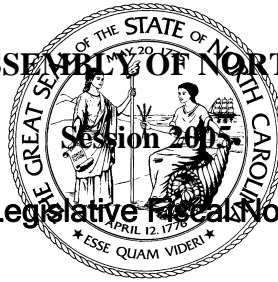


GENERAL ASSEMBLY OF NORTH CAROLINA



Legislative Fiscal Note

**BILL NUMBER:** Senate Bill 1431 (Second Edition)

**SHORT TITLE:** Burgaw/New Hanover/Wilmington Occupancy Tax.

**SPONSOR(S):** Senator Soles

<b>FISCAL IMPACT</b>					
	Yes (X)	No ( )	No Estimate Available ( )		
	<u>FY 2006-07</u>	<u>FY 2007-08</u>	<u>FY 2008-09</u>	<u>FY 2009-10</u>	<u>FY 2010-11</u>
<b>REVENUES:</b>					
Town of Burgaw	\$6,570	\$6,773	\$6,929	\$7,088	\$7,251
New Hanover Dist. U	Approximately \$110,000 annually. See assumptions and methodology.				
Caswell County	\$3,133	\$3,231	\$3,305	\$3,381	\$3,459
Town of Yanceyville	\$3,133	\$3,231	\$3,305	\$3,381	\$3,459
<b>PRINCIPAL DEPARTMENT(S) &amp; PROGRAM(S) AFFECTED:</b> Town of Burgaw, New Hanover County, City of Wilmington, Caswell County and Town of Yanceyville.					
<b>EFFECTIVE DATE:</b> Sections 1 through 3 of this act are effective when they become law. Except as otherwise provided, the remainder of this act becomes effective September 1, 2006, and applies to room occupancy and tourism development taxes levied on and after that date.					

**BILL SUMMARY:**

Senate Bill 1431 authorizes the Town of Burgaw to levy a 3% room occupancy tax. Two-thirds of the proceeds would be used to promote travel and tourism and one-third would be used for tourism-related expenditures. This bill conforms to the guidelines supported by the North Carolina Travel and Tourism Coalition and adhered to by the House Finance Committee.

The second edition of the bill also does the following:

- Modifies the distribution of the New Hanover County and City of Wilmington occupancy tax proceeds, effective September 1, 2006.
- Creates a new taxing district consisting of the unincorporated areas of New Hanover County for the purpose of levying a 3% room occupancy and tourism development tax to be used for beach nourishment.

- Changes the dates by which Wilmington must demonstrate to the TDA that it has completed development and financing arrangements and that construction has begun on a convention center in order to retain occupancy tax proceeds remitted to it for that purpose.
- Adds an annual reporting requirement requiring that the New Hanover TDA and the City of Wilmington report to the General Assembly on the collection and distribution of occupancy tax proceeds and the progress of the convention center.
- Allows Caswell County and the Town of Yanceyville to each levy a 3% occupancy tax.

**ASSUMPTIONS AND METHODOLOGY:**

**Town of Burgaw**

Based on information from Pender County, there is one motel in the Town of Burgaw. Assuming 25 rooms, an average rate of \$40 per night and a 60% occupancy rate, the 3% occupancy tax would generate approximately \$6,570 annually. The general rate for the Consumer Price Index is used to determine the rate of growth in the tax collections for future years.

**New Hanover County**

The proposed District U revenues are calculated by subtracting occupancy tax revenues from the New Hanover County municipalities from the current 3% New Hanover County tax. The result is the revenue that would be generated from the proposed 3% tax in the unincorporated areas of the county.

The bill also changes the distributions for the city and county occupancy taxes as described in the table below:

<b>Origin of Tax</b>	<b>Sept. 1, 2006–June 30, 2008</b>	<b>July 1, 2008 Forward</b>
<b>Wilmington Convention Center District</b> 3% county + 3% city = 6% tax	40% = Convention center account 30% = Beach nourishment 30% = TDA (for promotion)	100% = Convention center account 0% = Beach nourishment 0% = TDA (for promotion)
<b>Outside Convention Center District (but within city limits)</b> 3% county + 3% city = 6% tax	3% county tax = <ul style="list-style-type: none"> <li>• 60% beach nourishment</li> <li>• 40% TDA (for promotion)</li> </ul>	3% county tax = <ul style="list-style-type: none"> <li>• 60% beach nourishment</li> <li>• 40% TDA (for promotion)</li> </ul>
	3% city tax = <ul style="list-style-type: none"> <li>• 100% convention center</li> </ul>	3% city tax = <ul style="list-style-type: none"> <li>• 100% convention center</li> </ul>
<b>New Hanover County District U (unincorporated area of</b>	3% county tax = <ul style="list-style-type: none"> <li>• 60% beach nourishment</li> <li>• 40% TDA (for</li> </ul>	3% county tax = <ul style="list-style-type: none"> <li>• 60% beach nourishment</li> </ul>

<b>the county)</b> 3% county + 3% district = 6% tax	promotion)	• 40% TDA (for promotion)
	3% district tax = • 100% beach nourishment	3% district tax = 100% beach nourishment

The revenue from the New Hanover County occupancy tax generated from within the proposed convention center district would be directed to the convention center account beginning July 1, 2008. The amount of revenue that would be re-directed is approximately \$250,000 annually based on projected revenues from the proposed convention center hotel.

**Caswell County and the Town of Yanceyville**

The bill allows Caswell County and the Town of Yanceyville to each levy a 3% occupancy tax. The Town of Yanceyville is located in Caswell County. According to the county manager for Caswell County, there is one motel in the county. The motel is located in Yanceyville and is expected to generate approximately \$3,000 each year for the Town of Yanceyville and Caswell County based on the proposed occupancy tax rate of 3% each for the county and the town. Applying the General Consumer Price Index rate of increase for future years provides the following revenue estimate:

Fiscal Year	Yanceyville	Caswell Co.	Each 1%
<b>2006-07</b>	\$3,133	\$3,133	\$1,044
<b>2007-08</b>	\$3,231	\$3,231	\$1,077
<b>2008-09</b>	\$3,305	\$3,305	\$1,102
<b>2009-10</b>	\$3,381	\$3,381	\$1,127
<b>2010-11</b>	\$3,459	\$3,459	\$1,153

**SOURCES OF DATA:**

Pender County, City of Wilmington, NC Department of Revenue, Caswell County

**TECHNICAL CONSIDERATIONS:** None

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Fiscal Research Division

**DATE:** July 17, 2006



Signed Copy Located in the NCGA Principal Clerk's Offices