

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1991

S

1

SENATE BILL 845

Short Title: Local Fiscal Accountability & Autonomy.

(Public)

Sponsors: Senator Odom.

Referred to: Local Government and Regional Affairs.

April 30, 1991

1 A BILL TO BE ENTITLED
2 AN ACT TO PROVIDE FOR GREATER LOCAL GOVERNMENT FISCAL
3 ACCOUNTABILITY AND AUTONOMY AND TO LESSEN THE RELIANCE
4 ON AD VALOREM PROPERTY TAXES BY PROVIDING FOR ADDITIONAL
5 REVENUE OPTIONS.

6 The General Assembly of North Carolina enacts:

- 7 **CONTENTS**
- 8 I. PHASE OUT REIMBURSEMENTS TO LOCAL GOVERNMENTS
- 9 II. ONE CENT LOCAL OPTION SALES TAX
- 10 III. SHARE STATE INCOME TAX REVENUE WITH LOCAL GOVERNMENTS
- 11 IV. LOCAL REVENUE OPTIONS SUBJECT TO REFERENDUM
- 12 V. EFFECTIVE DATES

13 **PART I.**
14 **PHASE OUT REIMBURSEMENTS TO LOCAL GOVERNMENTS**

15 Section 1.1. The General Assembly finds that the current law providing
16 multiple reimbursements to local governments to replace repealed local taxes is
17 extraordinarily complex and places unnecessary, costly administrative burdens on the
18 State. The General Assembly finds that it is preferable to provide local governments, to
19 replace reimbursements currently appropriated each year from the General Fund, with a
20 source of revenue that is permanent and has the flexibility of adjusting with the growth
21 or decline of economic conditions.

22 Sec. 1.2. Effective July 1, 1991, G.S. 105-164.44C reads as rewritten:

23 **"§ 105-164.44C. Reimbursement for sales taxes on food stamp foods and**
24 **supplemental foods.**

1 As soon as practicable after July 1 of each year, the Secretary shall determine from
2 available information the amount of local sales taxes that would have been collected in
3 each county during the preceding fiscal year on foods purchased with food stamp
4 coupons or supplemental food instruments in the county, had these foods not been
5 exempt from tax under G.S. 105-164.13(38). The Secretary shall then distribute one-
6 half of the amounts determined to be due each county between the county and the cities
7 located in the county in accordance with the method by which local sales and use taxes
8 are distributed in that county. In order to pay for the reimbursement under this section
9 and the cost to the Department of Revenue for administering the reimbursement, the
10 Secretary of Revenue shall draw from the Local Government Tax Reimbursement
11 Reserve an amount equal to the amount of the reimbursement and the cost of
12 administration."

13 Sec. 1.3. Effective July 1, 1992, G.S. 105-164.44C is repealed.

14 Sec. 1.4. Effective July 1, 1991, G.S. 105-213(a) reads as rewritten:

15 "(a) There is annually appropriated from the General Fund to counties and
16 municipalities the amount of revenue collected under this Article during the preceding
17 fiscal year, plus an amount equal to ~~forty percent (40%)~~ twenty percent (20%) of the tax
18 collected on accounts receivable during the preceding fiscal year and less an amount
19 equal to the costs during the preceding fiscal year of:

- 20 (1) Refunds made during the fiscal year of taxes levied under this Article.
- 21 (2) The Department of Revenue to collect and administer the taxes levied
22 under this Article.
- 23 (3) The Department of Revenue in performing the duties imposed by
24 Article 15 of this Chapter.
- 25 (4) The Property Tax Commission.
- 26 (5) The Institute of Government in operating a training program in
27 property tax appraisal and assessment.

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

30 To distribute the appropriation, the Secretary of Revenue shall keep a separate
31 record by counties of the taxes collected under this Article and shall certify to the State
32 Controller and to the State Treasurer the amount to be distributed to each county and
33 municipality in the State. The State Controller shall then issue a warrant on the State
34 Treasurer to each county and municipality in the amount certified.

35 The Secretary shall allocate the amount appropriated under this Article to the
36 counties according to the county in which the taxes were collected. The Secretary shall
37 then increase the amount allocable to each county by a sum equal to ~~forty percent (40%)~~
38 twenty percent (20%) of the amount of tax on accounts receivable allocated to the
39 county on the basis of collections. The amounts so allocated to each county shall in turn
40 be divided between the county and the municipalities in the county in proportion to the
41 total amount of ad valorem taxes levied by each during the fiscal year preceding the
42 distribution. For the purpose of computing the distribution of the intangibles tax to any
43 county and the municipalities located in the county for any year with respect to which
44 the property valuation of a public service company is the subject of an appeal pursuant

1 to the provisions of the Machinery Act, or to applicable provisions of federal law, and
2 the Department of Revenue is restrained by operation of law or by a court of competent
3 jurisdiction from certifying such valuation to the county and municipalities therein, the
4 Department shall use the last property valuation of such public service company which
5 has been so certified in order to determine the ad valorem tax levies applicable to such
6 public service company in the county and the municipalities therein.

7 The chairman of each board of county commissioners and the mayor of each
8 municipality shall report to the Secretary of Revenue information requested by the
9 Secretary to enable the Secretary to distribute the amount appropriated by this section.
10 If a county or municipality fails to make a requested report within the time allowed, the
11 Secretary may disregard the county or municipality in distributing the amount
12 appropriated by this section. The amount distributed to each county and municipality
13 shall be used by the county or municipality in proportion to property tax levies made by
14 it for the various funds and activities of the county or municipality, unless the county or
15 municipality has pledged the amount to be distributed to it under this section in payment
16 of a loan agreement with the North Carolina Solid Waste Management Capital Projects
17 Financing Agency. A county or municipality that has pledged amounts distributed
18 under this section in payment of a loan agreement with the Agency may apply the
19 amount the loan agreement requires."

20 Sec. 1.5. Effective July 1, 1992, G.S. 105-213(a), as amended by this act,
21 reads as rewritten:

22 "(a) There is annually appropriated from the General Fund to counties and
23 municipalities the amount of revenue collected under this Article during the preceding
24 fiscal year, ~~plus an amount equal to twenty percent (20%) of the tax collected on accounts~~
25 ~~receivable during the preceding fiscal year and~~ less an amount equal to the costs during the
26 preceding fiscal year of:

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

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

37 To distribute the appropriation, the Secretary of Revenue shall keep a separate
38 record by counties of the taxes collected under this Article and shall certify to the State
39 Controller and to the State Treasurer the amount to be distributed to each county and
40 municipality in the State. The State Controller shall then issue a warrant on the State
41 Treasurer to each county and municipality in the amount certified.

42 The Secretary shall allocate the amount appropriated under this Article to the
43 counties according to the county in which the taxes were collected. ~~The Secretary shall~~
44 ~~then increase the amount allocable to each county by a sum equal to twenty percent (20%) of~~

1 ~~the amount of tax on accounts receivable allocated to the county on the basis of collections.~~
2 The amounts so allocated to each county shall in turn be divided between the county
3 and the municipalities in the county in proportion to the total amount of ad valorem
4 taxes levied by each during the fiscal year preceding the distribution. For the purpose of
5 computing the distribution of the intangibles tax to any county and the municipalities
6 located in the county for any year with respect to which the property valuation of a
7 public service company is the subject of an appeal pursuant to the provisions of the
8 Machinery Act, or to applicable provisions of federal law, and the Department of
9 Revenue is restrained by operation of law or by a court of competent jurisdiction from
10 certifying such valuation to the county and municipalities therein, the Department shall
11 use the last property valuation of such public service company which has been so
12 certified in order to determine the ad valorem tax levies applicable to such public
13 service company in the county and the municipalities therein.

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

27 Sec. 1.6. Effective July 1, 1991, G.S. 105-213.1(a) reads as rewritten:

28 "(a) Appropriation. – As soon as practicable after July 1 of 1986, the Secretary of
29 Revenue shall allocate for distribution to each county and the municipalities located in
30 the county the amount allocated to that county from taxes levied under G.S. 105-199,
31 105-200, and 105-205 for the last taxable year in which these taxes were levied, plus or
32 minus a sum that equals the product of this amount and the percentage by which State
33 disposable personal income has increased or decreased during the most recent 12-month
34 period for which State personal income data has been compiled by the Bureau of
35 Economic Analysis of the United States Department of Commerce.

36 Thereafter, by August 30 of each year, the Secretary shall allocate to each county
37 one-half of the amount of funds allocated to the county under this section the preceding
38 year, plus or minus a sum that equals the product of this amount and the percentage by
39 which State disposable personal income has increased or decreased during the most
40 recent 12-month period for which State personal income data has been compiled by the
41 Bureau of Economic Analysis of the United States Department of Commerce.

42 Amounts allocated to a county under this section shall in turn be divided and
43 distributed between the county and the municipalities located in the county in

1 accordance with the method of allocating intangible tax revenue between a county and
2 the municipalities located in the county provided in G.S. 105-213."

3 Sec. 1.7. Effective July 1, 1992, G.S. 105-213.1 is repealed.

4 Sec. 1.8. Effective July 1, 1991, G.S. 105-275.1 reads as rewritten:

5 **"§ 105-275.1. Reimbursement for exclusion of manufacturers' inventories and**
6 **poultry and livestock.**

7 (a) Initial Distribution. – On or before January 15, 1989, the governing body of
8 each county and each city shall furnish to the Secretary a list of (i) all the inventories
9 owned by manufacturers that were required to be listed and assessed as of January 1,
10 1987, and were listed on or before September 1, 1987, in the county or city under this
11 Subchapter; (ii) all livestock and poultry and feed used in the production of livestock
12 and poultry that was required to be listed and assessed as of January 1, 1987, and was
13 listed on or before September 1, 1987, in the county or city under this Subchapter; (iii)
14 all the crops and other agricultural or horticultural products held for sale, whether in
15 process or ready for sale, owned by taxpayers regularly engaged in the growth,
16 breeding, raising, or other production of new products for sale, that were not included
17 under subdivision (ii) above and that were required to be listed and assessed as of
18 January 1, 1987, and were listed on or before September 1, 1987, in the county or city
19 under this Subchapter; (iv) in the case of a city, all the inventories owned by
20 manufacturers that were located as of January 1, 1987, in an area for which the city
21 began annexation proceedings before September 1, 1987, and which became a part of
22 the city after January 1, 1987, and before January 1, 1988; and (v) in the case of a city,
23 all the inventories owned by manufacturers that were located as of January 1, 1987, in
24 an area for which the city began annexation proceedings before September 1, 1987, and
25 which became a part of the city after January 1, 1988, and before July 1, 1990. The list
26 shall contain the value of the inventories and other items as well as the property tax
27 rates in effect in the county or city for the eight years from 1980 through 1987. The list
28 shall also contain the property tax rates in effect for those years in each special district
29 for which the county or city collected taxes in 1987 but whose tax rates were not
30 included in the rates listed for the county or city, and the value of the inventories owned
31 by manufacturers and other items described in subdivisions (ii) and (iii) above that were
32 required to be listed and assessed as of January 1, 1987, and were listed on or before
33 September 1, 1987, in that district. The list shall be accompanied by an affidavit
34 attesting to the accuracy of the list and shall be on a form prescribed by the Secretary.

