Subject: Room Occupancy Tax Proposal  
February 1, 2023

Last November, I wrote an op-ed in the Asheville Citizen-Times concerning the room occupancy tax. In the piece, I suggested separating STR occupancy taxes from hotel room occupancy taxes. I also proposed increasing the STR occupancy tax rate and earmarking the revenue toward the critical workforce housing shortage across the state.

My proposal may not have been well received in some quarters of the hospitality industry. One short-term rental operator reminded me that he was already paying room occupancy tax and also state sales tax on his STR units. The STR operator was correct; STR operators are required to collect state sales tax.

That feedback made me reconsider my proposal. Maybe the state sales tax generated from STRs should be earmarked for workforce housing. The state sales tax is set at 6.75 cents per dollar statewide. Some counties have voted to add a quarter-cent for local initiatives, which brings those county rates to seven cents on the dollar. Macon County voters rejected the 1/4 cent sales tax increase last November.

Here is my new proposal. Keep the room occupancy tax at or near the same level, and earmark the state’s portion of the STR sales tax revenue for workforce housing projects. Currently, the state retains 4.75 cents of the sales tax collected on the dollar, and the remaining two cents go to counties and towns.

If the legislature earmarked its 4.75 cents portion of STR sales tax revenues for workforce housing, a substantial fund would be available to address the current housing crisis. As stated in my previous op-ed, more specific reporting and accounting of these tax revenues would be needed.

While I stated above that the room occupancy tax rate should remain the same, some groups are now questioning how those funds are allocated. Recently, an organization of hospitality workers in Asheville called for using room occupancy tax revenue to address Asheville’s critical workforce housing shortage. A spokesperson pointed out that hospitality workers’ wage levels make affordable housing problematic. Yet, this labor pool is a driving force for the success of the industry—an average one-bedroom apartment in Asheville rents for between $1,300 to $1,500 a month. To make that rent payment, a worker must earn about $26 an hour. This spokesperson stressed that the Asheville hospitality industry had enjoyed strong profits in recent years, and continued success requires significant support for the industry labor force. The days of employers paying low hourly wages because servers’ primary compensation comes from tips are fading away. In Asheville, the wait staff is getting $15 to 18 an hour in addition to tips.

A recent housing study supported by Vision Cashiers has proposed a similar way of funding workforce housing by redirecting or increasing some “accommodation tax” revenues toward workforce housing initiatives. That study and the stance by hospitality workers underscore a growing belief that instead of directing room occupancy tax solely for tourist promotion, some revenues need to be redirected, whether for capital tourist infrastructure projects and / or for workforce housing. My STR sales tax proposal is an alternative option.

Mayor Pat