

**GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2001**

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**SENATE BILL 923**

Short Title: State Pays Full Medicaid Cost/Phase-In.

(Public)

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Sponsors: Senators Hartsell; and Clodfelter.

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Referred to: Appropriations/Base Budget.

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April 5, 2001

A BILL TO BE ENTITLED

AN ACT TO PHASE OUT THE COUNTY SHARE OF MEDICAID COST OVER  
FOUR YEARS AND TO COVER THE COST OF THE COUNTY SHARE BY  
PHASING OUT REIMBURSEMENTS TO COUNTIES OVER FOUR YEARS.

The General Assembly of North Carolina enacts:

**SECTION 1.(a)** Notwithstanding any other provision of law to the contrary,  
effective July 1, 2002, the county portion of the nonfederal share of State Medicaid  
costs shall be as follows:

- (1) 11.25% for the 2002-2003 fiscal year.
- (2) 7.50% for the 2003-2004 fiscal year.
- (3) 3.75% for the 2004-2005 fiscal year; and
- (4) 0% for the 2005-2006 fiscal year.

**SECTION 1.(b)** There is appropriated from the General Fund to the  
Department of Health and Human Services, Division of Medical Assistance, the sum of  
ninety-one million seven hundred thirty-nine thousand eight hundred dollars  
(\$91,739,800) for the 2002-2003 fiscal year for State Medicaid costs.

**SECTION 2.** Effective July 1, 2002, G.S. 105-275.2 reads as rewritten:

**"§ 105-275.2. Reimbursement to ~~counties and municipalities~~ for repeal of State tax  
on intangible personal property.**

(a) ~~Reimbursement~~ Allocation for Repeal of Tax on Money on Deposit, Money  
on Hand, and Funds on Deposit with Insurance Companies. – On or before August 30 of  
each year, the Secretary of Revenue shall allocate to each county the amount allocated  
to the county under this subsection in 1990.

(a1) ~~Reimbursement~~ Allocation for Partial Repeal of Tax on Accounts Receivable.  
– On or before August 30 of each year, the Secretary of Revenue shall allocate to  
counties an amount equal to forty percent (40%) of the tax collected on accounts  
receivable under former Article 7 of this Chapter (repealed) during the 1989-90 fiscal

1 year. The Secretary shall allocate this amount among the counties in proportion to the  
2 amount allocated to each county under former G.S. 105-213 (repealed) in August 1994.

3 (a2) ~~Reimbursement~~Allocation for Repeal of Tax on Accounts Receivable, Bonds,  
4 Stocks, and Foreign Trust Interests. – On or before August 30 of each year, the  
5 Secretary of Revenue shall allocate to counties the sum of ninety-five million three  
6 hundred thirty-one thousand nine hundred twenty-seven dollars (\$95,331,927). The  
7 Secretary shall allocate this amount among the counties in proportion to the amount  
8 allocated to each county under former G.S. 105-213 (repealed) in August 1994.

9 (a3) Distribution ~~Between County and Its~~ to Municipalities. – The amounts  
10 allocated to each county under this section shall be further allocated between the county  
11 and the municipalities in the county in proportion to the total amount of ad valorem  
12 taxes levied by each during the fiscal year preceding the distribution. In ~~dividing~~  
13 allocating these amounts between each county and its municipalities, the Secretary of  
14 Revenue shall treat taxes levied by a merged school administrative unit described in  
15 G.S. 115C-513 in a part of the unit located in a county as taxes levied by the county in  
16 which that part is located.

17 After making these allocations, the Secretary shall certify to the State Controller and  
18 to the State Treasurer the amount ~~to be distributed to each county and allocated to each~~  
19 municipality in the State. The State Controller shall then issue a warrant on the State  
20 Treasurer to each ~~county and~~ municipality in the amount certified. The amounts  
21 allocated to counties shall remain in the General Fund and shall not be distributed.

22 For the purpose of computing the distribution to any ~~county and the~~ municipalities  
23 ~~located in the county~~ for any year with respect to which the property valuation of a  
24 public service company is the subject of an appeal and the Department of Revenue is  
25 restrained by law from certifying the valuation to the ~~county and the municipalities in~~  
26 ~~the county,~~ municipalities, the Department shall use the last property valuation of the  
27 public service company that has been certified.