35 On or before March 20, 1989, the Secretary shall pay to each county and city that
36 submitted a list under this subsection an amount equal to the county or city average rate,
37 as provided below, multiplied by the value of the inventories described in subdivisions
38 (i) and (iv) above contained in the list submitted by the city or county, plus or minus the
39 percentage of this product that equals the percentage by which State personal income
40 has increased or decreased during the most recent 12-month period for which State
41 personal income data has been compiled by the Bureau of Economic Analysis of the
42 United States Department of Commerce.

43 On or before March 20, 1989, the Secretary shall also pay to each county and city
44 that submitted a list under this subsection an amount equal to the average rate, as

1 provided below, for each special district for which the county or city collected taxes in
2 1987, but whose tax rates were not included in the county or city's rates, multiplied by
3 the value of the inventories owned by manufacturers that were required to be listed and
4 assessed as of January 1, 1987, and were listed on or before September 1, 1987, in the
5 district, plus or minus the percentage of this product that equals the percentage by which
6 State personal income has increased or decreased during the most recent 12-month
7 period for which State personal income data has been compiled by the Bureau of
8 Economic Analysis of the United States Department of Commerce.

9 The Secretary shall calculate an average rate for each county and city, and for each
10 special district whose tax rates were not included in the tax rates of a county or city, as
11 the arithmetic mean of the property tax rates in effect in the county, city, or district for
12 the eight years from 1980 through 1987. If a county, city, or district did not have tax
13 rates in effect for the entire eight-year period, the average rate shall be the arithmetic
14 mean of the property rates in effect for the years during the eight-year period that it did
15 have rates in effect.

16 Of the funds received by each county and city pursuant to this subsection, the portion
17 that was received because the county or city was collecting taxes for a special district
18 (either because the district's tax rate was included in the city or county's rate or because
19 the Secretary paid the county or city the product of the district's average rate and the
20 value of the inventories in the district) shall be distributed among the districts in the
21 county or city as soon as practicable after the city or county receives funds under this
22 subsection. The county or city shall distribute to each special district in the county or
23 city an amount equal to the average rate for the district multiplied by the value of the
24 inventories owned by manufacturers that were required to be listed and assessed as of
25 January 1, 1987, and were listed on or before September 1, 1987, in the district, plus or
26 minus the percentage of this product that equals the percentage by which State personal
27 income has increased or decreased during the most recent 12-month period for which
28 State personal income data has been compiled by the Bureau of Economic Analysis of
29 the United States Department of Commerce. The Local Government Commission may
30 adopt rules for the resolution of disputes and correction of errors in the distribution
31 among special districts provided in this paragraph. The Local Government Commission
32 shall report to the 1990 General Assembly any errors it discovers in the information
33 furnished by local governments to the Secretary as required in this subsection.

34 (b) Subsequent Distributions. – As soon as practicable after January 1, 1990, the
35 Secretary shall pay to each county and city the amount it received under subsection (a)
36 in 1989 plus an amount equal to the county or city average rate multiplied by the value
37 of the items described in subdivisions (ii) and (iii) of subsection (a) that were required
38 to be listed and assessed as of January 1, 1987, and were listed on or before September
39 1, 1987, in the county or city, plus or minus the percentage of this product that equals
40 the percentage by which State personal income has increased or decreased during the
41 most recent 12-month period for which State personal income data has been compiled
42 by the Bureau of Economic Analysis of the United States Department of Commerce.
43 As soon as practicable after January 1, 1990, the Secretary shall also pay to each county
44 and city an amount equal to the average rate for each special district for which the

1 county or city collected taxes in 1987, but whose tax rates were not included in the
2 county or city's rates, multiplied by the value of the items described in subdivisions (ii)
3 and (iii) of subsection (a) that were required to be listed and assessed as of January 1,
4 1987, and were listed on or before September 1, 1987, in the district, plus or minus the
5 percentage of this product that equals the percentage by which State personal income
6 has increased or decreased during the most recent 12-month period for which State
7 personal income data has been compiled by the Bureau of Economic Analysis of the
8 United States Department of Commerce. As soon as practicable after January 1, 1991,
9 except as provided in subsection (f), the Secretary shall pay to each county and city the
10 amount it received under this section the preceding year plus an amount equal to the
11 county or city average rate multiplied by the value of the items described in subdivision
12 (v) of subsection (a) contained in the list submitted by the county or city, plus or minus
13 the percentage of this product that equals the percentage by which State personal
14 income has increased or decreased during the most recent 12-month period for which
15 State personal income data has been compiled by the Bureau of Economic Analysis of
16 the United States Department of Commerce. Thereafter, except as provided in
17 subsection (f), as soon as practicable after January 1 of each year, the Secretary shall
18 distribute to each county and city one-half of the amount it received under this section
19 the preceding year.

20 Of the funds received by each county and city pursuant to this subsection in 1990,
21 the portion that was received because the county or city was collecting taxes for a
22 special district (either because the district's tax rate was included in the city or county's
23 rate or because the Secretary paid the county or city the product of the district's average
24 rate and the value of the inventories and other items in the district) shall be distributed
25 among the districts in the county or city as soon as practicable after the city or county
26 receives the funds. The county or city shall distribute to each special district in the
27 county or city the amount it distributed to the district in 1989 plus an amount equal to
28 the average rate for the district multiplied by the value of the items, other than
29 inventory, described in subdivisions (ii) and (iii) of subsection (a) that were required to
30 be listed and assessed as of January 1, 1987, and were listed on or before September 1,
31 1987, in the district, plus or minus the percentage of this product that equals the
32 percentage by which State personal income has increased or decreased during the most
33 recent 12-month period for which State personal income data has been compiled by the
34 Bureau of Economic Analysis of the United States Department of Commerce.

35 Each year thereafter, as soon as practicable after receiving funds under this
36 subsection, every county and city shall distribute among the special districts for which
37 the county or city collects tax an amount equal to one-half of the amount it distributed
38 among such districts the previous year. The Local Government Commission may adopt
39 rules for the resolution of disputes and correction of errors in the distribution among
40 special districts provided in this subsection. In addition, the Local Government
41 Commission may adopt rules for the reallocation of funds when a special district is
42 dissolved, merged, or consolidated, or when a special district ceases to levy tax, either
43 temporarily or permanently.

1 (c) Use. – Funds received by a county, city, or special district under this section
2 may be used for any lawful purpose.

3 (d) 'City' Defined. – As used in this section, the term 'city' has the same meaning
4 as in G.S. 153A-1(1).

5 (e) Source of Funds. – To pay for the distribution required by this section and the
6 cost to the Department of Revenue of making the distribution, the Secretary of Revenue
7 shall draw from the Local Government Tax Reimbursement Reserve an amount equal to
8 the amount distributed and the cost of making the distribution.

9 (f) Correction of Errors. – If the Secretary discovers that the amount or value of
10 any inventories or other items listed by a county or city pursuant to subsection (a) of this
11 section was overstated or understated, the Secretary shall adjust the amount to be
12 distributed under subsection (b) as follows. For the distribution to be made in the year
13 following discovery of the overstatement or understatement, the Secretary shall
14 distribute to the county or city one-half of the following amount: the amount it would
15 have received under subsection (b) in 1990 if it had not overstated or understated the
16 amount or value of any inventories or other items, plus the total amount it failed to
17 receive in 1989 and subsequent years due to understatement of the amount or value of
18 the inventories or other items, or minus the total amount it received in 1989 and
19 subsequent years due to overstatement of the amount or value of the inventories or other
20 items. Thereafter, each year the Secretary shall distribute to the county or city one-half
21 of the amount it would have received under subsection (b) in 1990 if it had not
22 overstated or understated the amount or value of any inventories or other items."

23 Sec. 1.9. Effective July 1, 1992, G.S. 105-275.1 is repealed.

24 Sec. 1.10. Effective July 1, 1991, G.S. 105-277A reads as rewritten:

25 "**§ 105-277A. Reimbursement for exclusion of retailers' and wholesalers'**
26 **inventories.**

27 (a) Submission of Claims. – On or before January 15, 1989, the governing body
28 of each county and city shall furnish to the Secretary a list of all the inventories owned
29 by retailers and wholesalers that were required to be listed and assessed as of January 1,
30 1987, and were listed on or before September 1, 1987, in the county or city under this
31 Subchapter. The list shall contain the value of the inventories as well as the property
32 tax rates in effect in the county or city for the eight years from 1980 through 1987. The
33 list shall also contain the property tax rates in effect for those years in each special
34 district for which the county or city collected taxes in 1987 but whose tax rates were not
35 included in the rates listed for the county or city, and the value of the inventories owned
36 by retailers and wholesalers that were required to be listed and assessed as of January 1,
37 1987, and were listed on or before September 1, 1987, in that district. The list shall be
38 accompanied by an affidavit attesting to the accuracy of the list and shall be on a form
39 prescribed by the Secretary.

40 The Secretary shall calculate an average rate for each county and city, and for each
41 special district whose tax rates were not included in the tax rates of a county or city, as
42 the arithmetic mean of the property tax rates in effect in the county, city, or district for
43 the eight years from 1980 through 1987. If a county, city, or district did not have tax
44 rates in effect for the entire eight-year period, the average rate shall be the arithmetic

1 mean of the property rates in effect for the years during the eight-year period that it did
2 have rates in effect.

3 (b) First Per Capita Distribution. – As soon as practicable after January 1 of
4 1989, the Secretary shall distribute to each taxing unit the unit's per capita share of the
5 sum of fifteen million seven hundred forty-five thousand dollars (\$15,745,000).
6 Thereafter, as soon as practicable after January 1 of each year the Secretary shall
7 distribute to each taxing unit the unit's per capita share of an amount equal to one-half
8 of the sum distributed to all taxing units the previous year under this subsection plus or
9 minus the product of the sum distributed the previous year and the percentage by which
10 State personal income has increased or decreased during the most recent 12-month
11 period for which State personal income data has been compiled by the Bureau of
12 Economic Analysis of the United States Department of Commerce.

