

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1997

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HOUSE BILL 631  
Committee Substitute Favorable 4/23/97  
Committee Substitute #2 Favorable 7/10/97

Short Title: Forsyth Room Tax Distribution.

(Local)

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Sponsors:

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Referred to:

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March 26, 1997

1 A BILL TO BE ENTITLED  
2 AN ACT TO MODIFY THE FORMULA FOR DISTRIBUTING THE PROCEEDS OF  
3 THE FORSYTH COUNTY OCCUPANCY TAXES.

4 The General Assembly of North Carolina enacts:

5 Section 1. Section 28 of Chapter 908 of the 1983 Session Laws, as amended,  
6 reads as rewritten:

7 "Sec. 28. Disposition of ~~Taxes Collected.~~ Two Percent (2%) and One Percent (1%)  
8 Taxes. (a) Forsyth County shall remit the net proceeds of the occupancy ~~tax~~ taxes  
9 levied under Sections 24, 25, and 30.1 of this Part on a quarterly basis as follows: (i) five

10 (1) Five percent (5%) of the net proceeds shall be divided among the  
11 municipalities in Forsyth County, other than Winston-Salem, on a pro  
12 rata basis; and (ii) the basis.

13 (2) The remaining net proceeds shall be remitted to the Forsyth County  
14 Tourism Development Authority.

15 'Net proceeds' ~~means gross proceeds less the cost to the county of administering and~~  
16 ~~collecting the tax.~~ has the meaning provided in Section 30.2(d) of this Part.

17 (b) A municipality may expend funds distributed to it pursuant to subsection  
18 (a) only for economic development and cultural and recreational purposes. The Forsyth

1 County Tourism Development Authority shall expend the funds distributed to it pursuant  
2 to subsection (a) to further the development of travel, tourism, and conventions within  
3 Forsyth County. The Forsyth County Tourism Development Authority may not use more  
4 than ten percent (10%) of the funds distributed to it pursuant to subsection (a) for  
5 administrative expenses."

6 Section 2. Section 30.2 of Part VII of Chapter 908 of the 1983 Session Laws,  
7 as enacted by Chapter 870 of the 1989 Session Laws, reads as rewritten:

8 "Sec. 30.2. Additional Tax. (a) Levy. – In addition to the taxes authorized by  
9 Sections 24, 25, and 30.1 of this Part, the Forsyth County Board of Commissioners may  
10 levy a room occupancy and tourism development tax of three percent (3%) of the gross  
11 receipts derived from the rental of accommodations taxable under those sections. The  
12 levy, collection, administration, and repeal of the tax authorized by this section shall be in  
13 accordance with Sections 24 through 27 and 29 through 30 of this Part. Forsyth County  
14 may not levy a tax under this section unless it also levies taxes under Sections 24, 25, and  
15 30.1 of this Part.

16 (b) Distribution. – The net proceeds of the tax levied under this section shall be  
17 distributed as follows:

- 18 (1) ~~(i) five~~ Five percent (5%) of the net proceeds shall be divided among the  
19 municipalities in Forsyth County, other than Winston-Salem, on a pro  
20 rata ~~basis; and (ii) the~~ basis.
- 21 (2) After subtracting the amount provided in subdivision (1) of this  
22 subsection, one-third of the remaining net proceeds shall be divided  
23 among Forsyth County, the City of Winston-Salem, and remitted to the  
24 Forsyth County Tourism Development Authority on a pro rata basis.  
25 Authority.
- 26 (3) After subtracting the amounts provided in subdivisions (1) and (2) of  
27 this subsection, ten percent (10%) of the remaining net proceeds shall be  
28 divided among those municipalities in Forsyth County, other than  
29 Winston-Salem, in which taxable establishments are located, in  
30 proportion to the amount of tax proceeds collected in each municipality.
- 31 (4) After subtracting the amounts provided in subdivisions (1), (2), and (3)  
32 of this subsection, the remaining net proceeds shall be divided between  
33 Forsyth County and the City of Winston-Salem on a pro rata basis.

