

**NORTH CAROLINA GENERAL ASSEMBLY  
LEGISLATIVE FISCAL NOTE**

**BILL NUMBER:** HB 1685  
**SHORT TITLE:** Merchant's Discount of 1%  
**SPONSOR(S):** Representative Mitchell Setzer

<b>FISCAL IMPACT (\$ Million)</b>					
	<b>Yes (x)</b>	<b>No ( )</b>	<b>No Estimate Available ( )</b>		
	<b><u>FY 2000-01</u></b>	<b><u>FY 2001-02</u></b>	<b><u>FY 2002-03</u></b>	<b><u>FY 2003-04</u></b>	<b><u>FY 2004-05</u></b>
<b>REVENUES</b>					
State General Fund	-17.2	-36.6	-38.9	-41.3	-43.9
<b>PRINCIPAL DEPARTMENT AFFECTED:</b> The sales and use tax is collected by the Department of Revenue. The enactment of the bill will not affect the department's budget requirements.					
<b>EFFECTIVE DATE:</b> Tax returns filed on or after January 1, 2001.					

**BILL SUMMARY:** Provides retail merchants a discount of 1% of the state sales tax collected for the timely remittance of the sales and use tax return. The discount does not apply to the tax paid on electricity or telecommunications services or to the tax on motor vehicles leases and rentals.

**ASSUMPTIONS AND METHODOLOGY:** Data on state sales tax receipts by tax rate category is provided by an annual tabulation of the Department of Revenue. The data for the 1998-99 fiscal year was adjusted to 1999-2000 by reviewing the actual increases for July 1999-April, 2000 and projecting growth for the remaining months by using the same growth factors as used in the budget process. This led to 5.6% growth for 1999-2000. The estimates for 2000-01 and future years are based on the growth factors used in the General Fund revenue estimates and the General Fund Financial Model (5-year outlook). This led to an average growth rate of 6.2% per year.

**PREPARED BY:** David Crotts

**APPROVED BY:** James D. Johnson

**DATE:** May 24, 2000

**Official  
Fiscal Research Division  
Publication**



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