

**NORTH CAROLINA GENERAL ASSEMBLY  
LEGISLATIVE FISCAL NOTE**

**BILL NUMBER:** HB 698 HCS (First Edition)

**SHORT TITLE:** Carteret Occupancy Tax Changes

**SPONSOR(S):**

<b>FISCAL IMPACT</b>					
	Yes (X)	No ( )	No Estimate Available ( )		
	(\$)				
	<u>FY 2001-02</u>	<u>FY 2002-03</u>	<u>FY 2003-04</u>	<u>FY 2004-05</u>	<u>FY 2005-06</u>
<b>REVENUES</b>					
General Fund	* No General Fund Impact *				
Carteret County					
Gov. and TDA	906,873	1,890,471	1,967,196	2,043,920	2,123,633
<b>PRINCIPAL DEPARTMENT(S) &amp; PROGRAM(S) AFFECTED:</b>	Carteret County.				
<b>EFFECTIVE DATE:</b>	Section 4 becomes effective July 1, 2006. The remainder becomes effective when law.				

**BILL SUMMARY:** The bill repeals Carteret County's current occupancy tax rate of 3% and instead authorizes the county to levy a 6% occupancy tax. The new tax rate cannot become effective before January 1, 2002. The legislation also revises the levy and its administration to conform to the uniform occupancy tax provisions outlined in G.S. 153A-155. The bill stipulates that the first 3% of the tax must be remitted to the Carteret County Tourism Development Authority (TDA). The TDA must use 2/3 of the proceeds to promote travel and tourism, and 1/3 for tourism related expenditures. The TDA's administrative expenses may not exceed 10% and may not include operation of a visitors' center. The second 3% will be retained by the county, but will be redistributed by the county for beach Renourishment. Specific amounts of the county funds must also be allocated to Morehead City, Beaufort, Newport, Cape Carteret, Cedar Point, Bogue, and Peletier. These funds must be used to promote travel and tourism. The County portion must also be used to give specific amounts to the governments of Pine Knoll Shores, Atlantic Beach, Indian Beach, Emerald Isle, and Salter Path for beach nourishment. After July 1, 2006, the county may spend up to 1/3 of the second 3%, to a maximum of \$10 million, for debt service and operating costs associated with a new convention center. Those funds can only be expended for a convention center if certain conditions are met. If those conditions for a convention center are not met or construction does not begin by July 1, 2007, the tax is repealed. A portion of the funds can be redirected to the TDA from the convention center project if certain conditions are not met.

**ASSUMPTIONS AND METHODOLOGY:** In 1999-00 the 3% room tax in Carteret County raised \$1,767,647, or \$589,216 per each 1%. The distribution of the funds was as follows:

Organization	Amount
County	352,379
Municipalities	446,227
TDA/Other	969,041
<b>TOTAL</b>	<b>1,767,647</b>

The bill effectively doubles the rate to 6%. Historically Carteret County's collections have been as follows:

Year	Amount
1994-95	1,413,022
1995-96	1,416,898
1996-97	1,401,818
1997-98	1,594,830
1998-99	1,707,678
1999-00	1,767,647

Extending this trend suggest the following increase in total occupancy tax revenue as a result of the bill:

Year	Amount
2001-02	1,813,747
2002-03	1,890,471
2003-04	1,967,196
2004-05	2,043,920
2005-06	2,123,633

The number in the fiscal impact box is adjusted to reflect the January 1, 2002 effective date of the tax.

**FISCAL RESEARCH DIVISION 733-4910**

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**DATE:** July 12, 2001



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