13 To make the per capita distributions required by this subsection, the Secretary shall
14 first allocate the sum to be distributed among the counties on a per capita basis. The
15 Secretary shall then compute a per capita distributable amount for each county by
16 dividing the amount allocated to a county by the total population of the county, plus the
17 population of any incorporated towns and cities located in the county. Each taxing unit
18 in a county, including the county itself, shall receive the product of the population of the
19 taxing unit and the per capita distributable amount for that county.

20 A city or county that receives funds under this subsection and that collects taxes for
21 another taxing unit shall distribute part of the taxes received by it to the taxing unit for
22 which it collects tax. The distribution shall be made on the basis of the proportionate
23 amount of ad valorem taxes levied, for the most recent fiscal year beginning July 1, by
24 the city or county and by all the taxing units for which the city or county collects tax.
25 This distribution shall be made as soon as practicable after a city or county receives
26 funds from the State under this section.

27 (c) Second Per Capita Distribution. – On or before March 20, 1989, the Secretary
28 shall allocate to each county the county's per capita share of the sum of thirty-nine
29 million dollars (\$39,000,000).

30 Each year thereafter, as soon as practicable after January 1, the Secretary of Revenue
31 shall allocate to each county one-half of the amount it received the previous year under
32 this subsection.

33 Amounts allocated to a county under this subsection shall in turn be divided and
34 distributed between the county and the cities located in the county in proportion to the
35 total amount of ad valorem taxes levied by each during the fiscal year preceding the
36 distribution. For the purposes of this section, the amount of the ad valorem taxes levied
37 by a county or city shall include any ad valorem taxes collected by the county or city in
38 behalf of a special district. For the purpose of computing the distribution for any year
39 with respect to which the property valuation of a public service company is the subject
40 of an appeal and the Department of Revenue is restrained by law from certifying the
41 valuation to the appropriate counties and cities, the Department shall use the latest
42 property valuation of that public service company that has been certified.

43 The governing body of each county and city shall report to the Secretary of Revenue
44 such information as he may request in order to make the distribution under this

1 subsection. If a county or city fails to make a requested report within the time
2 prescribed, the Secretary may disregard that county or city and the other taxing units in
3 the county or city in making the distribution.

4 (c1) Claims-based Distribution. – On or before March 20, 1989, the Secretary shall
5 distribute to each county and city an amount equal to the amount by which the county or
6 city's inventory loss, as defined in subsection (d) of this section, exceeds the amount of
7 the reimbursement received by the county or city under subsection (c) of this
8 subsection.

9 Except as provided in subsection (g) of this section, each year thereafter, as soon as
10 practicable after January 1, the Secretary shall distribute to each county and city one-
11 half of the amount it received the previous year under this subsection.

12 (c2) Supplemental Distribution. – On or before March 20, 1989, the Secretary
13 shall determine, with respect to each county and city, whether the sum of (i) the amount
14 the county or city received under subsection (c), plus (ii) the amount the county or city
15 received under subsection (c1), plus (iii) three and four-tenths percent (3.4%) of the
16 total distribution received by the county or city under G.S. 105-472, 105-486, 105-493,
17 105-501, and Chapter 1096 of the 1967 Session Laws between January 1, 1988, and
18 December 31, 1988, is less than ninety percent (90%) of the amount of taxes the county
19 or city actually levied on inventories owned by retailers and wholesalers for the 1987-88
20 tax year. If that sum is less than ninety percent (90%) of the amount of taxes the county
21 or city actually levied on those inventories for the 1987-88 tax year, the Secretary shall
22 distribute to that county or city a supplemental amount equal to the amount by which
23 ninety percent (90%) of the taxes it actually levied on inventories owned by retailers
24 and wholesalers for the 1987-88 tax year exceeds the total of subdivisions (i), (ii), and
25 (iii).

26 Except as provided in subsection (g) of this section, each year thereafter, as soon as
27 practicable after January 1, the Secretary shall distribute to each county and city one-
28 half of the amount it received the previous year under this subsection.

29 (c3) Distribution to Special Districts. – Of the funds received by each county and
30 city pursuant to subsections (c), (c1), and (c2) of this section, the portion that was
31 received because the county or city was collecting taxes for a special district shall be
32 distributed among the districts in the county or city in proportion to the amount of each
33 special district's inventory levy, as defined in subsection (d) of this section, as soon as
34 practicable after the city or county receives funds under this subsection. The Local
35 Government Commission may adopt rules for the resolution of disputes and correction
36 of errors in the distribution among special districts provided in this paragraph. In
37 addition, the Local Government Commission may adopt rules for the reallocation of
38 funds when a special district is dissolved, merged, or consolidated, or when a special
39 district ceases to levy tax, either temporarily or permanently. The Local Government
40 Commission shall report to the 1990 General Assembly any errors it discovers in the
41 information furnished by local governments to the Secretary as required in subsection
42 (a) of this section.

43 (d) Definitions. – As used in this section, the term

44 (1) 'City' has the same meaning as in G.S. 153A-1(1);

- 1 (2) 'City's inventory loss' means the city's average rate multiplied by
2 eighty percent (80%) of the value of the inventories reported to the
3 Secretary under subsection (a) of this section by the city, plus the
4 average rate for each special district for which the city collected taxes
5 in 1987, but whose tax rates were not included in the city's rates,
6 multiplied by eighty percent (80%) of the value of the inventories
7 reported to the Secretary under subsection (a) of this section in behalf
8 of the district, plus or minus the percentage of this amount that equals
9 the lesser of five percent (5%) or the percentage by which State
10 personal income has increased or decreased during the most recent 12-
11 month period for which State personal income data has been compiled
12 by the Bureau of Economic Analysis of the United States Department
13 of Commerce, minus three and four-tenths percent (3.4%) of the total
14 distribution received by the city under G.S. 105-472, 105-486, 105-
15 493, 105-501, and Chapter 1096 of the 1967 Session Laws between
16 January 1, 1988, and December 31, 1988;
- 17 (3) 'County's inventory loss' means the county's average rate multiplied by
18 eighty percent (80%) of the value of the inventories reported to the
19 Secretary under subsection (a) of this section by the county, plus the
20 average rate for each special district for which the county collected
21 taxes in 1987, but whose tax rates were not included in the county's
22 rates, multiplied by eighty percent (80%) of the value of the
23 inventories reported to the Secretary under subsection (a) of this
24 section in behalf of the district, plus or minus the percentage of this
25 amount that equals the lesser of five percent (5%) or the percentage by
26 which State personal income has increased or decreased during the
27 most recent 12-month period for which State personal income data has
28 been compiled by the Bureau of Economic Analysis of the United
29 States Department of Commerce, minus three and four-tenths percent
30 (3.4%) of the total distribution received by the county under G.S. 105-
31 472, 105-486, 105-493, 105-501, and Chapter 1096 of the 1967
32 Session Laws between January 1, 1988, and December 31, 1988;
- 33 (4) 'Special district's inventory levy' means the special district's average
34 rate multiplied by eighty percent (80%) of the value of the inventories
35 reported to the Secretary under subsection (a) of this section in behalf
36 of the district;
- 37 (5) 'Taxing unit' means a unit that levied a property tax or for which
38 another unit collected a property tax for the fiscal year beginning July
39 1 of the year preceding the date a distribution is made under this
40 section.
- 41 (e) Population Estimates. – In making the per capita calculations under this
42 section, the Secretary shall use the most recent annual population estimates certified by
43 the State Budget Officer.

1 (f) Source of Funds. – The Secretary of Revenue shall pay for the distribution
2 required by this section and the cost of making the distribution as follows:

3 (1) For the distribution made in 1989, the Secretary shall draw an amount
4 equal to the amount distributed and the cost of making the distribution
5 first from the Inventory Tax Reimbursement Fund created in Section
6 15.1 of the School Facilities Finance Act of 1987, until it is exhausted,
7 and then the remainder of that amount from collections received by the
8 Department under Division I of Article 4 of this Chapter.

9 (2) For distributions made in subsequent years, the Secretary shall draw
10 from the Local Government Tax Reimbursement Reserve for the
11 distribution required by this section an amount equal to the amount
12 distributed and the cost of making the distribution.

13 (g) Correction of Errors. – If the Secretary discovers that the amount or value of
14 any inventories listed by a county or city pursuant to subsection (a) of this section was
15 overstated or understated, the Secretary shall adjust the amount to be distributed under
16 subsections (c1) and (c2) as follows. For the distribution to be made in the year
17 following discovery of the overstatement or understatement, the Secretary shall
18 distribute to the county or city one-half of the following amount: the amount it would
19 have received under subsections (c1) and (c2) in 1989 if it had not overstated or
20 understated the amount or value of any inventories, plus the total amount it failed to
21 receive in 1989 and subsequent years due to understatement of the amount or value of
22 the inventories, or minus the total amount it received in 1989 and subsequent years due
23 to overstatement of the amount or value of the inventories. Thereafter, each year the
24 Secretary shall distribute to the county or city one-half of the amount it would have
25 received under subsections (c1) and (c2) in 1989 if it had not overstated or understated
26 the amount or value of any inventories."

27 Sec. 1.11. Effective July 1, 1992, G.S. 105-277A is repealed.

28 Sec. 1.12. Effective July 1, 1991, G.S. 105-277.1A(d) reads as rewritten:

29 "(d) After receiving a certified list under subsections (a) through (c) of this
30 section, the Secretary of Revenue shall, within 60 days, pay to the county or city ~~fifty~~
31 ~~percent (50%)~~ twenty-five percent (25%) of the total for the entire list of the product
32 obtained by multiplying the tax exemption for each taxpayer times the applicable tax
33 rate."

34 Sec. 1.13. Effective July 1, 1992, G.S. 105-277.1A is repealed.

35 PART II.

36 ONE-CENT LOCAL OPTION SALES TAX

37 Sec. 2.1. The title of Article 39 of Chapter 105 of the General Statutes reads
38 as rewritten:

39 "ARTICLE 39.

40 "FIRST ONE-CENT (1¢) LOCAL GOVERNMENT SALES AND USE TAX."

41 Sec. 2.2. G.S. 105-463 reads as rewritten:

42 "§ 105-463. Short title.

