting of certain unincorporated areas of Davie County) to levy a 3% room occupancy tax.

Part XXV would extend Mecklenburg County Meals and Beverages Tax and Occupancy Tax Sunset Section 2 removes the 2031 repeal of Mecklenburg County's additional 1% sales tax on prepared food and beverages and sets the new repeal date to 2060.



## FISCAL ANALYSIS

The bill authorizes modifies several local governments' occupancy taxes. Collectively, the net fiscal impact to local governments is approximately \$5.7 million in Fiscal Year 2023-24. The table below summarizes the estimated fiscal impact on the various cities, counties, and towns, which is followed by the fiscal analysis used to calculate each estimate.

Part of Bill	Local Government	City, County, or Town	Estimated Fiscal Impact on Occupancy Tax Collections (\$)				
			FY2023-24	FY2024-25	FY2025-26	FY 2026-27	FY 2027-28
I	Avery County District A	County	1,275,000	1,700,000	1,800,000	1,800,000	1,900,000
II	Indian Trail	Town	-	-	384,000	396,000	407,000
III	Stallings District S	Town	252,000	350,000	363,000	374,000	385,000
IV	Union	County	90,750	125,000	130,000	134,000	138,000
V	Graham County District G	County	383,250	531,000	551,000	569,000	585,000
VI	Lansing	Town	12,000	16,000	17,000	17,000	18,000
VII	Jefferson	Town	39,000	54,000	56,000	58,000	60,000
VIII	Stokes	County	112,500	156,000	162,000	167,000	172,000
IX	Wilkesboro	Town	(166,500)	(230,000)	(239,000)	(247,000)	(254,000)
	Wilkes County District W	County	450,000	620,000	640,000	670,000	680,000
X	Yancey	County	288,750	400,000	415,000	428,000	440,000
XI	Clayton District C	Town	46,500	65,000	67,000	69,000	69,000
XII	Mitchell	County	112,500	156,000	162,000	167,000	172,000
XIII	Warren	County	3,000	5,000	5,000	5,000	5,000
XIV	St. James	Town	25,000	35,000	36,000	37,000	38,000
XV	Four Oaks	Town	33,000	45,000	47,000	48,000	48,000
XVI	Bertie	Town	58,500	81,000	84,000	87,000	89,000
XVII	Iredell County District I	County	2,025,000	2,800,000	2,900,000	3,000,000	3,100,000
XIX	Burlington	City	387,000	537,000	557,000	575,000	591,000
XX	Mebane	City	47,000	66,000	68,000	70,000	72,000
XXI	Elon	Town	16,200	23,000	24,000	24,000	25,000
XXIII	Davidson County District D	County	219,000	303,000	315,000	325,000	334,000
XXIV	Davie County District E	County	37,000	52,000	54,000	56,000	57,000
<b>Net Fiscal Impact</b>			5,746,450	7,890,000	8,598,000	8,829,000	9,131,000

**Part I-Avery County.** Avery County does not currently levy an occupancy tax. County staff provided Fiscal Research with information from a private consulting firm that studied county vacancies and room rates. FRD adjusted these values for actual and forecasted changes in the leisure and hospitality industry to determine the fiscal impact. Using this information, FRD estimates Avery County would generate approximately \$1.3 million in Fiscal Year 2023-24 room occupancy tax collections at a 6% rate.

**Part II-Town of Indian Trail.** Indian Trail town staff report there is currently no hotel, motel, or inn within town limits that is in operation. However, they report two hotels will begin construction soon, and are expected to be in operation beginning in Fiscal Year 2025-26. Together, the hotels



will have 205 rooms. Town staff also report a third hotel is planned, but it is unclear if and when construction will begin; thus, this estimate only includes the two hotels. Using this data and other information on occupancy rates and room costs, Fiscal Research estimates Indian Trail will collect approximately \$384,000 beginning in Fiscal Year 2025-26 at a 5% occupancy tax rate.

Part III-Town of Stallings. Stallings town staff report there are two hotels, motels, or inns within town limits in Union County, which combined provide 236 rooms for rent. Using this number of rooms and data on occupancy rates and average room costs, it is estimated that the town would collect \$252,000 in Fiscal Year 2023-24 room occupancy tax collections at a 5% rate.

Part IV-Union County. In addition to data from the Department of Commerce, FRD reviewed current occupancy tax collections for the only municipality within the county currently levying an occupancy tax. Using this data and adjusting for actual and forecasted changes in the leisure and hospitality industry, FRD estimates Union County's 1% room occupancy tax would generate approximately \$91,000 in revenue for the county in Fiscal Year 2023-24.

