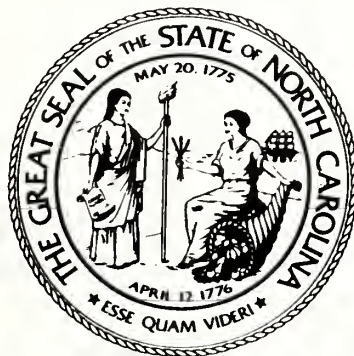


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LEGISLATIVE RESEARCH COMMISSION

LOCAL GOVERNMENT FINANCING



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REPORT TO THE
1987 GENERAL ASSEMBLY
OF NORTH CAROLINA

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LEGISLATIVE RESEARCH COMMISSION
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December 12, 1986

TO THE MEMBERS OF THE 1987 GENERAL ASSEMBLY:

The Legislative Research Commission herewith reports to the 1987 General Assembly on the matter of local government financing. The report is made pursuant to Chapter 790 of the 1985 Session Laws.

This report was prepared by the Legislative Research Commission's Committee on Local Government Financing and is transmitted by the Legislative Research Commission for your consideration.

Respectfully submitted,


Liston B. Ramsey


J. C. (Monk) Harrington

Cochairman
Legislative Research Commission



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Representative Barney Paul Woodard

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PREFACE

The Legislative Research Commission, authorized by Article 6B of Chapter 120 of the General Statutes, is a general purpose study group. The Commission is cochaired by the Speaker of the House and the President Pro Tempore of the Senate and has ten additional members, five appointed from each house of the General Assembly. Among the Commission's duties is that of making or causing to be made, upon the direction of the General Assembly, "such studies of and investigation into governmental agencies and institutions and matters of public policy as will aid the General Assembly in performing its duties in the most effective manner" (G.S. 120-20.17(1)).

At the direction of the 1985 General Assembly, the Legislative Research Commission has undertaken studies of numerous subjects. These studies were grouped into broad categories and each member of the Commission was given the responsibility for one category of study. The cochairmen of the Legislative Research Commission, under the authority of G.S. 120-30.10(b) and (c), appointed committees consisting of members of the General Assembly and the public to conduct the studies. Cochairmen, one from each house of the General Assembly, were designated for each committee.

The study of Local Government Financing was authorized by Section 1(36) of Chapter 790, Session Laws of 1985.

The Legislative Research Commission grouped this study in the Local Government area under the direction of Representative John Church. The cochairmen of the study commission established by the Legislative Research Commission are Senator Marshall Rauch and Representative Walter Jones, Jr. The full membership of the committee is listed in Appendix A of this report. Chapter 790 authorizing this study and Senate Bill 670, 1985 Session, which the committee was authorized to consider in determining the scope of the study are attached as Appendices B and C.

COMMITTEE PROCEEDINGS

Subsequent to adjournment of the 1985 General Assembly sine die, the Committee on Local Government Financing met two times. At the first meeting on September 9, 1986, the Committee heard a presentation on legislative action during the 1986 short session on the recommendations of the Committee's interim report. Mayor Harvey Gantt of Charlotte made presentations on five areas of local option taxation carried over from committee meetings before the 1986 short session.

At the committee's second meeting on October 22, 1986, the committee approved two proposals, a local option occupancy tax and a local option land transfer tax. Those proposals are explained in the next section of this report. Additionally, William Holman, lobbyist for the Sierra Club and Conservation Council of North Carolina made a presentation urging that revenues from a statewide land transfer tax be partially earmarked for parkland and open space land acquisition as some other southern states already do.

RECOMMENDATIONS

The committee recommends two pieces of legislation, a local option land transfer tax and a local option occupancy tax.

The first bill is a local option land transfer tax. Land transfer taxes are more commonly known as "deed stamp" taxes. North Carolina already has a statewide land transfer tax of one tenth of one percent (.1%), with the funds being collected by the register of deeds of the county, and retained by the county where the land is located. The current law exempts from the calculation of the tax the value of any liens or encumbrances assumed by the buyer.

The 1985 session of the General Assembly passed four local acts authorizing counties to levy land transfer taxes. Those acts were applicable to Dare, Currituck, Camden, and Chowan Counties. The proposal in this report is modeled after those four local acts, and provides the following:

- (1) The maximum tax rate is one percent (1%), stated as one dollar per \$100.00 or fraction thereof.
- (2) The tax does not exempt assumed liens and encumbrances.
- (3) Revenue from the tax is distributed by the county between itself and municipalities in the county on the same basis that local option sales tax is distributed by the county. The funds may be used for any purpose authorized by law.