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

1 Sec. 2.3. The title of Article 40 of Chapter 105 of the General Statutes reads
2 as rewritten:

3 **"ARTICLE 40.**
4 **"SUPPLEMENTAL FIRST ONE-HALF-CENT (1/2¢) LOCAL GOVERNMENT**
5 **SALES**
6 **AND USE TAXES. TAX."**

7 Sec. 2.4. G.S. 105-480 reads as rewritten:

8 **"§ 105-480. Short title.**

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

11 Sec. 2.5. G.S. 105-468.1 and Article 41 of Chapter 105 of the General
12 Statutes are repealed.

13 Sec. 2.6. The title of Article 42 of Chapter 105 of the General Statutes reads
14 as rewritten:

15 **"ARTICLE 42.**
16 **"ADDITIONAL SUPPLEMENTAL SECOND ONE-HALF-CENT (1/2¢) LOCAL**
17 **GOVERNMENT SALES AND USE TAXES. TAX."**

18 Sec. 2.7. G.S. 105-495 reads as rewritten:

19 **"§ 105-495. Short title.**

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

22 Sec. 2.8. Subchapter VIII of Chapter 105 of the General Statutes is amended
23 by adding a new Article to read:

24 **"ARTICLE 43.**
25 **"SECOND ONE-CENT (1¢) LOCAL GOVERNMENT SALES AND USE TAX.**
26 **"§ 105-505. Short title.**

27 This Article shall be known as the Second One-cent (1¢) Local Government Sales
28 and Use Tax Act.

29 **"§ 105-506. Purpose.**

30 This Article gives the counties and cities of this State an opportunity to obtain an
31 additional source of revenue to meet their growing financial needs and allow them to
32 reduce ad valorem property tax rates or avoid future rate increases. It provides all
33 counties of the State that are subject to this Article with authority to levy one percent
34 (1%) sales and use taxes.

35 **"§ 105-507. Scope.**

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

41 **"§ 105-508. Levy and collection of taxes.**

42 A county subject to this Article may levy one percent (1%) local sales and use taxes
43 in addition to any other State and local sales and use taxes levied pursuant to law.
44 Except as provided in this Article, the adoption, levy, collection, distribution,

1 administration, and repeal of these additional taxes shall be in accordance with Article
2 39 of this Chapter. In applying the provisions of Article 39 of this Chapter to this
3 Article, references to 'this Article' mean 'Article 43 of Chapter 105 of the General
4 Statutes.'

5 **"§ 105-509. Form of ballot.**

6 (a) The form of the question to be presented on a ballot for a special election
7 concerning the levy of the taxes authorized by this Article shall be: 'FOR one percent
8 (1%) local sales and use taxes in addition to the current two percent (2%) local sales and
9 use taxes' or 'AGAINST one percent (1%) local sales and use taxes in addition to the
10 current two percent (2%) local sales and use taxes.'

11 (b) The form of the question to be presented on a ballot for a special election
12 concerning the repeal of any taxes levied pursuant to this Article shall be: 'FOR repeal
13 of the additional one percent (1%) local sales and use taxes, thus reducing local sales
14 and use taxes to two percent (2%)' or 'AGAINST repeal of the additional one percent
15 (1%) local sales and use taxes, thus reducing local sales and use taxes to two percent
16 (2%).'

17 **"§ 105-510. Distribution of taxes.**

18 The Secretary shall, on a quarterly basis, allocate the net proceeds of the one percent
19 (1%) sales and use taxes levied under this Article among the taxing counties in
20 proportion to the amount of the net proceeds collected in each county. 'Net proceeds'
21 means gross proceeds less taxes refunded, the cost to the State of collecting and
22 administering the tax in the taxing county, and other deductions properly charged to the
23 taxing county. The amounts allocated to each taxing county shall then be divided
24 among the county and the cities located in the county in accordance with the method by
25 which the one percent (1%) local sales and use taxes levied in that county pursuant to
26 Article 39 of this Chapter or Chapter 1096 of the 1967 Session Laws are distributed.

27 If any taxes levied under this Article by a county have not been collected in that
28 county for a full quarter because of the levy or repeal of the taxes, the Secretary shall
29 distribute a pro rata share to that county for that quarter based on the number of months
30 the taxes were collected in that county during the quarter.

31 **"§ 105-511. Hold harmless distribution.**

32 (a) Allocation. As soon as practicable after July 1, 1992, the Secretary shall
33 allocate for distribution to each taxing county that levied a tax under this Article before
34 January 1, 1992, an amount equal to the excess of (i) the amount the county and the
35 cities in the county were entitled by statute to receive during the 1990-91 fiscal year
36 from the Local Government Tax Reimbursement Reserve created in Section 52 of
37 Chapter 752 of the 1989 Session Laws over (ii) the amount the county and the cities in
38 the county received during the 1991-92 fiscal year from the Local Government Tax
39 Reimbursement Reserve and the distribution under G.S. 105-510. As soon as
40 practicable after July 1, 1992, the Secretary shall allocate for distribution to each taxing
41 county that levied a tax under this Article on or after January 1, 1992, and before July 1,
42 1992, an amount equal to one-half of the excess of (i) the amount the county and the
43 cities in the county were entitled by statute to receive during the 1990-91 fiscal year
44 from the Local Government Tax Reimbursement Reserve created in Section 52 of

1 Chapter 752 of the 1989 Session Laws over (ii) the amount the county and the cities in
 2 the county received during the 1991-92 fiscal year from the Local Government Tax
 3 Reimbursement Reserve and the distribution under G.S. 105-510.

4 Thereafter, as soon as practicable after July 1, 1993, 1994, 1995, and 1996, the
 5 Secretary shall allocate for distribution to each taxing county an amount equal to the
 6 excess of the amount the county and the cities in the county were entitled by statute to
 7 receive during the 1990-91 fiscal year from the Local Government Tax Reimbursement
 8 Reserve over the amount the county and the cities in the county received during the
 9 preceding fiscal year under G.S. 105-510.

10 (b) Cap on Amount to be Distributed. If the total amount allocated for
 11 distribution in any fiscal year exceeds five percent (5%) of the net collections under this
 12 Article for the preceding fiscal year, the Secretary shall reduce the amount allocated to
 13 each taxing county proportionally so that the total amount allocated for distribution does
 14 not exceed five percent (5%) of the net collections under this Article for the preceding
 15 fiscal year.

16 (c) Distribution Between Counties and Cities. The amount allocated to each
 17 taxing county shall then be divided among the county and the cities in the county in
 18 accordance with the method by which the one percent (1%) sales and use taxes levied in
 19 that county pursuant to Article 39 of this Chapter or Chapter 1096 of the 1967 Session
 20 Laws are distributed.

21 (d) Source of Funds. Funds distributed under this section shall be drawn from
 22 local sales and use tax collections under Article 40 of this Chapter."

23 PART III.

24 SHARE STATE INCOME TAX REVENUE WITH LOCAL GOVERNMENTS 25 TO PROVIDE FOR INFRASTRUCTURE NEEDS

26 Sec. 3.1. G.S. 105-248 reads as rewritten:

27 "§ 105-248. State taxes; purposes.

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

34 (b) The income taxes levied in Article 4 of this Chapter are also for the expenses
 35 of local governments in meeting their infrastructure needs. On or before February 15 of
 36 each year, the Secretary of Revenue shall distribute among the taxing units that were
 37 entitled by statute to receive a reimbursement during the 1990-91 fiscal year from the
 38 Local Government Tax Reimbursement Reserve created in Section 52 of Chapter 752 of
 39 the 1989 Session Laws a percentage of the net collections received by the Department
 40 under Divisions I and II of Article 4 of this Chapter during the most recent 12-month
 41 period. The percentages of net collections received under Divisions I and II of Article 4
 42 to be distributed each year are as follows:

43 February 15, 1993 One-half percent (1/2%)

44 February 15, 1994 One percent (1%)

1 February 15, 1995 One and one-half percent (1 1/2%)
 2 Each year thereafter Two percent (2%).
 3 Each taxing unit shall receive a share of the funds to be distributed in proportion to the
 4 reimbursement it was entitled by statute to receive from the Local Government Tax
 5 Reimbursement Reserve during the 1990-91 fiscal year. A taxing unit may use funds
 6 distributed to it under this section only for infrastructure needs, including water and
 7 sewer facilities and public school buildings, and to retire indebtedness incurred for
 8 infrastructure needs.

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

21 **PART IV.**

22 **LOCAL REVENUE OPTIONS SUBJECT TO REFERENDUM**

23 Sec. 4.1. Subchapter VIII of Chapter 105 of the General Statutes is amended
 24 by adding a new Article to read:

25 **"ARTICLE 44.**

26 **"LOCAL MEALS TAXES.**

27 **"§ 105-515. Short title.**

28 This Article shall be known as the Local Meals Tax Act.

29 **"§ 105-516. Purpose; scope.**

30 This Article gives the counties and cities of this State an opportunity to obtain an
 31 added source of revenue. This Article applies only to counties, and the cities in those
 32 counties, that levy the one percent (1%) local sales and use tax under Article 39 of this
 33 Chapter or under Chapter 1096 of the 1967 Session Laws, the one-half percent (1/2%)
 34 local sales and use tax under Article 40 of this Chapter, and the one-half percent (1/2%)
 35 local sales and use tax under Article 42 of this Chapter.

36 **"§ 105-517. Definitions.**

37 The following definitions apply in this Article:

38 (1) City. Defined in G.S. 153A-1.

39 (2) City council. The governing body of a city.

40 (3) Meals tax. A tax on the sales price of prepared food and beverages
 41 sold by a retailer, other than a sales tax levied under Article 5, 39, 40,
 42 41, 42, or 43 of this Chapter or under Chapter 1096 of the 1967
 43 Session Laws.

- 1 (4) Net proceeds. Gross proceeds less taxes refunded, the cost to the State
2 of collecting and administering the tax in the taxing county or city, and
3 other deductions properly charged to the taxing county or city.
- 4 (5) Prepared food and beverages. Meals, food, and beverages which a
5 retailer has added value to or whose state has been altered (other than
6 solely by cooling) by preparing, combining, dividing, heating, or
7 selling, in order to make them available for immediate consumption.
- 8 (6) Secretary. The Secretary of Revenue.

9 **"§ 105-518. County election on adoption of meals tax.**

10 The board of commissioners of a county may direct the county board of elections to
11 conduct an advisory referendum on the question of whether a local meals tax at a rate of
12 up to one percent (1%) will be levied in accordance with this Article. The election shall
13 be held on a date jointly agreed upon by the two boards and shall be held in accordance
14 with the procedures of G.S. 163-287.

