

**GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2005**

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HOUSE BILL 2802

Short Title: Reduce Sales Tax/Freeze County Medicaid Costs. (Public)

Sponsors: Representatives Gibson, Luebke, Wainwright, Alexander (Primary Sponsors); Glazier, Harrison, Warren, Weiss, and Wray.

Referred to: Finance.

May 30, 2006

A BILL TO BE ENTITLED

AN ACT TO REDUCE THE SALES TAX RATE EARLY AND TO FREEZE THE MEDICAID COSTS TO COUNTIES AND TO PROVIDE THAT THE COUNTY SHARE OF THE NONFEDERAL SHARE OF MEDICAID COSTS FOR THE 2006-2007 FISCAL YEAR SHALL NOT EXCEED THE COUNTY SHARE PAID BY EACH COUNTY FOR THE 2005-2006 FISCAL YEAR.

The General Assembly of North Carolina enacts:

SECTION 1. Section 34.13(c) of S.L. 2001-424, as amended by Section 38.1 of S.L. 2003-284, Section 9.1 of S.L. 2005-144, and Section 33.1 of S.L. 2005-276, reads as rewritten:

"SECTION 34.13.(c) This section becomes effective October 16, 2001, and applies to sales made on or after that date. ~~This section is repealed effective for sales made on or after July 1, 2007.~~ This section does not affect the rights or liabilities of the State, a taxpayer, or another person arising under a statute amended or repealed by this section before the effective date of its amendment or repeal; nor does it affect the right to any refund or credit of a tax that accrued under the amended or repealed statute before the effective date of its amendment or repeal."

SECTION 2. G.S. 105-164.4(a), as amended by Section 1 of this act, reads as rewritten:

"(a) A privilege tax is imposed on a retailer at the following percentage rates of the retailer's net taxable sales or gross receipts, as appropriate. The general rate of tax is four and ~~one-half percent (4 1/2%)~~ one-quarter percent (4.25%).

..."

SECTION 3. G.S. 105-164.4(a), as amended by Sections 1 and 2 of this section, reads as rewritten:

"(a) A privilege tax is imposed on a retailer at the following percentage rates of the retailer's net taxable sales or gross receipts, as appropriate. The general rate of tax is four ~~and one-quarter percent (4.25%)~~ percent (4%).

1 ..."

2 **SECTION 4.** G.S. 105-164.44F (a) reads as rewritten:

3 "(a) Amount. – The Secretary must distribute to the cities part of the taxes
4 imposed by G.S. 105-164.4(a)(4c) on telecommunications service. The Secretary must
5 make the distribution within 75 days after the end of each calendar quarter. The amount
6 the Secretary must distribute is ~~eighteen and three one-hundredths percent (18.03%)~~
7 eighteen and seventy one-hundredths percent (18.70%) of the net proceeds of the taxes
8 collected during the quarter, minus two million six hundred twenty thousand nine
9 hundred forty-eight dollars (\$2,620,948). This deduction is one-fourth of the annual
10 amount by which the distribution to cities of the gross receipts franchise tax on
11 telephone companies, imposed by former G.S. 105-120, was required to be reduced
12 beginning in fiscal year 1995-96 as a result of the "freeze deduction." The Secretary
13 must distribute the specified percentage of the proceeds, less the "freeze deduction"
14 among the cities in accordance with this section."

15 **SECTION 5.** G.S. 105-164.44F(a), as amended by Section 4 of this act,
16 reads as rewritten:

17 "(a) Amount. – The Secretary must distribute to the cities part of the taxes
18 imposed by G.S. 105-164.4(a)(4c) on telecommunications service. The Secretary must
19 make the distribution within 75 days after the end of each calendar quarter. The amount
20 the Secretary must distribute is ~~eighteen and seventy one-hundredths percent~~
21 ~~(18.70%)~~nineteen and forty-two one-hundredths percent (19.42%) of the net proceeds of
22 the taxes collected during the quarter, minus two million six hundred twenty thousand
23 nine hundred forty-eight dollars (\$2,620,948). This deduction is one-fourth of the
24 annual amount by which the distribution to cities of the gross receipts franchise tax on
25 telephone companies, imposed by former G.S. 105-120, was required to be reduced
26 beginning in fiscal year 1995-96 as a result of the "freeze deduction." The Secretary
27 must distribute the specified percentage of the proceeds, less the "freeze deduction"
28 among the cities in accordance with this section."

29 **SECTION 6.** Notwithstanding any other provision of law to the contrary,
30 each county's share of the nonfederal share of Medicaid costs for the 2006-2007 fiscal
31 year and thereafter, excluding administrative costs, shall not exceed each county's share
32 of the nonfederal share of Medicaid costs, excluding administrative costs, paid for the
33 2005-2006 fiscal year.

34 **SECTION 7.** Section 2 of this act becomes effective January 1, 2007, and
35 applies to sales made on or after that date. Section 4 of this act becomes effective
36 January 1, 2007, and applies to taxes collected on or after that date. Section 3 of this act
37 becomes effective July 1, 2007, and applies to sales made on or after that date. Section 5
38 of this act becomes effective July 1, 2007, and applies to taxes collected on or after that
39 date. Section 6 of this act becomes effective July 1, 2006. The remainder of this act is
40 effective when it becomes law.