

GENERAL ASSEMBLY OF NORTH CAROLINA



Session 2007

Legislative Fiscal Note

BILL NUMBER: House Bill 2290 (First Edition)

SHORT TITLE: Burgaw Meals Tax

SPONSOR(S): Representative Hughes

FISCAL IMPACT					
	Yes (X)	No ()	No Estimate Available ()		
	(In Millions)				
	<u>FY 2008-09</u>	<u>FY 2009-10</u>	<u>FY 2010-11</u>	<u>FY 2011-12</u>	<u>FY 2012-13</u>
REVENUES					
General Fund	No General Fund Impact				
Town of Burgaw	\$39,000	\$40,000	\$40,000	\$41,000	\$42,000
EXPENDITURES					
POSITIONS (cumulative):					
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED:					
EFFECTIVE DATE: Effective when it becomes law.					

BILL SUMMARY:

HB 2290 authorizes the Burgaw Board of Commissioners to levy a one percent sales tax on prepared food and beverages. The town must first issue public notice and hold a public hearing before adopting a resolution to levy the tax. The tax applies to the sales price of prepared food and drink including alcoholic beverages sold within the Town for consumption on or off the premises. The tax does not apply to:

- Prepared food and beverages served to residents in boarding houses.
- Retail sales exempt from the sales and use tax.
- Retail sales through vending machines.
- Prepared food and beverages served by a retailer subject to the local occupancy tax if the charge for prepared food and beverage is included in the room.
- Retail sales by grocery stores or grocery sections of supermarkets other than sales of prepared food and beverages in the delicatessen or other similar department.
- Prepared food and beverages sold on a federal military reservation.

HB 2290 provides for the collection, administration, penalties, and refunds connected with the tax. If adopted, the proceeds from the tax will be used to promote travel and tourism and for tourism-related expenditures including capital expenses.

ASSUMPTIONS AND METHODOLOGY:

Since HB 2290 is a local bill, there is no General Fund impact. Fiscal Research estimates that a one percent tax on prepared food and drink would generate approximately \$40,000 in sales and use tax collections for the Town of Burgaw each year. Burgaw, located in Pender County, represents eight percent of the county's population, and thus eight percent of county's meal tax collections.

To calculate the change in collections associated with a one percent tax, Fiscal Research calculated Pender County prepared food sales for the 2006-2007 fiscal year, multiplying the total sales by one percent to estimate tax collections. The county-wide collections were then apportioned to represent the amount of the prepared food tax collected in Burgaw by multiplying the county-wide figure by eight percent (eight percent of Pender County's population resides in Burgaw). The 2006-07 sales and use tax collections on prepared food in Burgaw were earmarked by annual inflation rates to estimate future collections.

The Department of Revenue reports by county the amount of State sales and use tax remitted by businesses that sell prepared food each fiscal year. The food category includes the sales and use taxes remitted by bakeries, candy and confectionary stores, vending machines operators and drink stands, grocery stores and meat markets, dairies, restaurants, taverns and night clubs, and other establishments. While the Department reports sales and use tax collections from food related businesses, all of the tax collections from these establishments cannot be attributed to the sale of prepared food.

The fiscal estimate only includes 65 percent of sales by food related establishments-the sales of bakeries, candy and confectionary stores, dairies, restaurants, taverns and night clubs. The sales of grocery stores and meat markets and vending machine operators are excluded. Sales by Burgaw bakeries, candy and confectionary stores, dairies, restaurants, taverns and night clubs would be subject to the one percent meals tax and generate an additional \$40,000, annually, in collections.

SOURCES OF DATA:

Tax Collections: North Carolina Department of Revenue. *Sales and Use Tax Statistics, For Fiscal Year 2006-2007*. Available at: <http://www.dornc.com/publications/FY06-07SalesUseStats.pdf>.

Population Data: Pender County-U.S. Census Bureau, 2007 Population Estimates; Town of Burgaw U.S. Census Bureau, 2006 Population Estimates.

TECHNICAL CONSIDERATIONS: None

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