15 The form of the question to be presented on a ballot for a special election concerning
16 the levy of the taxes authorized by this Article shall be: 'FOR a local tax on prepared
17 food and beverages at a rate of up to one percent (1%)' 'AGAINST a local tax on
18 prepared food and beverages at a rate of up to one percent (1%).'

19 **"§ 105-519. County meals tax.**

20 (a) Levy. If the majority of those voting in a referendum held pursuant to G.S.
21 105-518 vote for the levy of a local meals tax, the board of commissioners of a county
22 may, by resolution, levy a meals tax of up to one percent (1%) on the sales price of
23 prepared food and beverages sold in the county at retail by a retailer subject to sales tax
24 under G.S. 105-164.4(a)(1). This meals tax is in addition to any State or local sales tax.
25 Immediately after adopting a resolution to levy a tax under this section, the board of
26 commissioners shall send a certified copy of the resolution, and certified copies of any
27 city resolutions required by subsection (c), to the Secretary. The Secretary shall then
28 administer the tax in the county as authorized in this Article.

29 A county may, by resolution, repeal or reduce the rate of a tax levied under this
30 section. Repeal or reduction of a tax levied under this section shall become effective on
31 the first day of a month and may not become effective until the end of the fiscal year in
32 which the repeal or reduction resolution was adopted. Immediately after adopting a
33 resolution repealing or reducing the rate of the tax, the board of commissioners shall
34 send a certified copy of the resolution to the Secretary.

35 (b) Effect on Local Meals Tax Acts. If a county levies a meals tax under this
36 section, that county may not levy an additional meals tax under a local act. This section
37 does not repeal any local act authorizing a county to levy a meals tax. However, levy of
38 a meals tax by a county under this section automatically removes the county's authority
39 to levy a meals tax under a local act. Levy of a tax under this section does not abolish
40 any board, commission, or agency created pursuant to a local meals tax act, but the
41 county may, by resolution, abolish that board, commission, or agency and provide for
42 the disposition of its assets and liabilities. The county may appropriate funds raised
43 from a levy under this section to a board, commission, or agency created pursuant to a
44 local meals tax act for the purposes authorized by the local act. Repeal of a meals tax

1 levied under this section does not revive the county's authority to levy a meals tax under
2 a local act.

3 (c) Effective Date of Levy. Collection of the tax, and liability therefor, shall
4 begin and continue only on and after the first day of a calendar month set by the board
5 of commissioners in the resolution levying the tax. In a county in which there is no city
6 meals tax, the effective date of a tax levied under this section may not be earlier than the
7 first day of the third succeeding calendar month after the date the resolution is adopted.
8 In a county in which there is a city meals tax, the effective date of a tax levied under this
9 section may not be earlier than the first day of the fiscal year beginning on or after the
10 first day of the third succeeding calendar month after the resolution is adopted, unless
11 the city councils of all the cities that have levied city meals taxes consent by resolution
12 to an earlier effective date.

13 (d) Administration of Tax. Except as provided in this Article, administration,
14 collection, distribution, and refund of the taxes levied under this Article shall be in
15 accordance with Article 39 of this Chapter. In applying the provisions of Article 39 of
16 this Chapter to this Article, references to 'this Article' mean 'Article 44 of Chapter 105
17 of the General Statutes.'

18 (e) Use of Proceeds. A county may use the proceeds of a tax levied under this
19 Article only to promote travel and tourism in the county. Expenditures to promote
20 travel and tourism may include capital expenditures that directly enhance the tourist
21 attractions of the county.

22 **"§ 105-520. Exemptions.**

23 A tax levied under this Article does not apply to the following sales of prepared food
24 and beverages:

- 25 (1) Prepared food and beverages served to residents in boarding houses
26 and sold together on a periodic basis with rental of a sleeping room or
27 lodging.
- 28 (2) Retail sales exempt from taxation under Article 39 of this Chapter.
- 29 (3) Retail sales through or by means of vending machines.
- 30 (4) Prepared food and beverages served by a business subject to the sales
31 tax levied under G.S. 105-164.4(a)(3) if the charge for the prepared
32 food or beverages is included in a single, nonitemized sales price
33 together with the charge for rental of a room, lodging, or
34 accommodation furnished by the business.
- 35 (5) Prepared food and beverages furnished without charge by an employer
36 to an employee.
- 37 (6) Retail sales by grocers or by grocery sections of supermarkets or other
38 diversified retail establishments other than sales of prepared food and
39 beverages in the delicatessen or similar departments of the grocer or
40 grocery section.

41 **"§ 105-521. City election on adoption of meals tax.**

42 If the board of commissioners of a county where a city is located has not levied the
43 meals tax authorized by G.S. 105-519 or has levied the tax at a rate less than one
44 percent (1%), and if that county has not levied a meals tax under a local act, the city

1 council may direct the county board of elections to conduct an advisory referendum in
2 the city on the question of whether a local meals tax at a rate of up to one percent (1%)
3 will be levied in accordance with this Article. The election shall be held on a date
4 jointly agreed upon by the board of elections and the city council and shall be held in
5 accordance with the procedures of G.S. 163-287.

6 The form of the question to be presented on a ballot for a special election concerning
7 the levy of the taxes authorized by this Article shall be: 'FOR a local tax on prepared
8 food and beverages at a rate of up to one percent (1%)' 'AGAINST a local tax on
9 prepared food and beverages at a rate of up to one percent (1%).'

10 **"§ 105-522. City meals tax.**

11 (a) Levy. If the majority of those voting in a referendum held pursuant to G.S.
12 105-521 vote for the levy of a local meals tax, the city council may, by ordinance, levy a
13 meals tax of up to one percent (1%) on the sales price of prepared food and beverages
14 sold in the city at retail by a retailer subject to sales tax under G.S. 105-164.4(a)(1),
15 except that no levy under this section may cause the combined city and county rate to
16 exceed one percent (1%) in any part of the city.

17 This meals tax is in addition to any State or local sales tax. Immediately after
18 adopting an ordinance to levy a tax under this section, the city council shall send a
19 certified copy of the ordinance to the Secretary. The Secretary shall then administer the
20 tax in the city as provided in this Article.

21 This tax may be repealed or reduced in rate in the same manner as a tax levied under
22 G.S. 105-519. The scope, collection, and administration of the tax shall be as provided
23 for a tax levied under that section, unless this section specifies otherwise. In applying
24 the provisions of G.S. 105-519 to a tax levied by a city under this section, all references
25 in G.S. 105-519 to a county or an official of that county shall be construed to mean the
26 city and the city counterpart to the county official. The net proceeds of a tax levied
27 under this section shall be distributed to the city levying the tax.

28 (b) Effect on Local Meals Tax Acts. If a city levies a meals tax under this
29 section, that city may not levy an additional meals tax under a local act. This section
30 does not repeal any local act authorizing a city to levy a meals tax. However, levy of a
31 meals tax by a city under this section automatically removes the city's authority to levy
32 a meals tax under a local act. Levy of a tax under this section does not abolish any
33 board, commission, or agency created pursuant to a local meals tax act, but the city
34 may, by resolution, abolish that board, commission, or agency and provide for the
35 disposition of its assets and liabilities. The city may appropriate funds raised from a
36 levy under this section to a board, commission, or agency created pursuant to a local
37 meals tax act for the purposes authorized by the local act. Repeal of a meals tax levied
38 under this section does not revive the city's authority to levy a meals tax under a local
39 act.

40 (c) City Located in Multiple Counties. If a city is located in more than one
41 county, the highest rate of meals tax levied by any of the counties in which the city is
42 located determines, for the entire city, whether the city may levy a meals tax or the
43 maximum rate at which it may levy. As an example, if City A is located in Counties B,
44 C, and D, and County B levies a one-fourth percent (1/4%) tax, County C levies a one-

1 half percent (1/2%) tax, and County D levies no tax, City A may levy a meals tax of no
2 more than one-half percent (1/2%) throughout the city.

3 (d) Use of Proceeds. A city may use the proceeds of a tax levied under this
4 Article only to promote travel and tourism in the city. Expenditures to promote travel
5 and tourism may include capital expenditures that directly enhance the tourist
6 attractions of the city.

7 **"§ 105-523. Effect of county meals tax on city meals tax.**

8 (a) City and County Tax Under This Article. A city may not levy a meals tax
9 under this Article that would cause the county rate under this Article combined with the
10 city rate to exceed one percent (1%) in any part of the city. If a city levies a meals tax
11 under this Article, and the board of commissioners of a county where the city is located
12 subsequently adopts a resolution levying a meals tax in that county under this Article,
13 the city's authority to levy the meals tax is repealed as of the effective date of the county
14 levy if the county levies at the rate of one percent (1%), and is limited to the difference
15 between the county meals tax rate and one percent (1%) if the county levies at a rate of
16 less than one percent (1%).

17 (b) City Tax Under Local Act; County Tax Under This Article. A city may not
18 levy a meals tax under a local act if a county where any part of the city is located levies,
19 or formerly levied, a tax under this Article. If a city levies a meals tax under a local act,
20 and the board of commissioners of a county where the city is located subsequently
21 adopts a resolution levying a meals tax in that county under this Article, the city's
22 authority to levy the meals tax under the local act is repealed as of the effective date of
23 the county levy. Later repeal of the county meals tax does not revive the city's authority
24 to levy a meals tax under the local act.

25 (c) City Tax Under This Article; County Tax Under Local Act. A city may not
26 levy a meals tax under this Article if a county where any part of the city is located levies
27 a meals tax under a local act. If a city levies a meals tax under this Article, and the
28 board of commissioners of a county where the city is located subsequently adopts a
29 resolution levying a meals tax in that county under a local act, the city's authority to
30 levy the meals tax is repealed as of the effective date of the county levy.

31 (d) City and County Tax Under Local Act. The effect of a county meals tax
32 levied under a local act upon a city meals tax levied under a local act is controlled by
33 the provisions of the relevant local acts.

34 **"§ 105-524. Convention and visitors bureau.**

35 When a city or county adopts an ordinance or a resolution levying a tax under this
36 Article, it shall also adopt a resolution creating a local convention and visitors bureau.
37 The resolution shall provide for the membership of the bureau, including the members'
38 qualifications and terms of office, and for the filling of vacancies on the bureau. The
39 resolution shall provide that the membership of the bureau shall include at least one
40 local restaurant operator. The city or county shall designate one member of the bureau
41 as chair and shall determine the compensation, if any, to be paid to members of the
42 bureau.