34 ~~'Net proceeds' means gross proceeds less the cost to the county of administering and~~  
35 ~~collecting the tax.~~

36 (c) Use. – A municipality that receives funds pursuant to subdivision (b)(3) of  
37 this section shall, on a quarterly basis, remit all the funds it receives pursuant to this Part  
38 to its municipal Tourism Development Authority. Each municipal Authority shall use at  
39 least two-thirds of the funds remitted to it under this subsection to promote travel and  
40 tourism in the municipality and shall use the remainder for tourism-related expenditures.  
41 No more than ten percent (10%) of the funds remitted to an Authority under this  
42 subsection may be used for the Authority's administrative expenses, including salaries  
43 and benefits.

1 Forsyth County or a municipality that does not receive funds pursuant to subdivision  
2 (b)(3) of this section may expend funds distributed to it pursuant to subsection (b) only  
3 for economic development and cultural and recreational purposes. The Forsyth County  
4 Tourism Development Authority shall expend the funds distributed to it pursuant to  
5 subsection (b) in accordance with Section 28(b) of this Part.

6 (d) Definitions. – The following definitions apply in this section:

7 (1) Net proceeds. – Gross proceeds less the cost to the county of  
8 administering and collecting the tax, as determined by the finance  
9 officer, not to exceed three percent (3%) of the first five hundred  
10 thousand dollars (\$500,000) of gross proceeds collected each year and  
11 one percent (1%) of the remaining gross receipts collected each year.

12 (2) Promote travel and tourism. – To advertise or market an area or activity,  
13 publish and distribute pamphlets and other materials, conduct market  
14 research, or engage in similar promotional activities that attract tourists  
15 or business travelers to the area; the term includes administrative  
16 expenses incurred in engaging in these activities.

17 (3) Tourism-related expenditures. – Expenditures that, in the judgment of  
18 the entity making the expenditure, are designed to increase the use of  
19 lodging and meeting and convention facilities in the area by attracting  
20 tourists or business travelers to the area; the term includes tourism-  
21 related capital expenditures."

22 Section 3. Part VII of Chapter 908 of the 1983 Session Laws, as amended by  
23 Chapters 33 and 924 of the 1985 Session Laws and Chapter 870 of the 1989 Session  
24 Laws, is amended by adding a new section to read:

25 "Sec. 30.3. Municipal Tourism Development Authorities. (a) When \_\_\_\_\_ a  
26 municipality first receives a distribution of funds pursuant to Section 30.2(b)(3) of this  
27 Part, its governing body shall adopt a resolution creating a municipal Tourism  
28 Development Authority, which shall be a public authority under the Local Government  
29 Budget and Fiscal Control Act. The resolution shall provide that there will be five  
30 members of the Authority appointed by the governing body of the municipality and shall  
31 provide for the members' terms of office and for the filling of vacancies on the Authority.  
32 At least one-third of the members must be individuals who are affiliated with businesses  
33 that collect the tax in the municipality and at least three-fourths of the members must be  
34 individuals who are currently active in the promotion of travel and tourism in the  
35 municipality. The governing body of the municipality shall designate one member of the  
36 Authority as chair and shall determine the compensation, if any, to be paid to members of  
37 the Authority.

38 The Authority shall meet at the call of the chair and shall adopt rules of procedure to  
39 govern its meetings. The Finance Officer for the municipality shall be the ex officio  
40 finance officer of the Authority.

41 (b) Duties. The Authority shall expend the funds distributed to it pursuant to  
42 Section 30.2(c) of this Part for the purposes provided in Section 30.2(c) of this Part. The  
43 Authority shall promote travel and tourism and make tourism-related expenditures.

1       (c)   Reports. The Authority shall report quarterly and at the close of the fiscal year  
2 to the governing body of the municipality on its receipts and expenditures for the  
3 preceding quarter and for the year in such detail as the governing body may require."

4               Section 4. This act becomes effective August 1, 1997, and applies to taxes  
5 levied on or after that date.