

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

HB 73 - SB 858

March 5, 2019

SUMMARY OF ORIGINAL BILL: Authorizes the City of Erwin to levy a hotel occupancy tax, not to exceed five percent of the consideration charged by the operator, subject to the adoption of an ordinance by a two-thirds vote of its governing body.

FISCAL IMPACT OF ORIGINAL BILL:

Increase Local Revenue - \$95,000/Permissive/City of Erwin

SUMMARY OF AMENDMENT (005068): Deletes and replaces language in the original bill such that the only substantive change establishes that the City of Erwin is authorized to levy a hotel occupancy tax not to exceed two and one-half percent, rather than five percent, of the consideration charged by the operator.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Increase Local Revenue - \$47,500/Permissive/City of Erwin

Assumptions for the bill as amended:

- According to the Department of Health, there are three hotels in the City of Erwin, with a total of 124 rooms.
- According to the Nashville Convention and Visitors Bureau, the 2017 hotel occupancy rate in Davidson County was 75.0 percent. According to the PricewaterhouseCoopers LLP, the national hotel occupancy rate for 2017 was 65.9 percent, and is estimated to have been 66.2 percent in 2018. The national hotel occupancy rate is estimated to be 66.0 percent in 2019.
- Estimate assumes the occupancy rate in the City of Erwin is 60.0 percent.
- There will be approximately 27,156 nightly rentals each year in the City of Erwin (124 rooms x 365 days x 60.0% occupancy rate).
- The average hotel room rate is estimated to be \$70 per night.
- The City of Erwin will impose a 2.5 percent hotel occupancy tax upon passage of this legislation.
- The permissive recurring increase in local government revenue is estimated to be \$47,523 (27,156 nightly rentals x \$70 per night x 2.5% occupancy tax rate).

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CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

Handwritten signature of Krista Lee Carsner in black ink.

Krista Lee Carsner, Executive Director

/jdb