

**GENERAL ASSEMBLY OF NORTH CAROLINA**

**SESSION 1989**

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**SENATE BILL 1298**

Short Title: Local Govt. Study/Reimbursement.

(Public)

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Sponsors: Senators Odom; Basnight, Carpenter, Hardin, Hunt of Durham, Hunt of Moore, Johnson of Cabarrus, Johnson of Wake, Martin of Guilford, Parnell, Richardson, Sands, Speed, and Staton.

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Referred to: Finance.

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May 11, 1989

**A BILL TO BE ENTITLED**

**AN ACT TO CREATE THE LOCAL GOVERNMENT REVENUE STUDY COMMISSION, TO SIMPLIFY TAX ADMINISTRATION, AND TO ALLOCATE A PERCENTAGE OF STATE INCOME TAX PROCEEDS TO LOCAL GOVERNMENTS TO REPLACE STATE REIMBURSEMENTS FOR PREVIOUSLY REPEALED LOCAL TAXES.**

Whereas, the elimination of the federal revenue-sharing program and recent federal legislation increasing the local government cost of the Medicaid program have created needs for additional local government revenue; and

Whereas, recent State legislation has eliminated portions of the property tax base; and

Whereas, local government units in North Carolina must seek State approval for new sources of revenue to meet pressing needs; and

Whereas, the General Assembly finds that local governments may need additional alternative local revenue sources; Now, therefore, The General Assembly of North Carolina enacts:

**PART I.**

**LOCAL GOVERNMENT REVENUE STUDY COMMISSION.**

Section 1. The Local Government Revenue Study Commission is created. The Commission shall study the need for additional local government revenue sources to supplement the property tax, local sales and use taxes, and other existing revenue sources. The Commission shall review recent changes in federal and State law that

1 have reduced financial assistance to local governments, created needs for increased  
2 expenditures, and restricted the property tax base. The Commission shall develop  
3 proposed options for local revenue sources, including an additional one-half cent (1/2¢)  
4 local sales and use tax, a local-option county income tax on county residents and/or  
5 people who work in the county, and a local-option county payroll tax. In developing the  
6 proposals, the Commission shall consider the fiscal impact of each proposal, how to  
7 simplify the administration of each proposal, how to reduce the burden on businesses,  
8 individuals, and the Department of Revenue in complying with each proposal, and other  
9 practical and legal issues associated with the proposals.

10 Sec. 2. The Commission shall consist of 14 members to be appointed as  
11 follows:

- 12 (1) Four members of the Senate appointed by the President Pro Tempore  
13 of the Senate, one of whom shall be designated cochair;
- 14 (2) Three public members appointed by the President Pro Tempore of the  
15 Senate, two of whom shall be local government officials and one of  
16 whom shall be a citizen representing the public at large;
- 17 (3) Four members of the House of Representatives appointed by the  
18 Speaker of the House of Representatives, one of whom shall be  
19 designated cochair;
- 20 (4) Three public members appointed by the Speaker of the House of  
21 Representatives, two of whom shall be local government officials and  
22 one of whom shall be a citizen representing the public at large.

23 Sec. 3. Members appointed to the Commission shall serve until the  
24 Commission makes its final report. Vacancies on the Commission shall be filled in the  
25 same manner as the original appointments were made.

26 Sec. 4. Upon request of the Commission or its staff, all State departments  
27 and agencies and all local government agencies shall furnish to the Commission or its  
28 staff any information in their possession or available to them.

29 Sec. 5. The Commission shall submit a final report of its findings and  
30 recommendations to the General Assembly on or before the first day of the 1991  
31 Session of the General Assembly by filing the report with the Speaker of the House of  
32 Representatives and President Pro Tempore of the Senate. The Commission shall  
33 terminate upon filing its final report.

34 Sec. 6. The Commission shall have its initial meeting on or before October  
35 15, 1989. The Commission shall meet upon the call of the cochairs.

36 Sec. 7. Upon approval of the Legislative Services Commission, the  
37 Legislative Services Officer shall assign professional and clerical staff to assist in the  
38 work of the Commission. Clerical staff shall be furnished to the Commission through  
39 the offices of House and Senate supervisors of clerks. The expenses of employment of  
40 the clerical staff shall be borne by the Commission. The Commission may meet in the  
41 Legislative Building or the Legislative Office Building upon the approval of the  
42 Legislative Services Commission.

