

**NORTH CAROLINA GENERAL ASSEMBLY
LEGISLATIVE FISCAL NOTE**

BILL NUMBER: HB 834 SCS (2nd Edition)

SHORT TITLE: Raise Washington and Lexington Occy. Tax

SPONSOR(S):

FISCAL IMPACT					
	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>
REVENUES					
General Fund	* No General Fund Impact *				
Washington (city)	108,614	116,345	124,077	131,808	139,540
Lexington	143,513	150,216	156,918	163,621	170,323
PRINCIPAL DEPARTMENT(S) & PROGRAM (S) AFFECTED: Cities of Washington and Lexington.					
EFFECTIVE DATE: When it becomes law.					

BILL SUMMARY: Section 1 of the bill authorizes the City of Washington to increase its room occupancy tax from 3% to 6%. It also changes the existing Washington occupancy tax law to conform to the uniform provisions established by the Finance Committee regarding administration, collection, use, and distribution of the funds. Specifically, the bill requires that 2/3 of the proceeds be used to promote travel and tourism, with the balance used for “tourism related purposes.” It also clarifies that the net revenues must be administered by a local tourism promotion agency. In terms of collection, the bill allows the taxing authority to retain from the revenues its actual cost of collection, not to exceed 3% of the first \$500,000 collected each year plus 1% of the remainder. Section 2 authorizes the City of Lexington to increase its room occupancy tax from 3% to 6%, and clarifies that the combined city and county occupancy tax rates in Lexington cannot exceed 6%. The bill also conforms Lexington’s occupancy tax law to the uniform provisions established by the Finance Committee.

ASSUMPTIONS AND METHODOLOGY: The bill impacts the cities of Washington and Lexington.

Washington: Washington currently levies an occupancy tax of 3%. The revenue generated by this 3% tax for each of the five most recent fiscal years for which data is available is as follows:

Fiscal Year	Revenue
1994-95	58,664
1995-96	58,106
1996-97	72,131
1997-98	71,947
1998-99	85,992

The city finance office reports 1999-00 room tax revenue of \$96,090. They also report 2000-01 collections through March of \$60,302. Assuming that growth trend continues, doubling the tax rate would result in the following revenue increase.

Fiscal Year	Revenue
2001-02	108,614
2002-03	116,345
2003-04	124,077
2004-05	131,808
2005-06	139,540

Lexington: Lexington currently levies an occupancy tax of 3%. The revenue generated by this 3% tax for the five most recent fiscal years for which data is available is as follows:

Fiscal Year	Collections
1994-95	40,080
1995-96	103,110
1996-97	111,466
1997-98	114,341
1998-99	124,493

Extending the growth trend for these years suggests that a 3% room tax in Lexington will raise the following amounts:

2001-02	143,513
2002-03	150,216
2003-04	156,918
2004-05	163,621
2005-06	170,323

This amount is used as the estimate for the fiscal impact of the bill in Lexington.

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DATE: May 17, 2001



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