A copy of the draft bill is attached as Appendix D.

The recommended second bill, a local option occupancy tax, is the committee substitute presented at the Senate Finance Committee during the 1986 short session, and is a modification of the committee's similar proposal made in its earlier interim report. The primary difference between this recommendation and the recommendation in the interim report is that the new bill preserves local acts, while the original bill would have prevailed over any local acts.

The new proposal will allow cities and counties to levy an occupancy tax of one, two, or three percent. If a county levied the tax, receipts would be distributed to local government within that county on the same basis as the current local option sales tax. The bill would not earmark any funds. A county could not levy any tax under the bill if the county had an authorized occupancy tax by local act, or if any city in that county had an authorized local act occupancy tax. The effect of this restriction is to "protect" any local acts from the general law.

If a county did not levy the tax, and if neither the county nor the city had a local act occupancy tax authorized, any city may levy a tax of one, two, or three percent. If the county levied a one or two percent tax, the city could levy a tax so long as the total tax did not exceed three percent. Special provisions are made for cities in more than one county.

Counties could take action to levy the tax beginning August 1, 1987. Cities can levy the tax beginning November 1, 1987. If the city levies the tax and the county decides to do so later, the county tax would not be effective until the beginning of the next fiscal year.

All taxes levied under the act would be collected by the Department of Revenue. There would be a merchants discount of one percent of the total funds remitted by the lodging place. The draft bill appears as Appendix E.

APPENDIX A

MEMBERS OF COMMITTEE ON LOCAL GOVERNMENT FINANCING

Senate

House

Senator Marshall A. Rauch
Cochairman

Representative Walter B. Jones, Jr.
Cochairman

Senator J. Richard Conder

Mr. A. P. Carlton, Jr.

Mr. Charles H. Edwards

Representative Bruce Ethridge

Mayor Harvey B. Gantt

Representative Vernon G. James

Senator R. L. Martin

Representative Daniel T. Lilley

Representative John T. Church, LRC Member

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 1985
RATIFIED BILL

CHAPTER 790
SENATE BILL 636

AN ACT AUTHORIZING STUDIES BY THE LEGISLATIVE RESEARCH COMMISSION, MAKING TECHNICAL AMENDMENTS THERETO, AND TO MAKE OTHER AMENDMENTS.

The General Assembly of North Carolina enacts:

Section 1. Studies Authorized. The Legislative Research Commission may study the topics listed below. Listed with each topic is the 1985 bill or resolution that originally proposed the issue or study and the name of the sponsor. The Commission may consider the original bill or resolution in determining the nature, scope and aspects of the study. The topics are:

- (1) Continuation of the Study of Revenue Laws (H.J.R. 17-Lilley),
- (2) Continuation of the Study of Water Pollution Control (H.J.R. 141-Evans),
- (3) Adolescent Sexuality Teaching (H.J.R. 275-Jeralds),
- (4) Continuation of the Study on the Problems of the Aging (H.J.R. 322-Greenwood),
- (5) Continuation of the Study of Municipal Incorporations (H. J. R. 389-Greenwood),
- (6) School Discipline (H.J.R. 861-Colton),
- (7) Dail Bondsmen and Dail Bond Forfeiture (H. B. 967-Watkins),
- (8) Preventative Medicine (H. B. 1052-Locks),
- (9) Life Care Arrangements (H. B. 1053-Locks),
- (10) State Personnel System (H. B. 1064-Wiser),
- (11) Long-Term Health Care Insurance (H. B. 1103-Locks),
- (12) Itinerant Merchants (H. B. 1170-Lancaster),
- (13) Manufactured Housing Zoning (H. B. 1178-Dallance; S. B. 636-Plyler),
- (14) Interest Rate Regulation (H.J.R. 1227-Evans),
- (15) Underground Storage Tank Leakage Hazards and other ground water hazards (H. B. 1281-Locks),
- (16) Mental Patient Commitments (H.J.R. 1313-Miller),
- (17) High-Level Radioactive Waste Disposal (H. B. 1373-Diamont; S. B. 655-Hipps),
- (18) Stun Guns (H. J. R. 1390-McDowell),
- (19) Continuation of the Study of Water Quality in Haw River and B. Everett Jordan Reservoir (H. J. R. 1393-Hackney),
- (20) Authority of Boards of County Commissioners in Certain Counties over Commissions, Boards and Agencies (H. J. R. 1405-Holroyd),
- (21) Superintendent of Public Instruction and State Board of Education (H. J. R. 1412-Nye),
- (22) Rental Referral Agencies (H. B. 1421-Staney),
- (23) Child Abuse Testimony Study (S. B. 165-Hipps),
- (24) Home Schooling Programs (S. J. B. 224-Winner),
- (25) Pretrial Release (S. J. B. 297-Winner),

