

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2005

Legislative Fiscal Note

BILL NUMBER: Senate Bill 369 (Third Edition)

SHORT TITLE: Omnibus Occupancy Taxes.

SPONSOR(S): Senator Berger of Franklin

FISCAL IMPACT					
	Yes (X)	No ( )	No Estimate Available ( )		
	<u>FY 2005-06</u>	<u>FY 2006-07</u>	<u>FY 2007-08</u>	<u>FY 2008-09</u>	<u>FY 2009-10</u>
<b>REVENUES:</b>					
<b>General Fund</b>	<b>No General Fund Impact</b>				
Franklin County	\$77,609	\$79,394	\$81,140	\$82,763	\$84,418
<b>City of Durham</b>	<b>No Change in Fiscal Impact</b>				
City of Eden	\$44,348	\$45,368	\$46,366	\$47,293	\$48,239
City of Reidsville	\$53,217	\$54,441	\$55,639	\$56,751	\$57,886
<b>PRINCIPAL DEPARTMENT(S) &amp; PROGRAM(S) AFFECTED:</b> Franklin County, City of Durham, City of Eden, City of Reidsville					
<b>EFFECTIVE DATE:</b> Becomes effective when law.					

**BILL SUMMARY:**

Senate Bill 369 authorizes Franklin County to levy a room occupancy tax of up to 6%, authorizes the cities of Eden and Reidsville to levy occupancy taxes at a rate of 3%, and adds provisions amending the Durham Occupancy Tax.

**ASSUMPTIONS AND METHODOLOGY:**

**Franklin County**

According to the Franklin County manager, there are four hotels in Franklin County with a total of 116 rooms. An average rate of occupancy of 52% and an average room rate of \$45 are used to calculate an estimated annual revenue of \$75,900. Because no historical data is available, the five-year revenue projection is based on the General Consumer Price Index rate of increase.

	Franklin County	Each 1%
FY06	\$77,609	\$12,935
FY07	\$79,394	\$13,232
FY08	\$81,140	\$13,523
FY09	\$82,763	\$13,794
FY10	\$84,418	\$14,070

**Durham**

Because the bill does not change the current occupancy tax rate for Durham and only makes changes related to the time allowed for planning and construction of a performing arts center and the use of the proceeds, this bill does not change the fiscal impact for the Durham occupancy tax.

**Eden**

According to the City of Eden, there are 5 motels in the city limits. Assuming an average of 30 rooms in each, an average room rate of \$45 per night and a 60% rate of room occupancy, FRD estimates the 3% occupancy tax would generate \$44,348 per year. Because no historic data is available, the General Consumer Price Index estimated rate of increase is used to estimate future growth in occupancy tax receipts. The following chart illustrates the five-year fiscal estimate:

	Eden	Each 1%
FY06	\$44,348	\$14,782
FY07	\$45,368	\$15,122
FY08	\$46,366	\$15,455
FY09	\$47,293	\$15,764
FY10	\$48,239	\$16,079

**Reidsville**

According to the City of Reidsville, there are 6 motels in the city limits. Assuming an average of 30 rooms in each, an average room rate of \$45 per night and a 60% rate of room occupancy, FRD estimates the 3% occupancy tax would generate \$53,217 per year. Because no historic data is available, the General Consumer Price Index estimated rate of increase is used to estimate future growth in occupancy tax receipts. Based on these assumptions, the following five-year stream of additional revenue is suggested:

	Reidsville	Each 1%
FY06	\$53,217	\$17,739
FY07	\$54,441	\$18,147
FY08	\$55,639	\$18,546
FY09	\$56,751	\$18,917
FY10	\$57,886	\$19,295

**SOURCES OF DATA:** Franklin County, City of Eden, City of Reidsville

**TECHNICAL CONSIDERATIONS:** None

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**Signed Copy Located in the NCGA Principal Clerk's Offices**