28 The ~~chair of each board of county commissioners and the~~ mayor of each  
29 municipality shall report to the Secretary of Revenue information requested by the  
30 Secretary to enable the Secretary to ~~allocate the amount distributed by~~ make the  
31 allocations provided in this section. If a ~~county or~~ municipality fails to make a requested  
32 report within the time allowed, the Secretary may disregard the ~~county or~~ municipality  
33 in ~~allocating the amount distributed by~~ making the allocations provided in this section.

34 (b) Restrictions on Use. – The amount distributed to each ~~county and~~  
35 municipality shall be used by the ~~county or~~ municipality in proportion to property tax  
36 levies made by it for the various funds and activities of the ~~county or~~ municipality,  
37 unless the ~~county or~~ municipality has pledged the amount to be distributed to it under  
38 this section in payment of a loan agreement with the North Carolina Solid Waste  
39 Management Capital Projects Financing Agency. A ~~county or~~ municipality that has  
40 pledged amounts distributed under this section in payment of a loan agreement with the  
41 Agency may apply the amount the loan agreement requires.

42 (c) Repealed by Session Laws 1995, c. 41, s. 3.

43 (d) Source. – Funds distributed under this section shall be drawn from collections  
44 received under Part 2 of Article 4 of this Chapter.

1 (e) **(Expires September 1, 2002)** Reduction. – Each year, on or before July 15,  
2 the governing body of each ~~county and each~~ municipality shall notify the Secretary of  
3 the amount of taxes it collected in the preceding fiscal year from taxes on intangible  
4 personal property discovered on or after January 1, 1997, for taxable years beginning on  
5 or after July 1, 1991. The Secretary shall reduce the amount allocated to each ~~county~~  
6 ~~and~~ municipality for distribution the following August by the amount the ~~county or~~  
7 municipality reports pursuant to this subsection. If the Secretary discovers that a ~~county~~  
8 ~~or~~ municipality failed to report any taxes as required by this subsection, the Secretary  
9 shall reduce the ~~county or~~ municipality's next distribution under this section by ten  
10 percent (10%).

11 (f) **(Expires September 1, 2003)** Additional Reduction. – Each year, on or  
12 before July 15, the governing body of each ~~county and each~~ municipality shall notify  
13 the Secretary of the amount of taxes it collected in the preceding fiscal year from taxes  
14 on qualified retirement facility property, as defined in G.S. 105-278.6A, discovered on  
15 or after January 1, 1998, for taxable years beginning on or after July 1, 1992. The  
16 Secretary shall reduce the amount allocated to each ~~county and~~ municipality for  
17 distribution the following August by one hundred ten percent (110%) of the amount the  
18 ~~county or~~ municipality reports pursuant to this subsection."

19 **SECTION 3.** Effective July 1, 2003, G.S. 105-164.44C reads as rewritten:

20 "**§ 105-164.44C. Reimbursement for sales taxes on food stamp foods and**  
21 **supplemental foods.**

22 As soon as practicable after July 1 of each year, the Secretary shall make a  
23 preliminary allocation to each county of the amount of local sales taxes that would have  
24 been collected in the county during the 1989-90 fiscal year on foods purchased with  
25 food stamp coupons or supplemental food instruments in the county, had these foods not  
26 been exempt from tax under G.S. 105-164.13(38). The Secretary shall then ~~distribute~~  
27 allocate the amounts allocated to each county between the county and the cities located  
28 in the county in accordance with the method by which local sales and use taxes are  
29 distributed in that county. The Secretary shall then distribute to each city the amount  
30 allocated to it. Amounts allocated to counties shall remain in the General Fund and shall  
31 not be distributed. In order to pay for the reimbursement under this section and the cost  
32 to the Department of Revenue for administering the reimbursement, the Secretary shall  
33 draw from collections received under Part 1 of Article 4 of this Chapter an amount  
34 equal to the amount of the reimbursement and the cost of administration."