- (26) Inmate Substance Abuse Therapy Program (S.J.R. 317-Plyler),
- (27) Inmate Work-Release Centers (S.B. 406-Swain),
- (28) Community College System (S.B. 425-Martin),
- (29) Community Service Alternative Punishment and Restitution (S.B. 495-Swain),
- (30) State Employee Salaries and Benefits (S.B. 514-Jordan),
- (31) State Infrastructure Needs (S.B. 541-Royall),
- (32) Commercial Laboratory Water Testing (S.B. 573-Taft),
- (33) Outdoor Advertising (S.B. 611-Thomas, R.P.),
- (34) Premium Tax Rate on Insurance Companies (S.B. 633-Hardison)
- (35) Continuation of the Study of Child Support (S.B. 638-Marvin),
- (36) Local Government Financing (S.B. 670-Rauch),
- (37) Medical Malpractice and Liability (S.B. 703-Taft),
- (38) Marketing of Perishable Food (S.B. 718-Basnight),
- (39) Child Protection (S.B. 802-Hipps),
- (40) Legislative Ethics and Lobbying (S.B. 829-Rauch),
- (41) Satellite Courts (S.B. 850-Barnes),
- (42) Substantive Legislation in Appropriations Bills (S.B. 851-Rand),
- (43) School Finance Act (S.B. 848-Taft).

Sec. 2. Transportation Problems at Public Facilities. The Legislative Research Commission may identify and study transportation problems at public transportation facilities in North Carolina.

Sec. 2.1. The Legislative Research Commission may study the feasibility of the prohibition of investment by the State Treasurer of stocks of the retirement systems listed in G.S. 147-69.2(b)(6), or of the assets of the trust funds of The University of North Carolina and its constituent institutions deposited with the State Treasurer pursuant to G.S. 116-36.1 and G.S. 147-69.2(19) in a financial institution that has outstanding loans to the Republic of South Africa or in stocks, securities, or other obligations of a company doing business in or with the Republic of South Africa.

Sec. 3. Reporting Dates. For each of the topics the Legislative Research Commission decides to study under this act or pursuant to G.S. 120-30.17(1), the Commission may report its findings, together with any recommended legislation, to the 1987 General Assembly, or the Commission may make an interim report to the 1986 Session and a final report to the 1987 General Assembly.

Sec. 4. Bills and Resolution References. The listing of the original bill or resolution in this act is for reference purposes only and shall not be deemed to have incorporated by reference any of the substantive provisions contained in the original bill or resolution.

Sec. 5. The last sentence of G.S. 120-19.4(b) is amended by deleting the citation "G.S. 5-4" and inserting in lieu thereof the following: "G.S. 5A-12 or G.S. 5A-21, whichever is applicable".

Sec. 6. G.S. 120-99 is amended by adding a new paragraph to read:

"The provisions of G.S. 120-19.1 through G.S. 120-19.8 shall apply to the proceedings of the Legislative Ethics Committee as if it were a joint committee of the General Assembly, except that the chairman shall sign all subpoenas on behalf of the Committee.

Sec. 7. G.S. 120-30.17 is amended by adding a new subsection to read:

"(9) For studies authorized to be made by the Legislative Research Commission, to request another State agency, board, commission or committee to conduct the study if the Legislative Research Commission determines that the other body is a more appropriate vehicle with which to conduct the study. If the other body agrees, and no legislation specifically provides otherwise, that body shall conduct the study as if the original authorization had assigned the study to that body and shall report to the General Assembly at the same time other studies to be conducted by the Legislative Research Commission are to be reported. The other agency shall conduct the transferred study within the funds already assigned to it."

Sec. 8. This act is effective upon ratification.

In the General Assembly read three times and ratified, this the 18th day of July, 1985.

ROBERT B. JORDAN III

Robert E. Jordan III
President of the Senate

LISTON B. RAMSEY

Liston B. Ramsey
Speaker of the House of Representatives

APPENDIX C
GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 1985

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SENATE BILL 670
Second Edition Engrossed 5/29/85

Short Title: LRC Study Local Finance. (Public)

Sponsors: Senators Rauch and Thomas of Henderson; Basnight, Watt,*

Referred to: Rules and Operations of the Senate.

