

GENERAL ASSEMBLY OF NORTH CAROLINA



Session 2009

Legislative Fiscal Note

BILL NUMBER: Senate Bill 40 (Third Edition)

SHORT TITLE: Murfreesboro Occupancy Tax.

SPONSOR(S): Senator Jones

FISCAL IMPACT					
	Yes (X)	No ()	No Estimate Available ()		
	<u>FY 2009-10</u>	<u>FY 2010-11</u>	<u>FY 2011-12</u>	<u>FY 2012-13</u>	<u>FY 2013-14</u>
REVENUES					
Town of Murfreesboro	\$11,148	\$52,954	\$56,987	\$60,644	\$63,019
City of Salisbury	\$439,364	\$459,985	\$495,015	\$526,787	\$547,415
EXPENDITURES					
POSITIONS (cumulative):					
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: Town of Murfreesboro and City of Salisbury					
EFFECTIVE DATE: This act is effective when it becomes law.					

BILL SUMMARY:

Senate Bill 40 authorizes the Town of Murfreesboro to levy a room occupancy tax up to 3%. It provides that the tax must be levied, administered, collected, and repealed as provided in GS 160A-215 (Uniform provisions for room occupancy taxes for cities and towns). The bill requires the Murfreesboro Tourism Development Authority (TDA) to expend the occupancy tax proceeds to promote travel, tourism, and conventions in town; sponsor tourist-related events and activities; and finance tourist-related capital projects, with two-thirds of the funds being used to promote travel and tourism in Murfreesboro and the remainder for tourism-related expenditures. It also mandates that at least one-third of the members of the TDA must be affiliated with businesses that collect taxes in the town and at least one-half must be currently active in the town's travel and tourism promotion.

The second edition repealed Section 8 of SL 2000-103, which, effective October 1, 2010, requires the Banner Elk Tourism Development Authority to use at least two-thirds (was, one-third) of the

funds remitted to it from the net proceeds of the occupancy tax to promote travel and tourism in Banner Elk and use the remainder for tourism-related expenditures. It also deletes from the definition of tourism-related expenditures required to make the downtown tourist area and nearby green areas more accessible, attractive, and usable to pedestrian tourists, in accordance with the master plan approved by the town council.

The following changes were made to the second edition of the bill. Senate Bill 40 authorizes the Salisbury city council to levy a room occupancy tax of up to 3%. It provides that the tax must be levied, administered, collected, and repealed as provided in GS 160A-215 (Uniform provisions for room occupancy taxes for cities and towns). The third edition requires the Salisbury Tourism Development Authority (TDA) to use at least two-thirds of the occupancy tax proceeds to promote travel and tourism in Salisbury and the remainder for tourism-related expenditures. It mandates that at least one-third of the members of the TDA must be affiliated with businesses that collect taxes in the city and at least one-half must be currently active in the city's travel and tourism promotion. The bill makes a technical change and makes a conforming change to the title

ASSUMPTIONS AND METHODOLOGY:

The Town of Murfreesboro currently has 16 rooms that would be subject to the proposed 3% local room occupancy tax. There is also a 60 room hotel slated to open in the middle of 2010. According to the North Carolina Division of Tourism, Film and Sports Development, the region Murfreesboro is located in has a 60.2% hotel occupancy rate and an average daily room rate of \$105.70.

Using these assumptions, the 3% room occupancy tax would generate \$11,148 (16 rooms * .602 occupancy rate * 365 days/year * \$105.70 average daily rate * .03 occupancy tax) in FY2009-10. With the additional 60 rooms beginning in FY2010-11, the estimated revenue would increase to \$52,954. This amount was then grown using the leisure and hospitality portion of North Carolina's gross state product as projected by Moody's Economy.com.

The City of Salisbury currently has 809 rooms that would be subject to the proposed 3% local room occupancy tax. According to the North Carolina Division of Tourism, Film and Sports Development, the region Salisbury is located in has a 59.2% hotel occupancy rate and an average daily room rate of \$83.78.

Using these assumptions, the 3% room occupancy tax would generate \$439,364 (809 rooms * .592 occupancy rate * 365 days/year * \$83.78 average daily rate * .03 occupancy tax) in FY2009-10. This amount was then grown using the leisure and hospitality portion of North Carolina's gross state product as projected by Moody's Economy.com.

SOURCES OF DATA: Town of Murfreesboro; City of Salisbury; North Carolina Division of Tourism, Film and Sports Development; Moody's Economy.com

TECHNICAL CONSIDERATIONS: None

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