

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE FISCAL NOTE

**BILL NUMBER:** SB 120

**SHORT TITLE:** Make Bond Taxation Uniform

**SPONSOR(S):** Senators Kerr, Cochrane, Hoyle, Carpenter, Forrester, and Foxx

**FISCAL IMPACT:**

<b>Expenditures:</b>	<b>Increase ( )</b>	<b>Decrease ( )</b>
<b>Revenues:</b>	<b>Increase (X)</b>	<b>Decrease ( )</b>
<b>No Impact ( )</b>		
<b>No Estimate Available (X)</b>		

**FUND AFFECTED:** General Fund (x) Highway Fund ( ) Local Govt. ( )  
Other Funds ( )

**BILL SUMMARY:**

The proposed act repeals the capital gains exemption to a select group of North Carolina and local bonds and makes technical changes to the statutes.

The 1955, law authorizing the creation of business development corporations and allowing them to issue bonds is repealed. The act clarifies that gains from the transfer of State bonds is not exempt from State income tax

The following bonds are affected:

1. Bonds of the Global TransPark Authority \*
2. Bonds of the Nash-Edgecombe merged school administrative unit
3. Revenue bonds of the Higher Education Facilities Finance Agency
4. Revenue bonds of the University of North Carolina system
5. Revenue bonds of the State Education Assistance Authority
6. Bonds of the North Carolina Housing Finance Agency
7. Bonds of the North Carolina Agriculture Finance Authority \*
8. Bonds of the North Carolina Medical Care Commission
9. Revenue bonds of the public hospital authorities created by local governments
10. Refunding bonds issued by the State
11. Bonds of the North Carolina Ports Authority
12. Bonds of local government housing authority
13. Bonds issued by municipalities or joint municipal power agencies
14. Special obligation bonds issued for solid waste capital projects by local governments or by the North Carolina Solid Waste Management Capital Projects Agency \*
15. Bonds Issued by local Government housing agencies

\* Bonds have never been issued by the agency

**EFFECTIVE DATE:** Applies to obligations issued on or after July 1, 1995

**PRINCIPAL DEPARTMENT(S)/PROGRAM(S) AFFECTED:**

Department of Revenue Personal Income Tax Division

**ESTIMATE  
FISCAL IMPACT**

	<u>FY</u> 95-96	<u>FY</u> 96-97	<u>FY</u> 97-98	<u>FY</u> 98-99	<u>FY</u> 99-00
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**REVENUES:**

**GENERAL FUND**                      No Estimate Available

**ASSUMPTIONS AND METHODOLOGY:**

The revenue bonds and other indebtedness of State authorities and institutions as of June 30, 1994 was \$9.7 billion.

In an attempt to estimate the fiscal impact of the proposed legislation an analyst at CDA Bulls Eye in Maryland was consulted. The company attempted to determine a variable by which an estimate could be made from the amount of capital gains tax collected annually in the State. (CDA Bulls Eye tracks bond ownership.) After the initial conversation the representative has not been forthcoming with the information. However, the prevailing investment philosophy is to purchase these products and hold them until maturity.

**SOURCES OF DATA:**

Department of State Treasurer  
CDA Bulls Eye, Maryland

**FISCAL RESEARCH DIVISION**

733-4910

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**DATE:** February 10, 1995

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