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News Brief

LODGING ASSOCIATION of North Carolina

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County Seeks to Expand Transactions Subject to the Occupancy Tax

The New Hanover County Tourism Development Authority has endorsed a recommendation by the county's Finance Officer to require lodging properties to collect the countywide occupancy tax on all hotel transactions, in addition to the room rate. Among the items subject to the tax would be charges for a roll-a-way bed, a crib, and Internet Access. At least three operators of lodging properties, who serve on the New Hanover County TDA reportedly, voted to support expanding the tax. The new rules are scheduled to be effective July 1 and would only affect lodging properties located in New Hanover County.

The Finance Office issued a statement in January that the occupancy tax applies to "**all monies received** in the rental transaction. Therefore, included in the taxable amount, in addition to rent, are all other incidental or extra charges to the guest including administrative/reservation/transfer fees, charges for baby cribs, in-room safe deposit boxes, linens and pet supplies, etc..."

The TDA did exclude from the occupancy tax certain food service related charges including banquet room rental, banquet room setup/breakdown charges, audio-visual equipment rental, and labor charges for bartenders and carving stations.

The precedent being established by New Hanover County is expected to be a major concern to hotel owners and operators statewide, particularly for full-service properties and resorts.

The first local occupancy taxes were approved by the General Assembly in 1983 when Mecklenburg County, Topsail Beach, Surf City, and Buncombe County were authorized to levy a 3% tax. In the intervening years, the tax has consistently been levied only on the rental or room rate charged to the guest.