35 **SECTION 4.** Effective July 1, 2003, G.S. 105-275.1 reads as rewritten:

36 "**§ 105-275.1. Reimbursement for exclusion of manufacturers' inventories and**  
37 **poultry and livestock.**

38 (a) Initial Distribution. – On or before January 15, 1989, the governing body of  
39 each county and each city shall furnish to the Secretary a list of (i) all the inventories  
40 owned by manufacturers that were required to be listed and assessed as of January 1,  
41 1987, and were listed on or before September 1, 1987, in the county or city under this  
42 Subchapter; (ii) all livestock and poultry and feed used in the production of livestock  
43 and poultry that was required to be listed and assessed as of January 1, 1987, and was  
44 listed on or before September 1, 1987, in the county or city under this Subchapter; (iii)

1 all the crops and other agricultural or horticultural products held for sale, whether in  
2 process or ready for sale, owned by taxpayers regularly engaged in the growth,  
3 breeding, raising, or other production of new products for sale, that were not included  
4 under subdivision (ii) above and that were required to be listed and assessed as of  
5 January 1, 1987, and were listed on or before September 1, 1987, in the county or city  
6 under this Subchapter; (iv) in the case of a city, all the inventories owned by  
7 manufacturers that were located as of January 1, 1987, in an area for which the city  
8 began annexation proceedings before September 1, 1987, and which became a part of  
9 the city after January 1, 1987, and before January 1, 1988; and (v) in the case of a city,  
10 all the inventories owned by manufacturers that were located as of January 1, 1987, in  
11 an area for which the city began annexation proceedings before September 1, 1987, and  
12 which became a part of the city after January 1, 1988, and before July 1, 1990. The list  
13 shall contain the value of the inventories and other items as well as the property tax  
14 rates in effect in the county or city for the eight years from 1980 through 1987. The list  
15 shall also contain the property tax rates in effect for those years in each special district  
16 for which the county or city collected taxes in 1987 but whose tax rates were not  
17 included in the rates listed for the county or city, and the value of the inventories owned  
18 by manufacturers and other items described in subdivisions (ii) and (iii) above that were  
19 required to be listed and assessed as of January 1, 1987, and were listed on or before  
20 September 1, 1987, in that district. The list shall be accompanied by an affidavit  
21 attesting to the accuracy of the list and shall be on a form prescribed by the Secretary.

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

30 On or before March 20, 1989, the Secretary shall also pay to each county and city  
31 that submitted a list under this subsection an amount equal to the average rate, as  
32 provided below, for each special district for which the county or city collected taxes in  
33 1987, but whose tax rates were not included in the county or city's rates, multiplied by  
34 the value of the inventories owned by manufacturers that were required to be listed and  
35 assessed as of January 1, 1987, and were listed on or before September 1, 1987, in the  
36 district, plus or minus the percentage of this product that equals the percentage by which  
37 State personal income has increased or decreased during the most recent 12-month  
38 period for which State personal income data has been compiled by the Bureau of  
39 Economic Analysis of the United States Department of Commerce.

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 Of the funds received by each county and city pursuant to this subsection, the  
4 portion that was received because the county or city was collecting taxes for a special  
5 district (either because the district's tax rate was included in the city or county's rate or  
6 because the Secretary paid the county or city the product of the district's average rate  
7 and the value of the inventories in the district) shall be distributed among the districts in  
8 the county or city as soon as practicable after the city or county receives funds under  
9 this subsection. The county or city shall distribute to each special district in the county  
10 or city an amount equal to the average rate for the district multiplied by the value of the  
11 inventories owned by manufacturers that were required to be listed and assessed as of  
12 January 1, 1987, and were listed on or before September 1, 1987, in the district, plus or  
13 minus 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. The Local Government Commission may  
17 adopt rules for the resolution of disputes and correction of errors in the distribution  
18 among special districts provided in this paragraph. The Local Government Commission  
19 shall report to the 1990 General Assembly any errors it discovers in the information  
20 furnished by local governments to the Secretary as required in this subsection.

