



NORTH CAROLINA GENERAL ASSEMBLY

2023 Session

Legislative Fiscal Note

Short Title: McDowell/Caswell/Pender Occupancy Tax Mods.
Bill Number: House Bill 1019 (Second Edition)
Sponsor(s): Rep. Greene

SUMMARY TABLE

FISCAL IMPACT OF H.B.1019, V.2

	<u>FY 2024-25</u>	<u>FY 2025-26</u>	<u>FY 2026-27</u>	<u>FY 2027-28</u>	<u>FY 2028-29</u>
Local Impact					
Local Revenue	322,000	328,000	335,000	342,000	351,000
Less Local Expenditures	-	-	-	-	-
NET LOCAL IMPACT	\$322,000	\$328,000	\$335,000	\$342,000	\$351,000

FISCAL IMPACT SUMMARY

The bill modifies three local governments' occupancy tax rates as follows:

Part I would authorize McDowell County to levy an additional 1% room occupancy tax.

Part II would create a taxing district that includes all of Caswell County except the Town of Yanceyville and authorize the district to levy up to a 3% room occupancy tax.

Part III would create a taxing district that includes all of Pender County except three municipalities and authorize the district to levy up to a 3% room occupancy tax.

FISCAL ANALYSIS

The following sections discuss each occupancy tax change outlined in HB 1019; at least two-thirds of each entity's occupancy tax revenues must be used to promote travel and tourism with the remainder used for tourism-related expenditures.

Part I-McDowell County. McDowell County currently levies a 5% occupancy tax. The Fiscal Research Division (FRD) used the county's occupancy tax collections during Fiscal Year 2021-22 and adjusted it for actual and forecasted changes in North Carolina's leisure and hospitality industry to determine the fiscal impact. FRD estimates the tax would generate an additional \$250,000 in Fiscal Year 2024-25 room occupancy tax collections with the additional 1% rate.

Part II-Caswell County District C. Caswell County currently levies a 3% room occupancy tax. Yanceyville levies a 3% occupancy tax, resulting in a 6% occupancy tax for accommodations in the town. The bill creates a special taxing district that would consist of all of Caswell County except Yanceyville. The bill would allow the district to levy a 3% room occupancy tax. Therefore, a 6% occupancy tax would apply to all areas in Caswell County.

To compute the fiscal impact, FRD used the non-Yanceyville portion of the county's Fiscal Year 2022-23 occupancy tax collections, applied the proposed rate, and adjusted for forecasted changes in the state's Leisure and Hospitality industry. FRD estimates Caswell County District C's modified tax would generate an additional \$28,000 in room occupancy taxes in FY 2024-25.

Part III: Pender County District P. Pender County currently levies a 3% occupancy tax, and three local governments in the county (Burgaw, Surf City, and Topsail Beach) each levy a room occupancy tax of 3%, resulting in a 6% occupancy tax for accommodations in these three towns. The bill creates a special taxing district that would consist of all of the parts of Pender County except these three towns and would allow the district to levy a 3% room occupancy tax. Therefore, a 6% occupancy tax would apply to all areas in Pender County.

The portion of Pender County outside the three municipalities currently has 50 rooms for rent. To compute the fiscal impact, FRD used the number of rooms in the proposed District as well as average occupancy and rental costs for North Carolina and adjusted for forecasted changes in North Carolina's Leisure and Hospitality industry. FRD estimates Pender County's District P occupancy tax would generate an additional \$44,000 in room occupancy taxes in FY 2024-25.

TECHNICAL CONSIDERATIONS

N/A.

DATA SOURCES

Moody's Analytics. N.C. Departments of Commerce and Revenue. Smith Travel Research, Inc. Pender and Caswell County staff.

LEGISLATIVE FISCAL NOTE – PURPOSE AND LIMITATIONS

This document is an official fiscal analysis prepared pursuant to Chapter 120 of the General Statutes and rules adopted by the Senate and House of Representatives. 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.

CONTACT INFORMATION

Questions on this analysis should be directed to the Fiscal Research Division at (919) 733-4910.

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June 4, 2024



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