

**ORDINANCE 2023 -13**

**Sponsor:** Roberson

**AN ORDINANCE REPEALING AND REPLACING THE HOTEL PRIVILEGE TAX IN THE CITY OF HENDERSONVILLE, TENNESSEE**

**WHEREAS**, in 2019, the City of Hendersonville (“the City”) passed Ordinance 2019-5 establishing a 2.75% privilege tax on hotel occupancy in the City requiring all proceeds therefrom to be used for tourism development purposes;

**WHEREAS**, pursuant to Tennessee Code Annotated, §§ 67-4-1402 and 67-4-1403, effective July 1, 2021, the Tennessee General Assembly authorized the privilege tax on hotel occupancy not to exceed four percent (4%), and requiring revenues received therefrom to “be designated and used for the promotion of tourism and tourism development”;

**WHEREAS**, Tennessee Code Annotated, § 67-4-1414, effective July 1, 2021, provides that a municipality having such an authorized privilege tax on hotel occupancy prior to July 1, 2021, shall not adopt a new tax “unless the municipality repeals the preexisting authorization”:

**NOW, THEREFORE, BE IT ORDAINED BY THE BOARD OF MAYOR AND ALDERMEN OF THE CITY OF HENDERSONVILLE, TENNESSEE**, as follows:

**SECTION ONE:** Ordinance 2019-5 is hereby repealed.

**SECTION TWO:** that a privilege tax in the amount of four percent (4%) of the consideration paid for the privilege of occupancy in any hotel within the City is hereby established, and all proceeds from this tax shall be used for the promotion of tourism and tourism development.

**SECTION THREE:** that all revenues from this privilege tax shall be operated as a special revenue fund.

This Ordinance shall take effect upon BOMA approval and satisfaction of regulatory compliance measures.

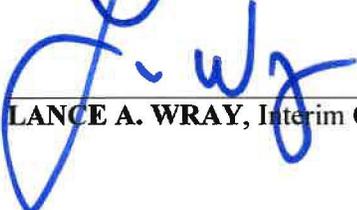
First Reading: June 13<sup>th</sup>, 2023, Passed

Second Reading: June 27<sup>th</sup>, 2023, Passed

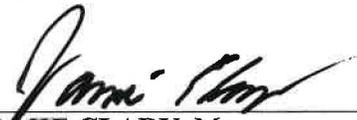
**ATTEST:**

  
\_\_\_\_\_  
TAMARA INGERSOLL, Interim City Recorder

**APPROVED AS TO FORM AND LEGALITY:**

  
\_\_\_\_\_  
LANCE A. WRAY, Interim City Attorney

**APPROVED:**

  
\_\_\_\_\_  
JAMIE CLARY, Mayor

**LEGISLATIVE HISTORY**  
Ordinance 2023-13

**Sponsor:** Roberson

**Committee:** Finance

**Date of Committee Meeting:** May 30<sup>th</sup>, 2023

**Committee Recommendation:** Yes

**First BOMA Reading:** June 13<sup>th</sup>, 2023

**Vote:** Aye: Burgdorf, Collins, Dixon, Garza, Goodwin, Martin, Peterson, Roberson, Sasse, Skidmore, Waters, and Clary. Nay: None. Absent: Garton. *Motion carried.*

**Second BOMA Reading:** June 27<sup>th</sup>, 2023

**Vote:** Aye: Burgdorf, Collins, Dixon, Garton, Garza, Goodwin, Martin, Peterson, Roberson, Sasse, Skidmore, Waters, and Clary. Nay: None. *Motion carried.*

DATE:	June 27 <sup>th</sup> , 2023
ORDINANCE/RESOLUTION #	Ordinance 2023-13
SPECIFIC REQUEST/ RECOMMENDATION:	That the Board of Mayor and Alderman approve Ordinance 2023-13, repealing a 2.75% Hotel Privilege Tax and implementing a 4% Hotel Privilege Tax.
REPORT PREPARED BY:	Jesse Eckenroth – Chief of Operations



**BACKGROUND:** 1

The city collects a 2.75% tax on all hotel/motel stays within the city limits. The tax is referred to as the hotel privilege tax. The tax is used for the purposes of tourism development. The 2.75% tax was adopted in 2019 and generates approximately \$360,000 per fiscal year (July 1 – June 30). The city is currently using the funds to, 1) pay down debt for the covered inline hockey rinks and, 2) install new lighting to the city’s athletic fields, both of which contribute to tournaments that promote tourism activity.

**DISCUSSION:** 2

The City of Hendersonville is restricted by the State of Tennessee to a maximum hotel/motel privilege tax rate of 4%. The current rate of 2.75% is under the state’s threshold by 1.25%. If the city, effectively, adopts a 1.25% rate hike the additional revenue will be approximately \$160,000 per fiscal year. Funds from the 4% privilege tax are restricted for tourism development. Restricted funds are placed into ‘Special Revenue Funds’ for the purposes of comportsing to financial reporting requirements and subsequently provide transparency of all fund activity. The Mayor’s FY24 Budget, as proposed, provides a Hotel/Motel Fund where all privilege taxes are deposited, and all associated expenditures are booked. The beginning FY24 fund balance for the Hotel/Motel Fund is estimated to be \$252,307.

The City currently performs a variety of tourism development activity including:

- Concerts
- Special Events (Pig Fest, TSSAA Cross Country Championship, Rock Castle sponsorship)
- Tournaments at Inline Hockey Facility

Tourism development activity could be expanded with additional revenue from the privilege tax to include:

- Park facility enhancements
- New facilities
- Additional events that promote tourism

**FISCAL IMPACT:**

**3**

The FY24 Budget accounted for hotel/motel privilege tax revenues of \$360,000. Increasing the rate from 2.75% to 4% will add \$160,000 per year, for a total of \$520,000 per fiscal year. Revenue from the privilege tax is based on the room rate and therefore will keep pace with inflation and should expand as new hotels are built in the city.

**ATTACHMENTS:**

**4**

1. Ordinance 2023-13