21 (b) Subsequent Distributions. – As soon as practicable after January 1, 1990, the  
22 Secretary shall pay to each county and city the amount it received under subsection (a)  
23 in 1989 plus an amount equal to the county or city average rate multiplied by the value  
24 of the items described in subdivisions (ii) and (iii) of subsection (a) that were required  
25 to be listed and assessed as of January 1, 1987, and were listed on or before September  
26 1, 1987, in the county or city, plus or minus the percentage of this product that equals  
27 the percentage by which State personal income has increased or decreased during the  
28 most recent 12-month period for which State personal income data has been compiled  
29 by the Bureau of Economic Analysis of the United States Department of Commerce. As  
30 soon as practicable after January 1, 1990, the Secretary shall also pay to each county  
31 and city an amount equal to the average rate for each special district for which the  
32 county or city collected taxes in 1987, but whose tax rates were not included in the  
33 county or city's rates, multiplied by the value of the items described in subdivisions (ii)  
34 and (iii) of subsection (a) that were required to be listed and assessed as of January 1,  
35 1987, and were listed on or before September 1, 1987, in the district, plus or minus the  
36 percentage of this product that equals the percentage by which State personal income  
37 has increased or decreased during the most recent 12-month period for which State  
38 personal income data has been compiled by the Bureau of Economic Analysis of the  
39 United States Department of Commerce. As soon as practicable after January 1, 1991,  
40 except as provided in subsection (f), the Secretary shall pay to each county and city the  
41 amount it received under this section the preceding year plus an amount equal to the  
42 county or city average rate multiplied by the value of the items described in subdivision  
43 (v) of subsection (a) contained in the list submitted by the county or city, plus or minus  
44 the percentage of this product that equals the percentage by which State personal

1 income has increased or decreased during the most recent 12-month period for which  
2 State personal income data has been compiled by the Bureau of Economic Analysis of  
3 the United States Department of Commerce. As soon as practical after January 1, 1992,  
4 except as provided in subsection (f), the Secretary shall distribute to each county and  
5 city the amount it received under this section the preceding year. On or before April 30,  
6 1993, except as provided in subsection (f), the Secretary shall distribute to each county  
7 and city ninety-nine and eighty-one one-hundredths percent (99.81%) of the amount it  
8 received under this section the preceding year. Thereafter, until August 1995, except as  
9 provided in subsection (f), on or before April 30 of each year, the Secretary shall  
10 distribute to each county and city the amount it received under this section the preceding  
11 year. On or before August 30, 1995, the Secretary shall determine for each county and  
12 city the amount it received in April 1995 under this section. Each year thereafter, until  
13 July 1, 2003, except as provided in subsection (f), the Secretary shall distribute to each  
14 county and city fifty percent (50%) of this amount on or before September 30 and the  
15 remaining fifty percent (50%) on or before the following April 30. Beginning August 1,  
16 2003, and each August 1 thereafter, the Secretary shall distribute to each city the  
17 amount it was entitled to receive under this section the previous August 1. Beginning  
18 April 30, 2004, and each April 30 thereafter, the Secretary shall distribute to each city  
19 the amount it was entitled to receive under this section the previous April 30.

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, until August 1995, as soon as practicable after receiving funds  
36 under this subsection, every county and city shall distribute among the special districts  
37 for which the county or city collects tax an amount equal to the amount it distributed  
38 among such districts the previous year. Each year thereafter, as soon as practical after  
39 receiving funds under this subsection in September, every ~~county and~~ city shall  
40 distribute among the special districts for which the ~~county or~~ city collects tax an amount  
41 equal to fifty percent (50%) of the amount it distributed among ~~such those~~ districts in  
42 April 1995, and as soon as practicable after receiving funds under this subsection in  
43 April, every ~~county and~~ city shall distribute among the special districts for which the

1 ~~county or~~ city collects tax an amount equal to fifty percent (50%) of the amount it  
2 distributed among ~~such those~~ districts in April 1995.

3 The Local Government Commission may adopt rules for the resolution of disputes  
4 and correction of errors in the distribution among special districts provided in this  
5 subsection. In addition, the Local Government Commission may adopt rules for the  
6 reallocation of funds when a special district is dissolved, merged, or consolidated, or  
7 when a special district ceases to levy tax, either temporarily or permanently.

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

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

12 (e) Source of Funds. – To pay for the distribution required by this section and the  
13 cost to the Department of Revenue of making the distribution, the Secretary of Revenue  
14 shall draw from collections received under Part 1 of Article 4 of this Chapter an amount  
15 equal to the amount distributed and the cost of making the distribution.