1 The bureau shall promote travel, tourism, and conventions in the city or county,
 2 sponsor tourist-related events and activities in the city or county, and finance tourist-
 3 related capital projects in the city or county.

4 **"§ 105-525. Savings clause.**

5 Repeal of a meals tax, or reduction of its rate, pursuant to this Article does not affect
 6 a liability for a tax that attached before the effective date of the repeal or reduction, nor
 7 does it affect a right to a refund of a tax that accrued before the effective date of the
 8 repeal or reduction. Repeal of a meals tax levied under this Article does not revive any
 9 local levy repealed due to the levy of a tax under this Article."

10 Sec. 4.2. Subchapter VIII of Chapter 105 of the General Statutes is amended
 11 by adding a new Article to read:

12 **"ARTICLE 45.**

13 **"LOCAL OCCUPANCY TAXES.**

14 **"§ 105-526. Short title; purpose.**

15 This Article shall be known as the Local Occupancy Tax Act. This Article gives the
 16 counties and cities of this State an opportunity to obtain an added source of revenue, in
 17 light of the fact that persons occupying transient accommodations place special service
 18 burdens on local governments.

19 **"§ 105-527. Definitions.**

20 The following definitions apply in this Article:

- 21 (1) City. Defined in G.S. 153A-1.
 22 (2) City council. The governing body of a city.
 23 (3) Net proceeds. Gross proceeds less taxes refunded, the cost to the State
 24 of collecting and administering the tax in the taxing county or city, and
 25 other deductions properly charged to the taxing county or city.
 26 (4) Occupancy tax. A tax on the gross receipts derived from the rental of
 27 transient accommodations other than a sales tax levied under Articles
 28 5, 39, 40, 41, 42, or 43 of this Chapter or under Chapter 1096 of the
 29 1967 Session Laws.
 30 (5) Secretary. The Secretary of Revenue.

31 **"§ 105-528. County election on adoption of occupancy tax.**

32 The board of commissioners of a county may direct the county board of elections to
 33 conduct an advisory referendum on the question of whether a one percent (1%), two
 34 percent (2%), or three percent (3%) local occupancy tax will be levied in accordance
 35 with this Article. The election shall be held on a date jointly agreed upon by the two
 36 boards and shall be held in accordance with the procedures of G.S. 163-287.

37 The form of the question to be presented on a ballot for a special election concerning
 38 the levy of the taxes authorized by this Article shall be: 'FOR a one [two] [three]
 39 percent (1%) [(2%)] [(3%)] local occupancy tax' 'AGAINST a one [two] [three] percent
 40 (1%) [(2%)] [(3%)] local occupancy tax.'

41 **"§ 105-529. County occupancy tax.**

42 (a) Levy. If the majority of those voting in a referendum held pursuant to G.S.
 43 105-528 vote for the levy of a local occupancy tax, the board of commissioners of a
 44 county may, by resolution, levy an occupancy tax at the percentage rate approved by the

1 voters of the gross receipts derived from the rental in that county of any room, lodging,
2 or similar accommodation subject to sales tax under G.S. 105-164.4(a)(3). This
3 occupancy tax is in addition to any State or local sales tax. Immediately after adopting
4 a resolution to levy a tax under this section, the board of commissioners shall send a
5 certified copy of the resolution, and certified copies of any city resolutions required by
6 subsection (c), to the Secretary. The Secretary shall then administer the tax in the
7 county as authorized in this Article.

8 (b) Effect on Local Occupancy Tax Acts. If a county levies an occupancy tax
9 under this section, that county may not levy an additional occupancy tax under a local
10 act. This section does not repeal any local act authorizing a county to levy an
11 occupancy tax. However, levy of an occupancy tax by a county under this section
12 automatically removes the county's authority to levy an occupancy tax under a local act.
13 Levy of a tax under this section does not abolish any board, commission, or agency
14 created pursuant to a local occupancy tax act, but the county may, by resolution, abolish
15 that board, commission, or agency and provide for the disposition of its assets and
16 liabilities. In addition, the county may appropriate funds raised from a levy under this
17 section to that board, commission, or agency for the purposes authorized by the local
18 act. Repeal of an occupancy tax levied under this section does not revive the county's
19 authority to levy an occupancy tax under a local act.

20 (c) Effective Date of Levy. Collection of the tax, and liability therefor, shall
21 begin and continue only on and after the first day of a calendar month set by the board
22 of commissioners in the resolution levying the tax. In a county in which there is no city
23 occupancy tax, the effective date of a tax levied under this section may not be earlier
24 than the first day of the second succeeding calendar month after the date the resolution
25 is adopted. In a county in which there is a city occupancy tax, the effective date of a tax
26 levied under this section may not be earlier than the first day of the fiscal year beginning
27 on or after the first day of the second succeeding calendar month after the resolution is
28 adopted, unless the city councils of all the cities that have levied city occupancy taxes
29 consent by resolution to an earlier effective date.

30 (d) Administration of Tax. Every operator of a business subject to the tax levied
31 under this Article shall, on and after the effective date of the levy of the tax, collect the
32 tax. This tax shall be collected as part of the charge for furnishing a taxable
33 accommodation. The tax shall be stated and charged separately from the sales records,
34 and shall be paid by the purchaser to the operator of the business as trustee for and on
35 account of the county in which the tax is imposed. The tax shall be added to the sales
36 price and shall be passed on to the purchaser instead of being borne by the operator of
37 the business. Collection and administration of the tax shall be as provided for in G.S.
38 105-469 and G.S. 105-474, except that the Secretary shall collect the tax and,
39 notwithstanding G.S. 105-164.16(b), all taxpayers shall file a return on a monthly basis.
40 Distribution of the tax shall be as provided in G.S. 105-472. The Secretary shall design,
41 print, and furnish to all appropriate businesses and persons in each taxing county the
42 necessary forms for filing returns and instructions to ensure the full collection of the tax.

43 An operator of a business who collects the occupancy tax levied under this Article
44 may deduct from the amount timely remitted to the Secretary a discount of one percent

1 (1%) of the amount collected as reimbursement for the expenses incurred in collecting
2 the tax.

3 (e) Repeal or Reduction in Rate. A tax levied under this section may be repealed
4 or reduced to a rate of two percent (2%) or one percent (1%) by a resolution adopted by
5 the board of commissioners of the taxing county. Repeal or reduction of a tax levied
6 under this section shall become effective on the first day of a month and may not
7 become effective until the end of the fiscal year in which the repeal or reduction
8 resolution was adopted. Immediately after adopting a resolution repealing the tax, the
9 board of commissioners shall send a certified copy of the resolution to the Secretary.

10 **"§ 105-530. City election on adoption of occupancy tax.**

11 If the board of commissioners of a county where a city is located has not levied the
12 occupancy tax authorized by G.S. 105-529 or has levied the tax at a rate of one percent
13 (1%) or two percent (2%), and if that county has not levied an occupancy tax under a
14 local act, the city council may direct the county board of elections to conduct an
15 advisory referendum in the city on the question of whether a one percent (1%), two
16 percent (2%), or three percent (3%) local occupancy tax will be levied in accordance
17 with this Article. The election shall be held on a date jointly agreed upon by the board
18 of elections and the city council and shall be held in accordance with the procedures of
19 G.S. 163-287.

20 The form of the question to be presented on a ballot for a special election concerning
21 the levy of the taxes authorized by this Article shall be: 'FOR a one [two] [three]
22 percent (1%) [(2%)] [(3%)] local occupancy tax' 'AGAINST a one [two] [three] percent
23 (1%) [(2%)] [(3%)] local occupancy tax.'

24 **"§ 105-531. City occupancy tax.**

25 (a) Levy. If the majority of those voting in a referendum held pursuant to G.S.
26 105-530 vote for the levy of a local occupancy tax, the city council may, by ordinance,
27 levy an occupancy tax within the city at the percentage rate approved by the voters,
28 except that no levy under this section may cause the combined city and county rate to
29 exceed three percent (3%) in any part of the city.

30 This occupancy tax is in addition to any State or local sales tax. Immediately after
31 adopting an ordinance to levy a tax under this section, the city council shall send a
32 certified copy of the ordinance to the Secretary. The Secretary shall then administer the
33 tax in the city as provided in this Article.

34 This tax shall apply to the same accommodations that are taxable under G.S. 105-
35 529 and shall be collected and administered in the same manner as the tax authorized by
36 that section, unless this section specifies otherwise. In applying the provisions of G.S.
37 105-529 to a tax levied by a city under this section, all references in G.S. 105-529 to a
38 county or an official of that county shall be construed to mean the city and the city
39 counterpart to the county official. The net proceeds of a tax levied under this section
40 shall be distributed to the city levying the tax.

41 (b) Effect on Local Occupancy Tax Acts. If a city levies an occupancy tax under
42 this section, that city may not levy an additional occupancy tax under a local act. This
43 section does not repeal any local act authorizing a city to levy an occupancy tax.
44 However, levy of an occupancy tax by a city under this section automatically removes

1 the city's authority to levy an occupancy tax under a local act. Levy of a tax under this
2 section does not abolish any board, commission, or agency created pursuant to a local
3 occupancy tax act, but the city may, by resolution, abolish that board, commission, or
4 agency and provide for the disposition of its assets and liabilities. In addition, the city
5 may appropriate funds raised from a levy under this section to that board, commission,
6 or agency for the purposes authorized by the local act. Repeal of an occupancy tax
7 under this section does not revive the city's authority to levy an occupancy tax under a
8 local act.

9 (c) City Located in Multiple Counties. If a city is located in more than one
10 county, the highest rate of occupancy tax levied by any of the counties in which the city
11 is located determines, for the entire city, whether the city may levy an occupancy tax or
12 the maximum rate at which it may levy. As an example, if City A is located in Counties
13 B, C, and D, and County B levies a two percent (2%) tax, County C levies a one percent
14 (1%) tax, and County D levies no tax, City A may levy an occupancy tax of no more
15 than one percent (1%) throughout the city.

16 (d) Repeal or Reduction in Rate. A tax levied under this section may be repealed
17 or reduced to a rate of two percent (2%) or one percent (1%) by a resolution adopted by
18 the city council of the taxing city. Repeal or reduction of a tax levied under this section
19 shall become effective on the first day of a month and may not become effective until
20 the end of the fiscal year in which the repeal or reduction resolution was adopted.
21 Immediately after adopting a resolution repealing the tax, the city council shall send a
22 certified copy of the resolution to the Secretary.

