



March 25, 2024

**SUMMARY OF BILL AS AMENDED (017260):** Requires municipalities to: (1) compile a report detailing the municipality's occupancy tax revenues, the amount of revenue spent, and how the expenditures were designated and used for tourism and tourism development; and (2) submit such report annually to the Comptroller of the Treasury (COT), the Commissioner of the Department of Tourist Development (DTD), the Chair of the State and Local Government Committee of the Senate, and the Chair of the Local Government Committee of the House of Representatives.

Provides that if an audit by the COT, in consultation with the DTD, or by contractors employed by the municipality, finds that a municipality has spent the revenues for a purpose other than the promotion of tourism and tourism development, then the municipality shall appropriate from general funds, an amount equal to the amount spent improperly to be used to support tourism and tourism development within the immediately following fiscal year.

Prohibits certain municipalities from using occupancy tax revenues on general government spending or on items that were previously funded by general appropriations.

**FISCAL IMPACT OF BILL AS AMENDED:**

**NOT SIGNIFICANT**

Assumptions for the bill as amended:

- Pursuant to Tenn. Code Ann. § 67-4-1402, municipalities may levy, modify, or repeal a privilege tax upon the privilege of occupancy in a hotel; the tax levied may not exceed four percent, unless such tax was levied or authorized before July 1, 2021.
- According to the COT, 133 cities levy an occupancy tax.
- Certified public accountant (CPA) firms are hired to perform audits of local governmental entities via a three-party contract between the specific entity, the firm, and the COT.
- The proposed legislation does not establish additional auditing requirements for the COT or municipalities. Any increase in state or local expenditures is estimated to be not significant.
- Prohibiting a municipality from using occupancy tax revenues on general government spending or on items previously funded by general appropriations is not expected to have a significant impact on overall local expenditures.

- If a municipality is found to have spent occupancy tax revenues improperly, that municipality would be required to appropriate general funds in the same amount to be used for tourism and tourism development.
- It is assumed that municipalities will comply with the proposed legislation and direct funds to tourism and tourism development purposes; any increase in local expenditures due to appropriations from the general fund is estimated to be not significant.

**CERTIFICATION:**

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

A handwritten signature in black ink that reads "Krista Lee Carsner". The signature is written in a cursive, flowing style.

Krista Lee Carsner, Executive Director

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