

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1999

S

1

SENATE BILL 1188

Short Title: Revise City Distribution Formula.

(Public)

---

Sponsors: Senator Cochrane.

---

Referred to: Finance.

---

May 10, 2000

A BILL TO BE ENTITLED

1 AN ACT TO FURTHER ADJUST THE SHARE CERTAIN CITIES RECEIVE FROM  
2 THE STATE GROSS RECEIPTS TAXES ON ELECTRIC POWER COMPANIES  
3 AND TELEPHONE COMPANIES.  
4

5 The General Assembly of North Carolina enacts:

6 Section 1. G.S. 105-116.1 reads as rewritten:

7 "**§ 105-116.1. Distribution of gross receipts taxes to cities.**

8 (a) Definitions. – The following definitions apply in this section:

9 (1) Freeze deduction. – The amount by which the percentage distribution  
10 amount of a city was required to be reduced in fiscal year 1995-96 in  
11 determining the amount to distribute to the city.

12 (2) Percentage distribution amount. – Three and nine hundredths percent  
13 (3.09%) of the gross receipts derived by an electric power company and  
14 a telephone company from sales within a city that are taxable under G.S.  
15 105-116 or G.S. 105-120.

16 (b) Distribution. – The Secretary must distribute to the cities part of the taxes  
17 collected under this Article on electric power companies and telephone companies. Each  
18 city's share for a calendar quarter is the percentage distribution amount for that city for  
19 that quarter minus one-fourth of the city's hold-back amount and one-fourth of the city's  
20 proportionate share of the annual cost to the Department of administering the distribution.

1 The Secretary must make the distribution within 75 days after the end of each calendar  
2 quarter.

3 (c) Limited Hold-Harmless Adjustment. – The hold-back amount for a city that, in  
4 the 1995-96 fiscal year, received from gross receipts taxes less than ninety-five percent  
5 (95%) of the amount it received in the 1990-91 fiscal year but at least sixty percent (60%)  
6 of the amount it received in the 1990-91 fiscal year is the amount determined by the  
7 following calculation:

8 (1) Adjust the city's 1995-96 distribution by adding the city's freeze  
9 deduction to the amount distributed to the city for that year.

10 (2) Compare the adjusted 1995-96 amount with the city's 1990-91  
11 distribution.

12 (3) If the adjusted 1995-96 amount is less than or equal to the city's 1990-  
13 91 distribution, the hold-back amount for the city is zero.

14 (4) If the adjusted 1995-96 amount is more than the city's 1990-91  
15 distribution, the hold-back amount for the city is the city's freeze  
16 deduction minus the difference between the city's 1990-91 distribution  
17 and the city's 1995-96 distribution.

18 (c1) Additional Limited Hold-Harmless Adjustment. – The hold-back amount for a  
19 city that, in the 1995-96 fiscal year, received from gross receipts taxes less than sixty  
20 percent (60%) of the amount it received in the 1990-91 fiscal year is the amount  
21 determined by the following calculation:

22 (1) Adjust the city's 1999-2000 distribution by adding the city's freeze  
23 deduction to the amount distributed to the city for that year.

24 (2) Compare the adjusted 1999-2000 amount with the city's 1990-91  
25 distribution.

26 (3) If the adjusted 1999-2000 amount is less than or equal to the city's  
27 1990-91 distribution, the hold-back amount for the city is zero.

28 (4) If the adjusted 1999-2000 amount is more than the city's 1990-91  
29 distribution, the hold-back amount for the city is the city's freeze  
30 deduction minus the difference between the city's 1990-91 distribution  
31 and the city's 1999-2000 distribution.

32 (d) Allocation of Hold-Harmless Adjustment. – The hold-back amount for a city  
33 that, in the 1995-96 fiscal year, received from gross receipts taxes at least ninety-five  
34 percent (95%) of the amount it received in the 1990-91 fiscal year is the amount  
35 determined by the following calculation:

36 (1) Determine the amount by which the freeze deduction is reduced for all  
37 cities whose hold-back amount is determined under ~~subsection (c)~~  
38 subsections (c) and (c1) of this section. This amount is the total hold-  
39 harmless adjustment.

40 (2) Determine the amount of gross receipts taxes that would be distributed  
41 for the quarter to cities whose hold-back amount is determined under  
42 this subsection if these cities received their percentage distribution  
43 amount minus one-fourth of their freeze deduction.

- 1           (3) For each city included in the calculation in subdivision (2) of this  
2 subsection, determine that city's percentage share of the amount  
3 determined under that subdivision.
- 4           (4) Add to the city's freeze deduction an amount equal to the city's  
5 percentage share under subdivision (3) of this subsection multiplied by  
6 the total hold-harmless adjustment.
- 7           (e) Disqualification. – No municipality may receive any funds under this section  
8 if it was incorporated with an effective date of on or after January 1, 2000, and is  
9 disqualified from receiving funds under G.S. 136-41.2. No municipality may receive any  
10 funds under this section, incorporated with an effective date on or after January 1, 2000,  
11 unless a majority of the mileage of its streets are open to the public. The previous  
12 sentence becomes effective with respect to distribution of funds on or after July 1, 1999."
- 13           Section 2. If a city's hold-back amount calculated under G.S. 105-116.1(c1), as  
14 enacted by this act, is less than the amount deducted from the city's 1995-96 franchise tax  
15 distribution, the Secretary must distribute five times the amount of the difference, less  
16 any distributions made to the city under Section 5 of S.L. 1997-118, to the city by  
17 October 15, 2000. This distribution is made to adjust retroactively the city's 1995-96,  
18 1996-97, 1997-98, 1998-99, and 1999-2000 franchise tax distributions. The amount  
19 needed to make the distribution required by this section must be drawn from the amount  
20 of gross receipts taxes distributed to the cities that do not receive a distribution under this  
21 section in proportion to the amount received.
- 22           Section 3. This act is effective when it becomes law.