

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**FISCAL NOTE**

**HB 1500 - SB 1509**

March 15, 2019

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

**ESTIMATED FISCAL IMPACT:**

**Increase Local Revenue - \$682,600/Permissive/City of Cookeville**

Assumptions:

- According to the Department of Health (DOH), there are 19 hotels in Putnam County, with a total of 1,409 rooms.
- Putnam County's hotel occupancy tax is seven percent.
- According to the Comptroller's FY17-18 financial report for Putnam County, Putnam County collected \$1,661,689 in hotel tax revenue.
- Total Putnam County hotel sales revenue is estimated to be \$23,738,414 (\$1,661,689 / 7.0%). This number is assumed to remain constant into perpetuity.
- According to the DOH, there is only one hotel in Putnam County not located in Cookeville and it has 50 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 is 60.0 percent.
- There are approximately 10,950 nightly rentals each year for the one hotel in Putnam County which resides outside of Cookeville (50 rooms x 365 days x 60.0% occupancy rate). The average hotel room rate at such hotel is estimated to be \$90 per night; therefore, total hotel sales revenue of \$985,500 for such hotel (10,950 x \$90).
- Total sales revenue for the remaining 18 hotels located in Cookeville is estimated to be \$22,752,914 (\$23,738,414 - \$985,500).
- Cookeville will impose a 3.0 percent hotel occupancy tax upon passage of this legislation.
- The permissive recurring increase in local government revenue is estimated to be \$682,587 (\$22,752,914 x 3.0% 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