



# HOUSE BILL 397: Yancey County Occupancy Tax Increase.

2021-2022 General Assembly

<b>Committee:</b>	House Rules, Calendar, and Operations of the House	<b>Date:</b>	May 6, 2021
<b>Introduced by:</b>	Rep. Pless	<b>Prepared by:</b>	Trina Griffin
<b>Analysis of:</b>	First Edition		Staff Attorney

**OVERVIEW:** House Bill 397 would authorize Yancey County to levy an additional 3% room occupancy tax, for a total of 6%. At least two-thirds of the proceeds would have to be used for tourism promotion and the remainder for tourism-related expenditures. This bill conforms to the Guidelines for Occupancy Tax adhered to by the House Finance Committee.

**CURRENT LAW:** Yancey County has the authority to levy a 3% room occupancy tax.<sup>1</sup> The proceeds of the tax are used for direct advertising and other expenses that aid and encourage travel and tourism to Yancey County, as well as marketing and promotions expenses.

**BILL ANALYSIS:** House Bill 397 would authorize Yancey County to levy an additional 3% room occupancy tax, for a total of 6%, and update the original authorization language to conform to the Guidelines for Occupancy Tax adhered to by the House Finance Committee. The proceeds of the tax must be remitted to the Yancey County Tourism Development Authority. At least two-thirds of the funds must be used for tourism promotion and the remainder must be used for tourism-related expenditures.

**EFFECTIVE DATE:** This act would become effective when it becomes law.

**BACKGROUND:** In 1997, the General Assembly enacted uniform municipal and county administrative provisions for occupancy tax,<sup>2</sup> which provide uniformity among counties and cities with respect to the levy, administration, collection, repeal, and imposition of penalties. In 1993, the House Finance Committee established the Occupancy Tax Guidelines, which address the rate of tax, the use of the tax proceeds, the administration of the tax, and the body with authority to determine how the proceeds will be spent. A summary of these provisions is detailed in the chart below.

UNIFORM OCCUPANCY TAX PROVISIONS
<b>Rate</b> – The county tax rate cannot exceed 6% and the city tax rate, when combined with the county rate, cannot exceed 6%.
<b>Use</b> – Two-thirds of the proceeds must be used to promote travel and tourism and the remainder must be used for tourism related expenditures.
<b>Definitions</b> The term "net proceeds", "promote travel and tourism", and "tourism related expenditures" are defined terms.
<b>Administration</b> – The net revenues must be administered by a local tourism development authority that has the authority to determine how the tax proceeds will be used, is created by a local ordinance, and at least 1/2 of the members must be currently active in the promotion of travel and tourism in the county and 1/3 of the members must be affiliated with organizations that collect the tax.

<sup>1</sup> S.L. 1987-140 and Section 21(I) of S.L. 2007-527.

<sup>2</sup> G.S. 153A-155 and G.S. 160A-215.

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**Costs of Collection** – The taxing authority may retain from the revenues its actual costs of collection, not to exceed 3% of the first \$500,000 collected each year plus 1% of the remainder collected each year.

*Nick Giddings, Staff Attorney, substantially contributed to this summary.*