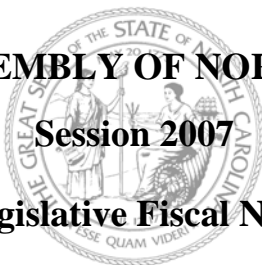


GENERAL ASSEMBLY OF NORTH CAROLINA



Session 2007

Legislative Fiscal Note

BILL NUMBER: House Bill 2679 (First Edition)

SHORT TITLE: ABC Recycling Tax Credit

SPONSOR(S): Representative Gibson

<b>FISCAL IMPACT</b>					
	<b>Yes (X)</b>	<b>No ( )</b>	<b>No Estimate Available ( )</b>		
	<b>\$ In Millions</b>				
	<b><u>FY 2008-09</u></b>	<b><u>FY 2009-10</u></b>	<b><u>FY 2010-11</u></b>	<b><u>FY 2011-12</u></b>	<b><u>FY 2012-13</u></b>
<b>REVENUES</b>	<b>(\$1.07)</b>	<b>(\$2.17)</b>	<b>(\$2.20)</b>	<b>(\$2.24)</b>	<b>(\$1.13)</b>
<b>EXPENDITURES</b>					
<b>POSITIONS (cumulative):</b>					
<b>PRINCIPAL DEPARTMENT(S) &amp; PROGRAM(S) AFFECTED:</b> North Carolina Department of Revenue					
<b>EFFECTIVE DATE:</b> January 1, 2008 and sunsets January 1, 2013.					

**BILL SUMMARY:**

HB 2679 provides tax credits to ABC permit holders allowed on-premise alcohol consumption. These permit holders must recycle beverage containers under GS 18B-1006.1, often at their own expense. HB 2679 creates a tax credit against these recycling costs.

The tax credit varies with the permit holder’s annual recycling costs, with recycling cost defined as the collection and/or disposal of the beverage containers. The maximum of amount of the credit that can be taken is \$500 per year. Businesses must provide documentation to support the credit as required by the Secretary of Revenue. The schedule of credits is listed below:

<u>Annual Recycling Cost</u>	<u>Amount of Credit</u>
Up to \$750	\$0
\$750-\$1,500	\$250
Over \$1,500	\$500

The bill becomes effective January 1, 2008 and sunsets on January 1, 2013.

**ASSUMPTIONS AND METHODOLOGY:**

The ABC Recycling Tax Credit represents one million dollars in tax expenditures for the 2008-09 fiscal year and two million dollars in subsequent years. Because the credits becomes effective January 1, 2008 and sunset January 1, 2013, the 2008-09 and 2012-13 fiscal years each represent half a year’s tax expenditures. The estimated tax expenditures account for the number of ABC on-premise permit holders in the state of North Carolina, annual recycling costs per business, and growth in the number businesses that would be eligible for the tax credit.

Roughly 9,000 businesses hold ABC permits that allow for on-premise alcohol consumption (ABC on premise). As ABC on-premise permit holders, these businesses must collect and recycle the containers in which the beverage is served. A requirement, according to the North Carolina Restaurant and Lodging Association, which costs businesses an average of \$1,800 per year. The North Carolina Restaurant Association believes that 90 percent of North Carolina’s ABC on-premise permit holders comply with the recycling program, 8,100 companies (Table 1).

<b>Table 1. ABC Recycling Tax Credit by Expense Level and Number of Businesses Fiscal Year 2008-09 Fiscal</b>				
	<b>Permit Holders w/ Annual Recycling Cost &lt;\$750</b>	<b>Permit Holders w/ Annual Recycling Costs Between \$750-\$1,500</b>	<b>Permit Holders that Self-Haul Recycling Materials; w/ Annual Recycling Cost \$1,500+</b>	<b>Total</b>
Total Number of Permit Holders	1,300	5,900	1,800	9,000
Number of Permit Holders Assuming 90% Compliance	1,170	5,310	1,620	8,100
Tax Credit per Business	\$ 0	\$ 250	\$500	-

The average recycling cost per business equals \$1,800, costs vary widely contingent on business type and the availability of commercial and local government disposal services. Businesses with minimal recycling costs, such as convenience stores and businesses with local government disposal services, represent 1,170 of North Carolina’s 8,100 complying ABC on-premise permit holders. These businesses, those with less than \$750 in annual recycling costs, would not be eligible for tax credits under HB 2679.

The companies that incur the highest recycling costs are those lacking access to commercial and local government disposal services. These businesses must self-haul the products for recycling, incurring costs well above \$1,500. Under HB 2679, these 1,620 firms would be eligible for an annual tax credit of \$500.

The remaining businesses, those with access to commercial hauling, but without local government recycling programs, represent the majority of North Carolina ABC on-premise permit holders. These 5,130 companies incur annual costs between \$750 and \$1,500 and would be eligible for a \$250 tax credit under HB 2679.

While little is known about the change in recycling costs, the fiscal estimate assumes that the number of businesses eligible for the tax credit increases as the State population increases, by roughly two percent per year.

**SOURCES OF DATA:**

North Carolina Division of Pollution Prevention  
North Carolina Restaurant and Lodging Association  
North Carolina Alcohol and Beverage Control Commission

**TECHNICAL CONSIDERATIONS:** None

**FISCAL RESEARCH DIVISION:** (919) 733-4910

**PREPARED BY:**

Sandra Johnson, Fiscal Analyst

**APPROVED BY:**

Lynn Muchmore, Director  
Fiscal Research Division

**DATE:** June 27, 2008



**Signed Copy Located in the NCGA Principal Clerk's Offices**