

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE FISCAL NOTE

BILL NUMBER: H.B. 163 < 2nd Edition>
SHORT TITLE: Furniture Market Improvement Act
SPONSOR(S): Rep. Jarrell

FISCAL IMPACT

	Yes (X)	No ()	No Estimate Available (X)		
	<u>FY 2001-02</u>	<u>FY 2002-03</u>	<u>FY 2003-04</u>	<u>FY 2004-05</u>	<u>FY 2005-06</u>

REVENUES

General Fund	* No General Fund Impact *				
High Point	*See Assumptions and Methodology *				

PRINCIPAL DEPARTMENT (S) & PROGRAM (S) AFFECTED: City of High Point.

EFFECTIVE DATE: When it becomes law.

BILL SUMMARY: The bill authorizes the city of High Point to levy a room occupancy tax of up to 3%. It also authorizes that city to charge a privilege license tax on wholesale furniture showroom operators. The levy cannot exceed \$0.15 per square foot of showroom floor surface area. It included a minimum payment of \$250.00 per showroom location. The proceeds of these taxes must be used to promote the International Home Furnishings Market and assist visitors. The city can contract with a non-profit organization to carry out the promotion activities. The city can retain the cost of collecting and administering the tax. The administration fee cannot exceed 3% of the first \$500,000 of annual gross proceeds. The maximum administration fee drops to 1% after \$500,000 in annual gross collections.

ASSUMPTIONS AND METHODOLOGY: Both the occupancy tax and the privilege license tax portions of the bill will have a local fiscal impact.

In 1998-99 Guilford County collected \$3,793,732 in occupancy taxes using a 3% rate. Based on the proportion of Guilford County occupancy taxes collected within the city of High Point, city leaders estimate that the 3% occupancy tax will raise approximately \$360,000 annually. While highly volatile that revenue source has grown by approximately 10% a year.

The High Point City Manager reports that wholesale showroom operators own approximately 10.9 million square feet of commercial space in the city. They believe that approximately 85%

of this amount, or 9.2 million square feet, are actually devoted to wholesale showrooms, while the balance lies in non-productive space (restrooms, stairs, etc.). If the city charges the maximum tax of \$0.15 per square foot on the productive space, the privilege license portion of the bill will raise approximately \$1.38 million annually.

Because the language is permissive, and the exact tax rate is unknown, Fiscal Research cannot produce an accurate fiscal estimate on the bill.

FISCAL RESEARCH DIVISION 733-4910

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