

Occupancy Tax Discussion – Jackson County TDA

Background:

- Current Situation: Jackson County's current occupancy tax rate is 4%, generating approximately \$2.5 million annually.
- Allocation: 2/3 (\$1.67 million) is dedicated to marketing, and 1/3 (\$0.83 million) can be allocated for capital projects.
- Proposed change: recommend that the Commissioners, who have the legislative authority to increase occupancy taxes locally, approve raising the occupancy tax rate to 6%. This increase is projected to generate approximately \$3.75 million annually, with the potential for even higher revenue as new developments, such as the Kessler hotel, are completed.
- Maintain the current 2/3 and 1/3 revenue allocation, where 1/3 *may* be allocated to capital projects. We recommend preserving the flexibility of the "may" language, rather than mandating that 1/3 must be spent on capital projects. This approach allows for adaptability during economic downturns, recessions, or natural disasters, when focusing on recovery efforts—like what we faced during COVID—might be more prudent than committing funds to capital development.

Key Points:

- Enhanced Marketing efforts to be competitive to neighboring destinations.
- Current Limitations: With the current budget, our marketing efforts are constrained, limiting our ability to reach new and broader markets.
- Potential Impact: Additional funds would allow for more comprehensive and aggressive marketing campaigns. This means more visibility, more visitors, and increased occupancy rates for hotels.
- Effective Date: July 1, 2025

Investment in Capital Projects:

- Current Allocation: The current budget for capital projects is insufficient to make significant enhancements that attract visitors once our surplus is spent down or rolled into a larger capital project.
- Future Projects: With increased funds, we can invest in creating and enhancing attractions, infrastructure, and experiences that draw tourists. This will lead to longer stays and higher visitor satisfaction. ***The ability to do a high-impact, costly project once a year will be of significant to our communities and their residents.*** These are projects paid for by visitors, to be enjoyed by residents and visitors alike.

Balancing Marketing and Development:

- Integrated Approach: By simultaneously boosting marketing efforts and enhancing tourist attractions, we create a cycle of attraction and retention.
- Increased interest drives higher visitor numbers, and improved experiences ensure they return and spread positive word-of-mouth.

Addressing Concerns:

- Tax Aversion: Understandably, visitors dislike additional taxes. However, the incremental increase will be balanced by the enhanced value they receive in terms of improved attractions and experiences.
- Competitiveness: Many neighboring regions are already at a 6% tax rate. By matching this rate, we remain competitive while significantly enhancing our marketing and infrastructure. Swain County just went to 6% and Haywood is moving to go to 6%.

Conclusion:

- The proposed increase in occupancy taxes is a strategic move to enhance both our marketing capabilities and our capital investments in our communities, creating a win-win situation for all stakeholders.