16 (f) Correction of Errors. – If the Secretary discovers that the amount or value of  
17 any inventories or other items listed by a ~~county or~~ city pursuant to subsection (a) of this  
18 section was overstated or understated, the Secretary shall adjust the amount to be  
19 distributed under subsection (b) as follows. For the distribution to be made in the year  
20 following discovery of the overstatement or understatement, the Secretary shall  
21 distribute to the ~~county or~~ city the amount it would have received under subsection (b)  
22 in 1993 if it had not overstated or understated the amount or value of any inventories or  
23 other items, plus the total amount it failed to receive in 1989 and subsequent years due  
24 to understatement of the amount or value of the inventories or other items, or minus the  
25 total amount it received in 1989 and subsequent years due to overstatement of the  
26 amount or value of the inventories or other items. Thereafter, each year the Secretary  
27 shall distribute to the ~~county or~~ city the amount it would have received under subsection  
28 (b) in 1993 if it had not overstated or understated the amount or value of any inventories  
29 or other items."

30 **SECTION 5.** Effective July 1, 2003, G.S. 105-277.1A reads as rewritten:

31 **"§ 105-277.1A. Property classified for taxation at reduced valuation; duties of tax**  
32 **collectors; reimbursement of ~~localities~~ cities for portion of tax lost.**

33 (a) On September 1, 1990, the tax collector of each county and the tax collector  
34 of each city shall furnish to the Secretary of Revenue a list containing the name and  
35 address of each person who has qualified in that year for the exemption provided in G.S.  
36 105-277.1. The list shall also contain for each name the total amount of property  
37 exempted, the tax rate the property is subject to, and the product obtained by  
38 multiplying those two numbers by each other. The lists shall be accompanied by an  
39 affidavit attesting to the accuracy of the list and shall all be on a form prescribed by the  
40 Secretary of Revenue.

41 ~~(a1) On December 1, 1997, the tax collector of each county and the tax collector~~  
42 ~~of each city shall furnish to the Secretary of Revenue two lists containing the name and~~  
43 ~~address of each taxpayer who has qualified in that year for the exemption provided in~~  
44 ~~G.S. 105-277.1. The first list shall include those taxpayers whose income was above~~

1 ~~eleven thousand dollars (\$11,000) and the second list shall include those taxpayers~~  
2 ~~whose income was eleven thousand dollars (\$11,000) or less. On the first list, the tax~~  
3 ~~collector shall provide for each name the total amount of property exempted and on the~~  
4 ~~second list, the tax collector shall provide for each name the amount of property above~~  
5 ~~fifteen thousand dollars (\$15,000) exempted. On both lists, the tax collector shall~~  
6 ~~provide the tax rate the property is subject to and the product obtained by multiplying~~  
7 ~~the tax rate by the amount of property. The lists shall be accompanied by an affidavit~~  
8 ~~attesting to the accuracy of the list and shall be on a form prescribed by the Secretary of~~  
9 ~~Revenue.~~

10 (b) Repealed by 1996, Second Extra Session, c. 18, s. 15.1(c).

11 (c) The Secretary of Revenue may, for cause, grant an extension for the  
12 submission of a list required by this section.

13 (d) Before May 31, 1991, the Secretary of Revenue shall distribute to the county  
14 or city fifty percent (50%) of the total for the entire list provided pursuant to subsection  
15 (a) of this section of the product obtained by multiplying the tax exemption for each  
16 taxpayer times the applicable tax rate. Each year thereafter, on or before May 31, until  
17 May 2004, the Secretary of Revenue shall pay to each county and city that was entitled  
18 to receive a distribution under this subsection in 1991 the amount it was entitled to  
19 receive in 1991. Beginning May 31, 2004, and each May 31 thereafter, the Secretary  
20 shall pay to each city that was entitled to receive a distribution under this subsection in  
21 1991 the amount it was entitled to receive in 1991.