Part V-Graham County. Graham County currently levies a 3% occupancy tax for both the incorporated and unincorporated areas in the county. Fiscal Research used occupancy tax collections by the county's TDA and municipalities in Fiscal Year 2020-21 and adjusted it for actual and forecasted changes in the leisure and hospitality industry to determine the fiscal impact for the unincorporated areas in the county. It is estimated that the Authority would collect an additional \$383,000 in Fiscal Year 2023-24 room occupancy tax collections at a 3% rate.

Part VI-Town of Lansing. Lansing town staff report there are currently 15 rooms for rent within town limits. FRD relied on this data, other information on occupancy rates, room costs, and adjusted for actual and forecasted changes in the leisure and hospitality industry. FRD estimates Lansing will collect approximately \$12,000 beginning in Fiscal Year 2023-24 at a 3% occupancy tax rate.

Part VII-Town of Jefferson. Jefferson town staff report there are 50 rooms for rent in town limits. Using the same method discussed above, it is estimated that the town would collect approximately \$39,000 in Fiscal Year 2023-24 room occupancy tax collections at a 3% rate.

Part VIII-Stokes County. Neither Stokes County nor any municipalities within the county's borders levy an occupancy tax. Using data from the Department of Commerce on the traveler and accommodations industry and adjusting for forecasted changes in the leisure and hospitality industry, FRD estimates the County will collect approximately \$113,000 beginning in Fiscal Year 2023-24 at a 6% rate.

Part IX-Town of Wilkesboro and Wilkes County District W. FRD used occupancy tax collections by Wilkesboro's Tourism Development Authority and the town in Fiscal Year 2020-21 to estimate the fiscal impact on increasing the rate to 6% for the incorporated areas of the county. Wilkes County is currently authorized, but does not levy, a 6% occupancy tax on the unincorporated areas in the county. FRD relied on county staff's estimated impact of the currently authorized 6% room occupancy tax to determine the fiscal impact of the bill.



FRD then adjusted these estimates for changes in the leisure and hospitality industry to determine the fiscal impact. FRD estimates the bill will reduce revenues for Wilkesboro by around \$167,000 in Fiscal Year 2023-24. FRD estimates the bill will increase Wilkes County District W's TDA revenues by \$450,000 in Fiscal Year 2023-24. This results in a net local impact of an additional \$284,000 in Fiscal Year 2023-24, increasing to an additional \$426,000 in Fiscal Year 2027-28.

Part X-Yancey County. Yancey County currently levies a 3% occupancy tax for both the incorporated and unincorporated areas in the county. FRD used Yancey County's occupancy tax collections during Fiscal Year 2020-21 and adjusted it for actual and forecasted changes in the leisure and hospitality industry to determine the fiscal impact. It is estimated that the Authority would collect an additional \$289,000 in Fiscal Year 2023-24 room occupancy tax collections at an additional 3% rate.

Part XI-Town of Clayton District C. Clayton town staff report there are currently 90 rooms for rent in town limits within Johnston County. FRD relied on this data, other information on occupancy rates, room costs, and adjusted for actual and forecasted changes in the leisure and hospitality industry. FRD estimates Clayton will collect approximately \$47,000 beginning in Fiscal Year 2023-24 at a 2% occupancy tax rate.

Part XII-Mitchell County. Mitchell County currently levies a 3% occupancy tax for both the incorporated and unincorporated areas in the county. FRD used Mitchell County's occupancy tax collections during Fiscal Year 2020-21 and adjusted it for actual and forecasted changes in the leisure and hospitality industry to determine the fiscal impact. It is estimated that the Authority would collect an additional \$113,000 in Fiscal Year 2023-24 room occupancy tax collections at an additional 3% rate.

Part XIII-Warren County. FRD relied on North Carolina Department of Commerce reports approximately showing annual sales in the Traveler Accommodation NAICS industry group located in Warren County. FRD estimates Warren County would collect \$3,000 in FY 2023-24 room occupancy tax collections at a 5% rate.<sup>1</sup>

Part XIV-Town of St. James. St. James town staff report there are no hotels, motels, or inns within town limits. They reported there are 23 properties rented through short-term rental platforms (e.g., Airbnb, VRBO, etc.) in the town, but the number of rooms per property is uncertain. Assuming one room per property, it is estimated that the town would collect approximately \$25,000 in Fiscal Year 2023-24 room occupancy tax collections at a 5% rate.