43 Sec. 8. Members of the Commission shall be paid per diem, subsistence, and  
44 travel allowances as follows:

- 1 (1) Commission members who are also members of the General
- 2 Assembly, at the rate established in G.S. 120-3.1;
- 3 (2) Commission members who are officials or employees of the State or
- 4 local government agencies, at the rate established in G.S. 138-6;
- 5 (3) All other Commission members at the rate established in G.S. 138-5.

6 Sec. 9. There is appropriated from the General Fund to the General  
7 Assembly the sum of \$15,000 for the 1989-90 fiscal year, and the sum of \$10,000 for  
8 the 1990-91 fiscal year to fund the Commission created by this act. Funds appropriated  
9 for the Commission for the 1989-90 fiscal year but not expended during that fiscal year  
10 may be expended for the Commission during the 1990-91 fiscal year.

## 11 PART II.

### 12 SIMPLIFICATION OF LOCAL GOVERNMENT REIMBURSEMENTS.

13 Sec. 10. The General Assembly finds that the current law providing multiple  
14 reimbursements to local governments to replace repealed local taxes is extraordinarily  
15 complex and places unnecessary, costly administrative burdens on the State. The  
16 General Assembly finds that it is preferable to provide local governments with a  
17 permanent source of revenue to replace reimbursements currently appropriated each  
18 year from the General Fund.

19 Sec. 11. G.S. 105-248 reads as rewritten:

#### 20 "§ 105-248. State taxes; purposes.

21 The (a) Except as provided in subsection (b), the taxes levied in this Subchapter  
22 are for the expenses of the State government, the appropriations to its educational,  
23 charitable, and penal institutions, pensions for Confederate soldiers and widows, the  
24 interest on the debt of the State, for public schools, and other specific appropriations  
25 made by law, and shall be collected and paid into the ~~general fund~~ General Fund of the  
26 State Treasurer.

27 (b) The income taxes levied in Article 4 of this Chapter are also for the expenses  
28 of local governments previously supported by reimbursements appropriated from the  
29 General Fund. On or before February 15, 1991, the Secretary of Revenue shall  
30 distribute among the taxing units that received a reimbursement under G.S. 105-  
31 164.44C, 105-213.1, 105-275.1, 105-277A, or 105-277.1A during the 1989-90 fiscal  
32 year an amount equal to twenty percent (20%) of the net collections received by the  
33 Department under Division I of Article 4 of this Chapter during the most recent six-  
34 month period and three percent (3%) of the net collections received by the Department  
35 under Division II of Article 4 of this Chapter during the most recent six-month period.  
36 Each taxing unit shall receive a share of the funds to be distributed in proportion to its  
37 share of the total reimbursements paid under G.S. 105-164.44C, 105-213.1, 105-275.1,  
38 105-277A, and 105-277.1A during the 1989-90 fiscal year.

39 On or before each February 15 thereafter, the Secretary of Revenue shall distribute  
40 among the taxing units that received a distribution in 1991 an amount equal to twenty  
41 percent (20%) of the net collections received by the Department under Division I of  
42 Article 4 of this Chapter during the most recent 12-month period and three percent (3%)  
43 of the net collections received by the Department under Division II of Article 4 of this

1 Chapter during the most recent 12-month period. Each taxing unit shall receive a share  
2 of the funds to be distributed in proportion to the share it received in 1991.

3 (c) Whenever in any law or act of incorporation, granted either under the general  
4 law or by special act, there is any limitation or exemption of taxation, the same is  
5 hereby repealed, and all the property and effects of all such corporations, other than the  
6 bonds of this State and of the United States government, shall be liable to taxation,  
7 except property belonging to the United States and to municipal corporations, and  
8 property of churches, religious societies, charitable, educational, literary, or benevolent  
9 institutions or orders, and also cemeteries: Provided, that no property whatever, held or  
10 used for investment, speculation, or rent, shall be exempt, other than bonds of this State  
11 and of the United States government, unless said rent or the interest on or income from  
12 such investment shall be used exclusively for religious, charitable, educational, or  
13 benevolent purposes, or the interest upon the bonded indebtedness of said religious,  
14 charitable, or benevolent institutions."

15 Sec. 12. G.S. 105-164.44C, 105-213.1, 105-275.1, 105-277A, and 105-  
16 277.1A are repealed.

17 Sec. 13. This act does not affect the rights or liabilities of the State, a  
18 taxpayer, or other person arising under a statute repealed by this act before its repeal.

19 Sec. 14. Sections 10 through 13 of this act shall become effective June 30,  
20 1990; the remainder of this act shall become effective July 1, 1989.