23 **"§ 105-532. Effect of county occupancy tax on city occupancy tax.**

24 (a) City and County Tax Under This Article. A city may not levy an occupancy
25 tax under this Article that would cause the county rate under this Article combined with
26 the city rate to exceed three percent (3%) in any part of the city. If a city levies an
27 occupancy tax under this Article, and the board of commissioners of a county where the
28 city is located subsequently adopts a resolution levying an occupancy tax in that county
29 under this Article, the city's authority to levy the occupancy tax is repealed as of the
30 effective date of the county levy if the county levies at the rate of three percent (3%),
31 and is limited to the difference between the county occupancy tax rate and three percent
32 (3%) if the county levies at the rate of two percent (2%) or one percent (1%).

33 (b) City Tax Under Local Act; County Tax Under This Article. A city may not
34 levy an occupancy tax under a local act if a county where any part of the city is located
35 levies, or formerly levied, a tax under this Article. If a city levies an occupancy tax
36 under a local act, and the board of commissioners of a county where the city is located
37 subsequently adopts a resolution levying an occupancy tax in that county under this
38 Article, the city's authority to levy the occupancy tax under the local act is repealed as
39 of the effective date of the county levy. Later repeal of the county occupancy tax does
40 not revive the city's authority to levy an occupancy tax under the local act.

41 (c) City Tax Under This Article; County Tax Under Local Act. A city may not
42 levy an occupancy tax under this Article if a county where any part of the city is located
43 levies an occupancy tax under a local act. If a city levies an occupancy tax under this
44 Article, and the board of commissioners of a county where the city is located

1 subsequently adopts a resolution levying an occupancy tax in that county under a local
2 act, the city's authority to levy the occupancy tax is repealed as of the effective date of
3 the county levy.

4 (d) City and County Tax Under Local Act. The effect of a county occupancy tax
5 levied under a local act upon a city occupancy tax levied under a local act is controlled
6 by the provisions of the relevant local acts.

7 **"§ 105-533. Savings clause.**

8 Repeal of an occupancy tax, or reduction of its rate, pursuant to this Article does not
9 affect a liability for a tax that attached before the effective date of the repeal or
10 reduction, nor does it affect a right to a refund of a tax that accrued before the effective
11 date of the repeal or reduction. Repeal of an occupancy tax levied under this Article
12 does not revive any local levy repealed due to the levy of a tax under this Article."

13 Sec. 4.3. Chapter 105 of the General Statutes is amended by adding a new
14 Article to read:

15 **"ARTICLE 8F.**

16 **"LOCAL GOVERNMENT EXCISE STAMP TAX ON CONVEYANCES.**

17 **"§ 105-228.50. Purpose; scope.**

18 This Article gives the smaller counties of this State and the cities in those counties
19 an opportunity to obtain an added source of revenue to meet their growing financial
20 needs and allow them to reduce ad valorem property tax rates or avoid future rate
21 increases. This Article applies only to counties with a population of less than 50,000,
22 according to the most recent decennial federal census, and the cities in those counties,
23 except that this Article does not apply to the counties of Camden, Chowan, Currituck,
24 Dare, Pasquotank, Perquimans, and Washington or to the cities in those counties.

25 **"§ 105-228.51. Definitions.**

26 The following definitions apply in this Article:

27 (1) City. Defined in G.S. 153A-1.

28 (2) City council. The governing body of a city.

29 (3) Conveyance tax. A tax levied under this Article.

30 **"§ 105-228.52. County election on adoption of conveyance tax.**

31 The board of commissioners of a county may direct the county board of elections to
32 conduct an advisory referendum on the question of whether a local conveyance tax at a
33 rate of up to one percent (1%) will be levied in accordance with this Article. The
34 election shall be held on a date jointly agreed upon by the two boards and shall be held
35 in accordance with the procedures of G.S. 163.287.

36 The form of the question to be presented on a ballot for a special election concerning
37 the levy of the tax authorized by this Article shall be: 'FOR a local tax on instruments
38 conveying real property at a rate of up to one percent (1%) of the value of the property
39 conveyed' 'AGAINST a local tax on instruments conveying real property at a rate of up
40 to one percent (1%) of the value of the property conveyed.'

41 **"§ 105-228.53. County conveyance tax.**

42 (a) Levy. If the majority of those voting in a referendum held pursuant to G.S.
43 105-228.52 vote for the levy of a local conveyance tax, the board of commissioners of a
44 county may, by resolution, levy an excise tax on instruments conveying interests in real

1 property located in that county at a rate not to exceed one percent (1%) of the
2 consideration or value of the interest conveyed, including the value of any lien or
3 encumbrance remaining on the property at the time of sale. This tax is in addition to the
4 tax levied by Article 8E of this Chapter. Upon adoption of the resolution, the board of
5 commissioners shall send a certified copy to the register of deeds of the county.

6 (b) Effective Date of Levy. Collection of the tax, and liability therefor, shall
7 begin and continue only on and after the first day of a calendar month set by the board
8 of county commissioners in the resolution levying the tax. In a county in which there is
9 no city conveyance tax, the effective date of a tax levied under this Article may not be
10 earlier than the first day of the second succeeding calendar month after the date the
11 resolution is adopted. In a county in which there is a city conveyance tax, the effective
12 date of a tax levied under this Article may not be earlier than the first day of the fiscal
13 year beginning on or after the first day of the second succeeding calendar month after
14 the resolution is adopted, unless the city councils of all the cities that have levied city
15 conveyance taxes consent by resolution to an earlier effective date.

16 (c) Scope. A tax levied under this Article does not apply to transfers exempt
17 pursuant to G.S. 105-228.28 or G.S. 105-228.29 from the tax levied by Article 8E of
18 this Chapter. A tax levied under this Article applies to transfers of interests in real
19 property located within the taxing county, except that if the property is located in two or
20 more counties, a transfer of an interest in the property is taxable only by the county in
21 which the greater part of the property, with respect to value, lies.

22 (d) Administration. A tax levied under this Article is payable by the transferor of
23 the interest. The provisions of G.S. 105-228.31 through G.S. 105-228.36 apply to a tax
24 levied under this Article.

25 (e) Distribution and Use of Proceeds. Taxes collected under this section shall be
26 placed in a special fund. The finance officer of the county shall, on a quarterly basis,
27 distribute to the general fund of the county and to the cities in the county the proceeds
28 of the tax collected in that county under this Article, in accordance with the method by
29 which the one percent (1%) sales and use taxes levied in that county pursuant to Article
30 39 of this Chapter or Chapter 1096 of the 1967 Session Laws are distributed. Any
31 interest accruing to the special fund shall be transferred annually to the general fund of
32 the county in consideration of its expenses in administering the tax and distributing the
33 funds. Taxes collected under this Article may be used for any purpose permitted by
34 law.

35 (f) Repeal or Reduction in Rate. A county may, by resolution, repeal or reduce
36 the rate of a tax levied under this Article. Repeal or reduction of the tax shall become
37 effective on the first day of a month and may not become effective until the end of the
38 fiscal year in which the repeal or reduction resolution was adopted.

39 **"§ 105-228.54. City election on adoption of conveyance tax.**

40 If the board of commissioners of a county where a city is located has not levied the
41 conveyance tax authorized by G.S. 105-228.53, or has levied the tax at a rate less than
42 one percent (1%), the city council may direct the county board of elections to conduct
43 an advisory referendum in the city on the question of whether a local conveyance tax at
44 a rate of up to one percent (1%) will be levied in accordance with this Article. The

1 election shall be held on a date jointly agreed upon by the board of elections and the city
2 council and shall be held in accordance with the procedures of G.S. 163-287.

3 The form of the question to be presented on a ballot for a special election concerning
4 the levy of the tax authorized by this Article shall be: 'FOR a local tax on instruments
5 conveying real property at a rate of up to one percent (1%) of the value of the property
6 conveyed' 'AGAINST a local tax on instruments conveying real property at a rate of up
7 to one percent (1%) of the value of the property conveyed.'

8 **"§ 105-228.55. City conveyance tax.**

9 (a) Levy. If the majority of those voting in a referendum held pursuant to G.S.
10 105-228.54 vote for the levy of a local conveyance tax, the city council may, by
11 ordinance, levy an excise tax on instruments conveying interests in real property located
12 in that city at a rate not to exceed one percent (1%) of the consideration or value of the
13 interest conveyed, including the value of any lien or encumbrance remaining on the
14 property at the time of sale. No conveyance tax may be levied under this section at a
15 rate that would cause the combined city and county rate to exceed one percent (1%).

16 This tax shall apply to the same transfers that are taxable under G.S. 105-228.53, and
17 shall be collected and administered in the same manner as the tax authorized by that
18 section. In applying the provisions of G.S. 105-228.53 to a tax levied by a city under
19 this section, however, all references to a county or the board of commissioners of a
20 county shall be construed to mean the city and the city council.

21 This tax is in addition to the tax levied by Article 8E of this Chapter. Upon adoption
22 of the ordinance, the city council shall send a certified copy to the register of deeds of
23 each county in which the city is located.

24 (b) City Located in Multiple Counties. If a city is located in more than one
25 county, the highest rate of conveyance tax levied by any of the counties in which the
26 city is located determines, for the entire city, whether the city may levy a conveyance
27 tax or the maximum rate at which it may levy. As an example, if City A is located in
28 Counties B, C, and D, and County B levies a one-half percent (1/2%) tax, County C
29 levies a one-fourth percent (1/4%) tax, and County D levies no tax, City A may levy a
30 conveyance tax of no more than one-half percent (1/2%) throughout the city.

31 (c) Distribution of Proceeds. Each county in which a taxing city is located shall
32 distribute to the city the net proceeds of a tax levied under this section. 'Net proceeds'
33 means gross proceeds less taxes refunded, the cost to the county of collecting and
34 administering the tax, and other deductions properly charged to the taxing city.

35 (d) Repeal or Reduction in Rate. A city may, by resolution, repeal or reduce the
36 rate of a tax levied under this Article. Repeal or reduction of the tax shall become
37 effective on the first day of a month and may not become effective until the end of the
38 fiscal year in which the repeal or reduction resolution was adopted.

