



Press Releases

Haywood would create new hurdle for local businesses with 50 percent tax hike

State, local officials considering raising local occupancy tax rate to 6 percent

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RALEIGH -- Haywood County would place its local hospitality businesses at a competitive disadvantage with those in surrounding counties, if local and state officials move forward with a proposal to raise the county's occupancy tax rate by 50 percent. That's one key conclusion in a new John Locke Foundation [Spotlight report](#).

The report also questions Haywood's need for additional tax revenue, along with the process county officials would use to raise the tax rate.

"Those pushing for the tax increase argue that more money collected through the occupancy tax means more money for promoting and marketing the county," said report author Sarah Curry, JLF Director of Fiscal Policy Studies. "In reality, it just means county government would take more money away from businesses and consumers to be spent in a way government officials have decided is best for them."

Haywood County now assesses a 4 percent occupancy tax rate for hotel rooms and other local rental accommodations. Legislation in the N.C. General Assembly would allow Haywood to raise that rate to the state maximum of 6 percent.

None of Haywood's neighboring counties charges an occupancy rate that high, Curry said. "Henderson and Madison counties charge 5 percent rates, while three of Haywood's other four neighboring counties charge the same 4 percent rate Haywood assesses today," she said. "One neighbor, Jackson County, and three other counties in the region charge a lower 3 percent occupancy tax rate."

People looking for hotel accommodations in the area will be able to take these different tax rates into account, Curry said. "Since a majority of hotel reservations are made online, customers can compare rates quickly for hotels in Haywood and surrounding counties," she said. "A higher rate might initially boost revenue collections, but over time the tax increase can be expected to reduce local businesses' revenues."

"It won't take a savvy traveler long to notice that she can save money by moving from Haywood County, with a 6 percent rate, to next-door Jackson County, with a 3 percent rate," Curry added.

If lawmakers approve the proposed tax increase, Haywood County commissioners could adopt the higher tax rate by resolution. That aspect of the state legislation draws fire in Curry's report. "Any increase in the tax rate should be put forward in a countywide referendum, not a simple resolution from county commissioners," she said.

Beyond the process of approving the tax hike, Curry questions the need for additional occupancy tax revenue. The tax raised nearly \$955,000 in the most recent fiscal year. Supporters estimate the tax hike would raise another \$540,000 in 2014-15, bringing the total annual occupancy tax revenue to nearly \$1.5 million.

"It's not clear that Haywood County needs to take that additional money away from the private sector," Curry said. "Haywood splits its current occupancy tax in such a way that three-quarters of the proceeds are spent to benefit the whole county, while the rest of the money is split into five accounts based upon the ZIP codes from which proceeds are collected. None of the ZIP codes has exceeded the maximum amount available to spend in a year, and many carry a surplus balance from year to year because the total amount collected is rarely exhausted."

The Maggie Valley area consistently leads Haywood County in occupancy tax collections and expenditures, Curry said. Most of the money pays for expenses linked to annual events such as a Labor Day celebration and an Apple Harvest festival.

"Spending on items such as trash cans, lighting, and portable toilets focuses on maintaining current expectations for existing events, rather than generating new tourism through additional projects," she said. "This is despite the fact that uniform occupancy tax guidelines require that at least two-thirds of the tax proceeds must be used to promote travel and tourism in the county, not to cover tourism-related expenses."

If Maggie Valley needs additional funding, there's no need to force the rest of the county to foot the bill, Curry said. "An occupancy tax at the municipal level, rather than a countywide increase, could be placed on the ballot for a referendum vote."

Curry concludes her report with a more basic criticism of the proposed Haywood County occupancy tax increase. "Taxation is justified only to raise money for necessary purposes of government," she said. "Tourism promotion does not meet that standard. It focuses on helping one sector of the local economy. This function can be served best by the private sector."

Sarah Curry's Spotlight report, "An Occupancy Tax Increase? Haywood County already has \$1 million annually from existing tax," is available at the [JLF website](#). For more information, please contact Curry at (919) 828-3876 or scurry@johnlocke.org. To arrange an interview, contact Mitch Kokai at (919) 306-8736 or mkokai@johnlocke.org.

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