Part XV-Town of Four Oaks. Four Oaks town staff report there are currently 63 rooms for rent within town limits. FRD relied on this data, other information on occupancy rates, room costs, and adjusted for actual and forecasted changes in the leisure and hospitality industry. FRD estimates

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<sup>1</sup> Warren County staff report there is a proposal for a 70-room hotel to be constructed along Interstate 85. Because it is uncertain if and when this would be completed, any potential revenues from this hotel are not included in the estimate.



Four Oaks will collect approximately \$33,000 beginning in Fiscal Year 2023-24 at a 2% occupancy tax rate.

Part XVI-Bertie County. Bertie County currently does not have the authority to levy an occupancy tax, and the bill provides the county this authority. County staff provided FRD with information on the number of rental rooms located in the county. FRD relied on this data, other information on occupancy rates, room costs, and adjusted for actual and forecasted changes in the leisure and hospitality industry. Using this information, FRD estimates the tax would generate approximately \$59,000 in Fiscal Year 2023-24 room occupancy tax collections at a 6% rate.

Part XVII-Iredell County. Iredell County staff report there are currently 480 rooms for rent within the unincorporated areas of the county. Using this data and adjusting for actual and forecasted changes in the leisure and hospitality industry, FRD estimates Iredell County District I will collect approximately \$2.0 million in Fiscal Year 2023-24 at a 6% occupancy tax rate.

Part XVIII-Swain County. Swain County currently levies a 4% occupancy tax. The bill modifies the distribution and allowable uses for occupancy tax revenues. This part also directs the State Auditor to conduct an audit of the county tourism board's use of occupancy tax revenues and issue a report to the House Finance Committee and the Fiscal Research Division on or before the convening of the 2025 General Assembly. The State Auditor would assume the costs associated with conducting this audit within existing resources.

Part XIX-City of Burlington. FRD relied on North Carolina Department of Commerce reports approximately showing annual sales in the Traveler Accommodation NAICS industry group located in Burlington. FRD estimates the city would collect \$387,000 in FY 2023-24 room occupancy tax collections at a 3% rate.

Part XX-City of Mebane. FRD relied on North Carolina Department of Commerce reports approximately showing annual sales in the Traveler Accommodation NAICS industry group located in Mebane. FRD estimates the city would collect \$47,000 in FY 2023-24 room occupancy tax collections at a 3% rate.

Part XXI-Town of Elon. FRD relied on North Carolina Department of Commerce reports approximately showing annual sales in the Traveler Accommodation NAICS industry group located in Elon. FRD estimates the town would collect \$16,200 in FY 2023-24 room occupancy tax collections at a 3% rate.

Part XXIII-Davidson County. FRD relied on North Carolina Department of Commerce reports approximately showing annual sales in the Traveler Accommodation NAICS industry group located in Davidson County and adjusted this for actual occupancy tax collections received by the incorporated areas of the county. FRD estimates the county would collect \$219,200 in FY 2023-24 room occupancy tax collections at a 6% rate.

Part XXIV-Davie County. FRD relied on North Carolina Department of Commerce reports approximately showing annual sales in the Traveler Accommodation NAICS industry group located in Davie County and adjusted this for actual occupancy tax collections received by the



incorporated areas of the county. FRD estimates the county would collect \$37,000 in FY 2023-24 room occupancy tax collections at a 3% rate.

Part XXV-Mecklenburg County Food and Beverage Tax. Mecklenburg County's food and beverage tax generated approximately \$33.2 million in Fiscal Year 2020-21. The extension of this tax is outside the five-year period of this memo; thus, there is no fiscal impact for the time period herein.

## **TECHNICAL CONSIDERATIONS**

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N/A.

## **DATA SOURCES**

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Moody's Analytics; N.C. Department of Commerce; N.C. Department of Revenue. Staff from the following counties: Avery, Bertie, Graham, Iredell; Warren, Wilkes, and Yancey. Staff from the following towns: Clayton, Four Oaks, Indian Trail, Jefferson, Lansing, Stallings, St. James, Wilkesboro.

## **FISCAL ANALYSIS MEMORANDUM – PURPOSE AND LIMITATIONS**

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This document is a fiscal analysis of a bill, draft bill, amendment, committee substitute, or conference committee report that is confidential under Chapter 120 of the General Statutes. The estimates in this analysis are based on the data, assumptions, and methodology described in the Fiscal Analysis section of this document. This document only addresses sections of the bill that have projected direct fiscal impacts on State or local governments and does not address sections that have no projected fiscal impacts. This document is not an official fiscal note. If a formal fiscal note is requested, please email your request to the Fiscal Research Division at [FiscalNoteRequests@ncleg.net](mailto:FiscalNoteRequests@ncleg.net) or call (919) 733-4910.

