

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1991

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HOUSE BILL 234

Short Title: 1/2 Cent Local Sales Tax.

(Public)

Sponsors: Representatives Grimmer, Isenhower; Hurley and Tallent.

Referred to: Finance.

March 11, 1991

1 A BILL TO BE ENTITLED
2 AN ACT TO AUTHORIZE AN ADDITIONAL ONE-HALF-CENT LOCAL OPTION
3 SALES TAX AND TO ELIMINATE THE ANNUAL REIMBURSEMENTS TO
4 LOCAL GOVERNMENTS FOR PREVIOUSLY REPEALED LOCAL TAXES.

5 The General Assembly of North Carolina enacts:

6 **PART I.**

7 **ONE-HALF-CENT LOCAL OPTION SALES TAX**

8 Section 1. The title of Article 39 of Chapter 105 of the General Statutes reads
9 as rewritten:

10 **"ARTICLE 39.**

11 **"ONE-CENT (1¢) LOCAL GOVERNMENT SALES AND USE TAX."**

12 Sec. 2. G.S. 105-463 reads as rewritten:

13 **"§ 105-463. Short title.**

14 This Article shall be known as the ~~'Local'~~'One-cent (1¢) Local Government Sales and
15 Use Tax Act."

16 Sec. 3. The title of Article 40 of Chapter 105 of the General Statutes reads as
17 rewritten:

18 **"ARTICLE 40.**

19 **~~"SUPPLEMENTAL~~ FIRST ONE-HALF-CENT (1/2¢) LOCAL GOVERNMENT**
20 **SALES**
21 **AND USE TAXES. TAX."**

22 Sec. 4. G.S. 105-480 reads as rewritten:

23 **"§ 105-480. Short title.**

1 This Article shall be known as the ~~Supplemental~~ First One-half-cent (1/2¢) Local
2 Government Sales and Use Tax Act."

3 Sec. 5. G.S. 105-468.1 and Article 41 of Chapter 105 of the General Statutes
4 are repealed.

5 Sec. 6. The title of Article 42 of Chapter 105 of the General Statutes reads as
6 rewritten:

7 **"ARTICLE 42.**

8 **"ADDITIONAL SUPPLEMENTAL SECOND ONE-HALF-CENT (1/2¢) LOCAL**
9 **GOVERNMENT SALES AND USE TAXES. TAX."**

10 Sec. 7. G.S. 105-495 reads as rewritten:

11 **"§ 105-495. Short title.**

12 This Article shall be known as the ~~Additional Supplemental~~ Second One-half-cent
13 (1/2¢) Local Government Sales and Use Tax Act."

14 Sec. 8. Subchapter VIII of Chapter 105 of the General Statutes is amended
15 by adding a new Article to read:

16 **"ARTICLE 43.**

17 **"THIRD ONE-HALF-CENT (1/2¢) LOCAL GOVERNMENT**
18 **SALES AND USE TAX.**

19 **"§ 105-505. Short title.**

20 This Article shall be known as the Third One-half-cent (1/2¢) Local Government
21 Sales and Use Tax Act.

22 **"§ 105-506. Purpose.**

23 This Article gives the counties and cities of this State an opportunity to obtain an
24 added source of revenue with which to meet their growing financial needs. It provides
25 all counties of the State that are subject to this Article with authority to levy one-half
26 percent (1/2%) sales and use taxes.

27 **"§ 105-507. Limitations.**

28 This Article applies only to counties that levy the one percent (1%) sales and use tax
29 under Article 39 of this Chapter or under Chapter 1096 of the 1967 Session Laws, the
30 first one-half percent (1/2%) local sales and use tax under Article 40 of this Chapter,
31 and the second one-half percent (1/2%) local sales and use tax under Article 42 of this
32 Chapter.

33 **"§ 105-508. Levy and collection of additional taxes.**

34 A county subject to this Article may levy one-half percent (1/2%) local sales and use
35 taxes in addition to any other State and local sales and use taxes levied pursuant to law.
36 Except as provided in this Article, the adoption, levy, collection, distribution,
37 administration, and repeal of these additional taxes shall be in accordance with Article
38 39 of this Chapter. In applying the provisions of Article 39 of this Chapter to this
39 Article, references to 'this Article' mean 'Article 43 of Chapter 105 of the General
40 Statutes'.

41 **"§ 105-509. Form of ballot.**

42 (a) The form of the question to be presented on a ballot for a special election
43 concerning the levy of the taxes authorized by this Article shall be: 'FOR one-half
44 percent (1/2%) local sales and use taxes in addition to the current two percent (2%)

1 local sales and use taxes' or 'AGAINST one-half percent (1/2%) local sales and use
2 taxes in addition to the current two percent (2%) local sales and use taxes.'

3 (b) The form of the question to be presented on a ballot for a special election
4 concerning the repeal of any additional taxes levied pursuant to this Article shall be:
5 'FOR repeal of the additional one-half percent (1/2%) local sales and use taxes, thus
6 reducing local sales and use taxes to two percent (2%)' or 'AGAINST repeal of the
7 additional one-half percent (1/2%) local sales and use taxes, thus reducing local sales
8 and use taxes to two percent (2%).'

