



# NORTH CAROLINA GENERAL ASSEMBLY

2025 Session

## Legislative Fiscal Note

**Short Title:** Clarify Tourism-Related Expenditures.  
**Bill Number:** Senate Bill 484 (Third Edition)  
**Sponsor(s):** Sen. Timothy D. Moffitt, Sen. Warren Daniel, and Sen. Danny Earl Britt, Jr.

### SUMMARY TABLE

#### FISCAL IMPACT OF SB 484 (V.3)

	<u>FY 2026-27</u>	<u>FY 2027-28</u>	<u>FY 2028-29</u>	<u>FY 2029-30</u>	<u>FY 2030-31</u>
<b>Local Impact</b>					
Local Revenue	-	-	-	-	-
Less Local Expenditures	-	-	-	-	-

<b>NET LOCAL IMPACT</b>	<b>No Fiscal Impact</b>
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### FISCAL IMPACT SUMMARY

The bill has no net fiscal impact among local governments as it is only clarifying allowable tourism-related expenditures of occupancy tax revenues.

### FISCAL ANALYSIS

Occupancy taxes across the state generated over \$460 million in net revenues in FY 2024-25. Local governments cannot levy an occupancy tax without General Assembly approval. These laws are typically in two forms-authorizing legislation that conform to the House of Representatives' Guidelines for Occupancy Tax and those that do not. After accounting for the costs of collections,<sup>1</sup> for those that conform at least two-thirds of the proceeds must be used to promote travel and tourism, and the remainder must be used for tourism-related expenditures.<sup>2</sup> For those that do not conform, the allowable expenditures differ but often contain a provision for tourism-related expenditures. For those that conform, a local tourism promotion agency (often called a Tourism Development Authority or TDA) has the authority to determine how occupancy tax proceeds are

<sup>1</sup> The taxing authority may retain up to 3% of the first \$500,000 each year plus 1% of the remainder of collections that year, for costs of collecting the occupancy tax, for those that conform.

<sup>2</sup> The Guidelines define tourism-related expenditures as "Expenditures that, in the judgment of the Tourism Development Authority, are designed to increase the use of lodging facilities, meeting facilities, and convention facilities in a city/county by attracting tourists or business travelers to the city/county. The term includes tourism-related capital expenditures." Coastal local governments may allocate up to 50% of these revenues for beach nourishment as long as all remaining proceeds are used for tourism promotion and provided that the use of such proceeds for beach nourishment is limited by either a statutory cap or sunset provision.

spent, but another entity (county, city, etc.) may have this authority for those whose legislation does not conform to the Guidelines.

The bill clarifies that occupancy tax proceeds specified to be spent on tourism-related expenditures—regardless of conformity to the Guidelines—cannot be spent on services to or for the primary benefit of residents, and specifically forbids spending these proceeds on the following: solid waste collection or disposal; water supply, distribution, or treatment; fire protection; law enforcement, public safety or emergency services; affordable housing; and education. Therefore, the bill would not affect counties and municipalities whose authorizing legislation specifically allows those occupancy tax proceeds to be used for specific or general fund purposes.

FRD estimates the bill will have no net local fiscal impact on the whole insofar as it is simply clarifying the allowable purposes for which already-collected revenues can be spent.

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### **TECHNICAL CONSIDERATIONS**

N/A.

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### **DATA SOURCES**

NC Department of Revenue.

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### **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.

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### **CONTACT INFORMATION**

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

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