22 ~~(d1) Before May 31, 1998, the Secretary of Revenue shall distribute to the county~~  
23 ~~or city fifty percent (50%) of the total for both lists provided the preceding December 1~~  
24 ~~pursuant to subsection (a1) of this section of the product obtained by multiplying the~~  
25 ~~applicable tax rate times the amount listed for each taxpayer. Before May 31, 1999, the~~  
26 ~~Secretary of Revenue shall pay to each county and city the amount it received under this~~  
27 ~~subsection in 1998.~~

28 (e) Any funds received by any ~~county~~ or city pursuant to this section because the  
29 ~~county~~ or city was collecting taxes for another unit of government or special district  
30 shall be credited to the funds of that other unit or district in accordance with regulations  
31 issued by the Local Government Commission.

32 (f) In order to pay for the reimbursement under this section and the cost to the  
33 Department of Revenue of administering the reimbursement, the Secretary of Revenue  
34 shall draw from collections received under Part 1 of Article 4 of this Chapter an amount  
35 equal to the reimbursement and the cost of administration."

36 **SECTION 6.** Effective July 1, 2004, G.S. 105-277.001 reads as rewritten:

37 "**§ 105-277.001. Reimbursement for exclusion of retailers' and wholesalers'**  
38 **inventories.**

39 (a) Submission of Claims. – On or before January 15, 1989, the governing body  
40 of each county and city shall furnish to the Secretary a list of all the inventories owned  
41 by retailers and wholesalers that were required to be listed and assessed as of January 1,  
42 1987, and were listed on or before September 1, 1987, in the county or city under this  
43 Subchapter. The list shall contain the value of the inventories as well as the property tax  
44 rates in effect in the county or city for the eight years from 1980 through 1987. The list



1 shall also contain the property tax rates in effect for those years in each special district  
2 for which the county or city collected taxes in 1987 but whose tax rates were not  
3 included in the rates listed for the county or city, and the value of the inventories owned  
4 by retailers and wholesalers that were required to be listed and assessed as of January 1,  
5 1987, and were listed on or before September 1, 1987, in that district. The list shall be  
6 accompanied by an affidavit attesting to the accuracy of the list and shall be on a form  
7 prescribed by the Secretary.

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

15 (b) First Per Capita Distribution. – As soon as practicable after January 1 of  
16 1989, the Secretary shall distribute to each taxing unit the unit's per capita share of the  
17 sum of fifteen million seven hundred forty-five thousand dollars (\$15,745,000).  
18 Thereafter, as soon as practicable after January 1 of 1990 and 1991, the Secretary shall  
19 distribute to each taxing unit the unit's per capita share of an amount equal to the sum  
20 distributed to all taxing units the previous year under this subsection plus or minus the  
21 product of the sum distributed the previous year and the percentage by which State  
22 personal income has increased or decreased during the most recent 12-month period for  
23 which State personal income data has been compiled by the Bureau of Economic  
24 Analysis of the United States Department of Commerce.

25 On or before April 30 of 1992, 1993, 1994, and 1995, the Secretary shall distribute  
26 to each taxing unit the unit's per capita share of the sum that this subsection provided  
27 was to be distributed to all taxing units in 1991. Beginning August 1995 and each year  
28 ~~thereafter~~, thereafter until July 1, 2004, the Secretary shall determine for each taxing  
29 unit the unit's per capita share of the sum that this subsection provided was to be  
30 distributed to all taxing units in 1991. Each ~~year~~, year until July 1, 2004, the Secretary  
31 shall distribute to each taxing unit fifty percent (50%) of this share on or before  
32 September 30 and the remaining fifty percent (50%) of this share on or before the  
33 following April 30. Beginning September 30, 2004, and each September 30 thereafter,  
34 the Secretary shall distribute to each city the amount it was entitled to receive under this  
35 subsection the previous September 30. Beginning April 30, 2005, and each April 30  
36 thereafter, the Secretary shall distribute to each city the amount it was entitled to receive  
37 under this subsection the previous April 30.

