

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

HB 630 - SB 567

March 18, 2019

SUMMARY OF ORIGINAL BILL: Authorizes Coffee County 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.

CORRECTED FISCAL IMPACT OF ORIGINAL BILL:

Increase Local Revenue - \$579,700/Permissive/Coffee County

SUMMARY OF AMENDMENT (005920): Deletes and replaces all language after the enacting clause such that the only substantive changes decrease, from five percent to two and one-half percent, the hotel occupancy tax that Coffee County may levy against the consideration charged by the hotel operator in Coffee County and require that the proceeds of this two and one-half percent tax be used to support local tourism and economic development.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Increase Local Revenue - \$289,900/Permissive/Coffee County

Assumptions for the bill as amended:

- It is assumed that all hotels located in Coffee County are located in either Tullahoma or of Manchester.
- Currently, the cities of Tullahoma and Manchester both levy occupancy taxes on the consideration charged by operators of hotels in each respective city.
- This legislation will allow Coffee County to impose an additional tax on top of the taxes levied by the cities of Tullahoma and Manchester.
- Coffee County will elect to impose a 2.5 percent hotel occupancy tax on the consideration charged by the operators of hotels located in Tullahoma and Manchester.
- The City of Tullahoma currently levies a 5.0 percent hotel occupancy tax on the privilege on the consideration charged by the operators of hotels located in the city's jurisdiction.
- According to the City of Tullahoma's FY17-18 budget, the city collected \$262,098 in hotel occupancy tax revenue in FY16-17 and estimated a 6.0 percent decrease in hotel

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occupancy tax collections for FY17-18; therefore, total occupancy tax collections in FY17-18 are estimated to be \$246,372 [$\$262,098 - (\$262,098 \times 6.0\%)$]. This amount is assumed to remain constant into perpetuity.

- A recurring increase in local revenue to Coffee County equal to \$123,186 [$(\$246,372 / 5.0\%) \times 2.5\%$].
- The City of Manchester currently levies a 6.0 percent hotel occupancy tax on the privilege on the consideration charged by the operators of hotels located in the city's jurisdiction.
- The approved budget for the City of Manchester includes \$400,000 in revenue from the hotel occupancy tax at the 6.0 percent rate. This amount is assumed to remain constant into perpetuity.
- A recurring increase in local revenue to Coffee County equal to \$166,667 [$(\$400,000 / 6.0\%) \times 2.5\%$].
- The total permissive recurring increase in local revenue to Coffee County to be used to support local tourism and economic development is estimated to be \$289,853 ($\$123,186 + \$166,667$).

CERTIFICATION:

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



Krista Lee Carsner, Executive Director

/jdb