39 **"§ 105-228.56. Effect of county conveyance tax on city conveyance tax.**

40 A city may not levy a conveyance tax under this Article that would cause the
41 combined county and city rate under this Article to exceed one percent (1%) in any part
42 of the city. If a city levies a conveyance tax under this Article, and the county board of
43 commissioners for any territory where the city is located subsequently adopts a
44 resolution levying a conveyance tax in that county under this Article, the city's authority

1 to levy the conveyance tax is repealed as of the effective date of the county levy if the
2 county levies at the rate of one percent (1%), and is limited to the difference between
3 the county conveyance tax rate and one percent (1%) if the county levies at a rate of less
4 than one percent (1%).

5 **"§ 105-228.57. Effect of county growth on conveyance tax.**

6 If a county or a city located in the county levies a conveyance tax under this Article
7 and, according to a subsequent decennial federal census, the population of the county
8 increases to 50,000 or more, the authority of the county and the cities located in the
9 county to levy a conveyance tax under this Article expires on the last day of the fiscal
10 year during which the federal census results become final.

11 **"§ 105-228.58. Savings clause.**

12 Repeal of a conveyance tax, or reduction of its rate, under this Article does not affect
13 a liability for a tax that attached before the effective date of the repeal or reduction, nor
14 does it affect a right to a refund of a tax that accrued before the effective date of the
15 repeal or reduction."

16 Sec. 4.4. Subchapter VIII of Chapter 105 of the General Statutes is amended
17 by adding a new Article to read:

18 **"ARTICLE 46.**

19 **"LOCAL TOBACCO PRODUCTS TAXES.**

20 **"§ 105-535. Short title.**

21 This Article shall be known as the Local Tobacco Products Tax Act.

22 **"§ 105-536. Purpose; scope.**

23 This Article gives the counties and cities of this State an opportunity to obtain an
24 added source of revenue. This Article applies only to counties, and the cities in those
25 counties, that levy the one percent (1%) local sales and use tax under Article 39 of this
26 Chapter or under Chapter 1096 of the 1967 Session Laws, the one-half percent (1/2%)
27 local sales and use tax under Article 40 of this Chapter, and the one-half percent (1/2%)
28 local sales and use tax under Article 42 of this Chapter.

29 **"§ 105-537. Definitions.**

30 The following definitions apply in this Article:

- 31 (1) City. Defined in G.S. 153A-1.
- 32 (2) City council. The governing body of a city.
- 33 (3) Net proceeds. Gross proceeds less taxes refunded, the cost to the State
34 of collecting and administering the tax in the taxing county or city, and
35 other deductions properly charged to the taxing county or city.
- 36 (4) Secretary. The Secretary of Revenue.
- 37 (5) Tobacco product. A product that contains tobacco and is intended for
38 inhalation or oral use.
- 39 (6) Tobacco tax. A tax on the sales price of tobacco products sold by a
40 retailer, other than a sales tax levied under Articles 5, 39, 40, 41, 42, or
41 43 of this Chapter or under Chapter 1096 of the 1967 Session Laws.

42 **"§ 105-538. County election on adoption of tobacco tax.**

43 The board of commissioners of a county may direct the county board of elections to
44 conduct an advisory referendum on the question of whether a local tobacco tax at a rate

1 of up to five percent (5%) will be levied in accordance with this Article. The election
2 shall be held on a date jointly agreed upon by the two boards and shall be held in
3 accordance with the procedures of G.S. 163-287.

4 The form of the question to be presented on a ballot for a special election concerning
5 the levy of the taxes authorized by this Article shall be: 'FOR a local tax on tobacco
6 products at a rate of up to five percent (5%)' 'AGAINST a local tax on tobacco
7 products at a rate of up to five percent (5%).'

8 **"§ 105-539. County tobacco tax.**

9 (a) Levy. If the majority of those voting in a referendum held pursuant to G.S.
10 105-538 vote for the levy of a local tobacco tax, the board of commissioners of a county
11 may, by resolution, levy a tobacco tax of up to five percent (5%) on the sales price of
12 tobacco products sold in the county that are subject to sales tax under G.S. 105-
13 164.4(a)(1). This tobacco tax is in addition to any State or local sales tax. Immediately
14 after adopting a resolution to levy a tax under this section, the board of commissioners
15 shall send a certified copy of the resolution, and certified copies of any city resolutions
16 required by subsection (b), to the Secretary. The Secretary shall then administer the tax
17 in the county as authorized in this Article.

18 A county may, by resolution, repeal or reduce the rate of a tax levied under this
19 section. Repeal or reduction of a tax levied under this section shall become effective on
20 the first day of a month and may not become effective until the end of the fiscal year in
21 which the repeal or reduction resolution was adopted. Immediately after adopting a
22 resolution repealing or reducing the rate of the tax, the board of commissioners shall
23 send a certified copy of the resolution to the Secretary.

24 (b) Effective Date of Levy. Collection of the tax, and liability therefor, shall
25 begin and continue only on and after the first day of a calendar month set by the board
26 of commissioners in the resolution levying the tax. In a county in which there is no city
27 tobacco tax, the effective date of a tax levied under this section may not be earlier than
28 the first day of the second succeeding calendar month after the date the resolution is
29 adopted. In a county in which there is a city tobacco tax, the effective date of a tax
30 levied under this section may not be earlier than the first day of the fiscal year beginning
31 on or after the first day of the second succeeding calendar month after the resolution is
32 adopted, unless the city councils of all the cities that have levied city tobacco taxes
33 consent by resolution to an earlier effective date.

34 (c) Administration of Tax. Except as provided in this Article, administration,
35 collection, distribution, and refund of the taxes levied under this Article shall be in
36 accordance with Article 39 of this Chapter. In applying the provisions of Article 39 of
37 this Chapter to this Article, references to 'this Article' mean 'Article 46 of Chapter 105
38 of the General Statutes.'

39 **"§ 105-540. City election on adoption of tobacco tax.**

40 If the board of commissioners of a county where a city is located has not levied the
41 tobacco tax authorized by G.S. 105-539 or has levied the tax at a rate less than five
42 percent (5%), and if that county has not levied a tobacco tax under a local act, the city
43 council may direct the county board of elections to conduct an advisory referendum in
44 the city on the question of whether a local tobacco tax at a rate of up to five percent

1 (5%) will be levied in accordance with this Article. The election shall be held on a date
2 jointly agreed upon by the board of elections and the city council and shall be held in
3 accordance with the procedures of G.S. 163-287.

4 The form of the question to be presented on a ballot for a special election concerning
5 the levy of the taxes authorized by this Article shall be: 'FOR a local tax on tobacco
6 products at a rate of up to five percent (5%)' 'AGAINST a local tax on tobacco
7 products at a rate of up to five percent (5%).'

8 **"§ 105-541. City tobacco tax.**

9 (a) Levy. If the majority of those voting in a referendum held pursuant to G.S.
10 105-540 vote for the levy of a local tobacco tax, the city council may, by ordinance,
11 levy a tobacco tax of up to five percent (5%) on the sales price of tobacco products sold
12 in the city that are subject to sales tax under G.S. 105-164.4(a)(1), except that no levy
13 under this section may cause the combined city and county rate to exceed five percent
14 (5%) in any part of the city.

15 This tobacco tax is in addition to any State or local sales tax. Immediately after
16 adopting an ordinance to levy a tax under this section, the city council shall send a
17 certified copy of the ordinance to the Secretary. The Secretary shall then administer the
18 tax in the city as provided in this Article.

19 This tax may be repealed or reduced in rate in the same manner as a tax levied under
20 G.S. 105-539. The scope, collection, and administration of the tax shall be as provided
21 for a tax levied under that section, unless this section specifies otherwise. In applying
22 the provisions of G.S. 105-539 to a tax levied by a city under this section, all references
23 in G.S. 105-539 to a county or an official of that county shall be construed to mean the
24 city and the city counterpart to the county official. The net proceeds of a tax levied
25 under this section shall be distributed to the city levying the tax.

26 (b) City Located in Multiple Counties. If a city is located in more than one
27 county, the highest rate of tobacco tax levied by any of the counties in which the city is
28 located determines, for the entire city, whether the city may levy a tobacco tax or the
29 maximum rate at which it may levy. As an example, if City A is located in Counties B,
30 C, and D, and County B levies a three percent (3%) tax, County C levies a two percent
31 (2%) tax, and County D levies no tax, City A may levy a tobacco tax of no more than
32 two percent (2%) throughout the city.

33 **"§ 105-542. Effect of county tobacco tax on city tobacco tax.**

34 A city may not levy a tobacco tax under this Article that would cause the county rate
35 under this Article combined with the city rate to exceed five percent (5%) in any part of
36 the city. If a city levies a tobacco tax under this Article, and the board of
37 commissioners of a county where the city is located subsequently adopts a resolution
38 levying a tobacco tax in that county under this Article, the city's authority to levy the
39 tobacco tax is repealed as of the effective date of the county levy if the county levies at
40 the rate of five percent (5%), and is limited to the difference between the county tobacco
41 tax rate and five percent (5%) if the county levies at a rate of less than five percent
42 (5%).

43 **"§ 105-543. Savings clause.**

1 Repeal of a tobacco tax, or reduction of its rate, pursuant to this Article does not
2 affect a liability for a tax that attached before the effective date of the repeal or
3 reduction, nor does it affect a right to a refund of a tax that accrued before the effective
4 date of the repeal or reduction. Repeal of a tobacco tax levied under this Article does
5 not revive any local levy repealed due to the levy of a tax under this Article."

6 **PART V.**

7 **EFFECTIVE DATES**

8 Sec. 5.1. Sections 1.1, 1.2, 1.4, 1.6, 1.8, 1.10, and 1.12 of Part I of this act
9 become effective July 1, 1991; the remainder of Part I of this act becomes effective July
10 1, 1992. Part II of this act is effective upon ratification. Part III of this act becomes
11 effective June 30, 1992. Part IV of this act becomes effective August 1, 1991, except
12 that G.S. 105-530, 105-531, 105-228.54, 105-228.55, 105-540, and 105-541 become
13 effective November 1, 1991, and no tax may be enacted under Article 44 of Chapter 105
14 of the General Statutes before October 1, 1992. The remainder of this act is effective
15 upon ratification.

16 Sec. 5.2. A tax levied under Article 43 of Chapter 105 of the General
17 Statutes, as enacted by Part II of this act, does not apply to construction materials
18 purchased to fulfill a lump sum or unit price contract entered into or awarded before the
19 effective date of the levy, or entered into or awarded pursuant to a bid made before the
20 effective date of the levy, when the construction materials would otherwise be subject to
21 the tax levied under Article 43 of Chapter 105 of the General Statutes.