38 ~~To make the per capita distributions required by this subsection, the Secretary shall~~  
39 ~~first allocate the sum to be distributed among the counties on a per capita basis. The~~  
40 ~~Secretary shall then compute a per capita distributable amount for each county by~~  
41 ~~dividing the amount allocated to a county by the total population of the county, plus the~~  
42 ~~population of any incorporated towns and cities located in the county. Each taxing unit~~  
43 ~~in a county, including the county itself, shall receive the product of the population of the~~  
44 ~~taxing unit and the per capita distributable amount for that county.~~

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

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

11 Each year thereafter through April 1995, on or before April 30, the Secretary of  
12 Revenue shall allocate to each county the amount it received the previous year under  
13 this subsection. On or before August 30, 1995, the Secretary shall determine for each  
14 county the amount it received in April 1995 under this subsection. Each year thereafter,  
15 until July 1, 2004, the Secretary shall distribute fifty percent (50%) of this amount to  
16 each county on or before September 30 and the remaining fifty percent (50%) to each  
17 county on or before the following April 30. Beginning September 30, 2004, and each  
18 September 30 thereafter, the Secretary shall allocate to each county the amount  
19 allocated to it under this subsection the previous September 30. Beginning April 30,  
20 2005, and each April 30 thereafter, the Secretary shall allocate to each county the  
21 amount allocated to it under this subsection the previous April 30.

22 Amounts allocated to a county under this subsection shall in turn be ~~divided and~~  
23 ~~distributed~~ allocated between the county and the cities located in the county in  
24 proportion to the total amount of ad valorem taxes levied by each during the fiscal year  
25 preceding the distribution. For the purposes of this section, the amount of the ad  
26 valorem taxes levied by a county or city shall include any ad valorem taxes collected by  
27 the county or city in behalf of a special district. For the purpose of computing the  
28 ~~distribution allocation~~ for any year with respect to which the property valuation of a  
29 public service company is the subject of an appeal and the Department of Revenue is  
30 restrained by law from certifying the valuation to the appropriate counties and cities, the  
31 Department shall use the latest property valuation of that public service company that  
32 has been certified.

33 The Secretary shall distribute to each city the amounts allocated to it under this  
34 subsection. Amounts allocated to counties shall not be distributed but shall remain in the  
35 General Fund.

36 The governing body of each ~~county and city~~ shall report to the Secretary of Revenue  
37 ~~such information as he may request~~ any information the Secretary requests in order to  
38 make the distribution under this subsection. If a ~~county or city~~ fails to make a requested  
39 report within the time prescribed, the Secretary may disregard that ~~county or city~~ and  
40 the other taxing units in the ~~county or city~~ in making the distribution.

41 (c1) Claims-based Distribution. – On or before March 20, 1989, the Secretary  
42 shall distribute to each county and city an amount equal to the amount by which the  
43 county or city's inventory loss, as defined in subsection (d) of this section, exceeds the

1 amount of the reimbursement received by the county or city under subsection (c) of this  
2 section.

3 Except as provided in subsection (g) of this section, each year thereafter through  
4 April 1995, on or before April 30, the Secretary shall distribute to each county and city  
5 the amount it received the previous year under this subsection. On or before August 30,  
6 1995, the Secretary shall determine for each county and city the amount it received in  
7 April 1995 under this subsection. Each year thereafter, until July 1, 2004, the Secretary  
8 shall distribute fifty percent (50%) of this amount to each county and city on or before  
9 September 30 and the remaining fifty percent (50%) of this amount to each county and  
10 city on or before the following April 30.

11 Beginning September 30, 2004, and each September 30 thereafter, the Secretary  
12 shall distribute to each city the amount it was entitled to receive under this subsection  
13 the previous September 30. Beginning April 30, 2005, and each April 30 thereafter, the  
14 Secretary shall distribute to each city the amount it was entitled to receive under this  
15 subsection the previous April 30.

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

30 Except as provided in subsection (g) of this section, each year thereafter through  
31 April 1995, on or before April 30, the Secretary shall distribute to each county and city  
32 the amount it received the previous year under this subsection. On or before August 30,  
33 1995, the Secretary shall determine for each county and city the amount it received in  
34 April 1995 under this subsection. Each year thereafter, until July 1, 2004, the Secretary  
35 shall distribute fifty percent (50%) of this amount to each county and city on or before  
36 September 30 and the remaining fifty percent (50%) of this amount to each county and  
37 city on or before the following April 30.

38 Beginning September 30, 2004, and each September 30 thereafter, the Secretary  
39 shall distribute to each city the amount it was entitled to receive under this subsection  
40 the previous September 30. Beginning April 30, 2005, and each April 30 thereafter, the  
41 Secretary shall distribute to each city the amount it was entitled to receive under this  
42 subsection the previous April 30.