9 **"§ 105-510. Distribution of additional taxes.**

10 The Secretary shall, on a quarterly basis, distribute the net proceeds of the additional
11 one-half percent (1/2%) sales and use taxes levied under this Article among the taxing
12 counties and the cities located in the taxing counties in proportion to the total amount of
13 funds each county and city received during the 1990-91 fiscal year from the Local
14 Government Tax Reimbursement Reserve created in Section 52 of Chapter 752 of the
15 1989 Session Laws. 'Net proceeds' means gross proceeds less taxes refunded, the cost
16 to the State of collecting and administering the tax in the taxing county, and other
17 deductions properly charged to the taxing county. As used in this section, the term 'city'
18 has the same meaning as in G.S. 153A-1(1).

19 If any taxes levied under this Article by a county have not been collected in that
20 county for a full quarter because of the levy or repeal of the taxes, the Secretary shall
21 distribute a pro rata share to that county and the cities located in that county for that
22 quarter based on the number of months the taxes were collected in that county during
23 the quarter."

24 **PART II.**

25 **REPEAL LOCAL REIMBURSEMENTS**

26 Sec. 9. G.S. 105-213 reads as rewritten:

27 **"§ 105-213. Appropriation to counties and municipalities; use of appropriation.**

28 (a) There is annually appropriated from the General Fund to counties and
29 municipalities the amount of revenue collected under this Article during the preceding
30 fiscal year, ~~plus an amount equal to forty percent (40%) of the tax collected on accounts~~
31 ~~receivable during the preceding fiscal year and less an amount equal to the costs during the~~
32 preceding fiscal year of:

- 33 (1) Refunds made during the fiscal year of taxes levied under this Article.
- 34 (2) The Department of Revenue to collect and administer the taxes levied
35 under this Article.
- 36 (3) The Department of Revenue in performing the duties imposed by
37 Article 15 of this Chapter.
- 38 (4) The Property Tax Commission.
- 39 (5) The Institute of Government in operating a training program in
40 property tax appraisal and assessment.

41 The appropriation shall be distributed by August 30 of each year. The appropriation
42 shall be included in the Current Operations Appropriations Act.

43 To distribute the appropriation, the Secretary of Revenue shall keep a separate
44 record by counties of the taxes collected under this Article and shall certify to the State

1 Controller and to the State Treasurer the amount to be distributed to each county and
2 municipality in the State. The State Controller shall then issue a warrant on the State
3 Treasurer to each county and municipality in the amount certified.

4 The Secretary shall allocate the amount appropriated under this Article to the
5 counties according to the county in which the taxes were collected. ~~The Secretary shall~~
6 ~~then increase the amount allocable to each county by a sum equal to forty percent (40%) of the~~
7 ~~amount of tax on accounts receivable allocated to the county on the basis of collections.~~ The
8 amounts so allocated to each county shall in turn be divided between the county and the
9 municipalities in the county in proportion to the total amount of ad valorem taxes levied
10 by each during the fiscal year preceding the distribution. For the purpose of computing
11 the distribution of the intangibles tax to any county and the municipalities located in the
12 county for any year with respect to which the property valuation of a public service
13 company is the subject of an appeal pursuant to the provisions of the Machinery Act, or
14 to applicable provisions of federal law, and the Department of Revenue is restrained by
15 operation of law or by a court of competent jurisdiction from certifying such valuation
16 to the county and municipalities therein, the Department shall use the last property
17 valuation of such public service company which has been so certified in order to
18 determine the ad valorem tax levies applicable to such public service company in the
19 county and the municipalities therein.

20 The chairman of each board of county commissioners and the mayor of each
21 municipality shall report to the Secretary of Revenue information requested by the
22 Secretary to enable the Secretary to distribute the amount appropriated by this section.
23 If a county or municipality fails to make a requested report within the time allowed, the
24 Secretary may disregard the county or municipality in distributing the amount
25 appropriated by this section. The amount distributed to each county and municipality
26 shall be used by the county or municipality in proportion to property tax levies made by
27 it for the various funds and activities of the county or municipality, unless the county or
28 municipality has pledged the amount to be distributed to it under this section in payment
29 of a loan agreement with the North Carolina Solid Waste Management Capital Projects
30 Financing Agency. A county or municipality that has pledged amounts distributed
31 under this section in payment of a loan agreement with the Agency may apply the
32 amount the loan agreement requires.

33 (b) For purposes of this section, the term 'municipality' includes any urban
34 service district defined by the governing board of a consolidated city-county, and the
35 amounts due thereby shall be distributed to the government of the consolidated city-
36 county."

37 Sec. 10. G.S. 105-164.44C, 105-213.1, 105-275.1, 105-277A, and 105-
38 277.1A are repealed.

39 **PART III.**
40 **EFFECTIVE DATES**

41 Sec. 11. Part I of this act is effective upon ratification. Part II of this act
42 becomes effective July 1, 1991, and applies to distributions made on or after that date.
43 The remainder of this act is effective upon ratification.

1 Sec. 12. A tax levied under Article 43 of Chapter 105 of the General Statutes,
2 as enacted by this act, does not apply to construction materials purchased to fulfill a
3 lump sum or unit price contract entered into or awarded before the effective date of the
4 levy or entered into or awarded pursuant to a bid made before the effective date of the
5 levy when the construction materials would otherwise be subject to the tax levied under
6 Article 34 of Chapter 105 of the General Statutes.