43 (c3) Distribution to Special Districts. – Of the funds received by each ~~county and~~  
44 city pursuant to subsections (c), (c1), and (c2) of this section, the portion that was

1 received because the ~~county or~~ city was collecting taxes for a special district shall be  
2 distributed among the districts in the ~~county or~~ city in proportion to the amount of each  
3 special district's inventory levy, as defined in subsection (d) of this section, as soon as  
4 practicable after the city ~~or county~~ receives funds under this subsection. The Local  
5 Government Commission may adopt rules for the resolution of disputes and correction  
6 of errors in the distribution among special districts provided in this paragraph. In  
7 addition, the Local Government Commission may adopt rules for the reallocation of  
8 funds when a special district is dissolved, merged, or consolidated, or when a special  
9 district ceases to levy tax, either temporarily or permanently.

10 (d) Definitions. – The following definitions apply in this section:

11 (1) "City" has the same meaning as in G.S. 153A-1(1).

12 (2) "City's inventory loss" means the city's average rate multiplied by  
13 eighty percent (80%) of the value of the inventories reported to the  
14 Secretary under subsection (a) of this section by the city, plus the  
15 average rate for each special district for which the city collected taxes  
16 in 1987, but whose tax rates were not included in the city's rates,  
17 multiplied by eighty percent (80%) of the value of the inventories  
18 reported to the Secretary under subsection (a) of this section in behalf  
19 of the district, plus or minus the percentage of this amount that equals  
20 the lesser of five percent (5%) or the percentage by which State  
21 personal income has increased or decreased during the most recent  
22 12-month period for which State personal income data has been  
23 compiled by the Bureau of Economic Analysis of the United States  
24 Department of Commerce, minus three and four-tenths percent (3.4%)  
25 of the total distribution received by the city under G.S. 105-472,  
26 105-486, 105-501, and Chapter 1096 of the 1967 Session Laws  
27 between January 1, 1988, and December 31, 1988.

28 ~~(3) "County's inventory loss" means the county's average rate multiplied~~  
29 ~~by eighty percent (80%) of the value of the inventories reported to the~~  
30 ~~Secretary under subsection (a) of this section by the county, plus the~~  
31 ~~average rate for each special district for which the county collected~~  
32 ~~taxes in 1987, but whose tax rates were not included in the county's~~  
33 ~~rates, multiplied by eighty percent (80%) of the value of the~~  
34 ~~inventories reported to the Secretary under subsection (a) of this~~  
35 ~~section in behalf of the district, plus or minus the percentage of this~~  
36 ~~amount that equals the lesser of five percent (5%) or the percentage by~~  
37 ~~which State personal income has increased or decreased during the~~  
38 ~~most recent 12-month period for which State personal income data has~~  
39 ~~been compiled by the Bureau of Economic Analysis of the United~~  
40 ~~States Department of Commerce, minus three and four-tenths percent~~  
41 ~~(3.4%) of the total distribution received by the county under G.S. 105-~~  
42 ~~472, 105-486, 105-501, and Chapter 1096 of the 1967 Session Laws~~  
43 ~~between January 1, 1988, and December 31, 1988.~~

1 (4) "Special district's inventory levy" means the special district's average  
2 rate multiplied by eighty percent (80%) of the value of the inventories  
3 reported to the Secretary under subsection (a) of this section in behalf  
4 of the district.

5 (5) "Taxing unit" means a unit that levied a property tax or for which  
6 another unit collected a property tax for the fiscal year preceding the  
7 fiscal year a distribution is made under this section.

8 (e) Population Estimates. – In making the per capita calculations under this  
9 section, the Secretary shall use the most recent annual population estimates certified by  
10 the State Planning Officer.

11 (f) Source of Funds. – To pay for the distribution required by this section and the  
12 cost of making the distribution, the Secretary shall draw from collections received under  
13 Part 1 of Article 4 of this Chapter an amount equal to the amount distributed and the  
14 cost of making the distribution.

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

28 **SECTION 7.** Section 1 of this act becomes effective July 1, 2002. Except as  
29 otherwise provided in this act, the remainder of this act is effective when it becomes  
30 law.