May 16, 1985

1 A BILL TO BE ENTITLED

2 AN ACT TO AUTHORIZE THE LEGISLATIVE RESEARCH COMMISSION TO STUDY
3 THE FINANCING OF LOCAL GOVERNMENT.

4 Whereas, the federal government may eliminate the
5 revenue sharing program; and

6 Whereas, there needs to be an analysis of the current
7 role of local governments in financing services; and

8 Whereas, tax cuts by State government may impact the
9 amount of funds that the State can provide to local governments;
10 and

11 Whereas, some public services may be priced more
12 efficiently by utilizing different financing mechanisms; Now,
13 therefore,

14 The General Assembly of North Carolina enacts:

15 Section 1. The Legislative Research Commission is
16 authorized to study the means of financing local government in
17 North Carolina, and in that study may explore options for
18 improving financing mechanisms.

19 Sec. 2. Any committee appointed under G.S. 120-30.10 to
20 conduct the study authorized by this act shall include at least

21

1 one person nominated by the North Carolina League of
2 Municipalities and at least one person [~~S-appointed~~][S-nominated]
3 by the North Carolina Association of County Commissioners.

4 Sec. 3. The Legislative Research Commission may report
5 under this act to the 1987 Regular Session of the General
6 Assembly.

7 Sec. 4. This act shall become effective July 1, 1985.

8 _____

9 *Additional Sponsors: Tally.

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APPENDIX D

A BILL TO BE ENTITLED

AN ACT TO AUTHORIZE COUNTIES TO LEVY A SUPPLEMENTAL TAX ON INSTRUMENTS CONVEYING REAL PROPERTY.

The General Assembly of North Carolina enacts:

Section 1. Chapter 105 of the General Statutes is amended by adding a new Article to read:

"ARTICLE 8F

Supplemental Local Option Excise Stamp Tax on Conveyances.

" 105-228.50. **Purpose.** It is the purpose of this Article to afford the counties and municipalities of this State with an opportunity to obtain an added source of revenue with which to meet their growing financial needs by providing all counties of the State with authority to levy an excise tax on real property transfers, unless that county already has a local act authorizing such a tax.

105-228.51. **Levy of tax.** (a) The Board of Commissioners of a county may, by ordinance, levy an excise tax on instruments conveying certain interests in real property in that county. The tax imposed may not exceed one dollar (\$1.00) on each one hundred dollars (\$100.00) or fraction thereof of the consideration or value of the interest conveyed, including the value of any lien or encumbrance remaining on the property at the time of sale. This tax is in addition to the tax levied by Article 8E of this Chapter.

(b) The tax imposed and levied shall be paid by the transferor or transferors as to any property located within the county; provided that if the instrument transfers any parcel of real estate lying in two or more counties, the tax shall be paid only to the county wherein the greater part of the real estate with respect to value lies, and only if that county levies a tax under this Article.

105-228.52. **Procedure for levy or increase in rate.** (a) The county may only levy the tax after holding a public hearing with at least ten days notice. Collection of the tax, and liability therefor, shall begin and continue only on and after the first day of a calendar month set by the board of county commissioners in the ordinance levying the tax, which shall in no case be earlier than the first day of the third succeeding calendar month after the date of adoption of the ordinance. Upon adoption of the ordinance, a certified copy shall be sent to the register of deeds of that county.

(b) The county may increase the rate of the tax under the same procedure specified by this section for levy of the tax, up to the maximum provided by G.S. 105-228.51.

105-228.53. **Procedure for repeal or reduction.** The county may, by ordinance, proceed to terminate or reduce the rate of the levy, but no such repeal or reduction in rate shall become effective earlier than the first day of the fiscal year beginning after adoption of the ordinance, or the first day of the third calendar month after the date of adoption of the ordinance, whichever comes last.

105-228.54. **Certain exemptions.** The provisions of this Article do not apply if the provisions of G.S. 105-228.29 would exempt a transfer from the tax levied by Article 8E of this Chapter. The provisions of this Article apply to the same extent as provided by G.S. 105-228.28 for conveyances taxed under that Article 8E of this Chapter.

105-228.55. **Distribution.** Taxes collected under this Article shall be placed in a special fund. The finance officer of the county shall, on a quarterly basis, distribute to the general fund of the county and to the municipalities therein the proceeds of the tax collected in that county under this Article, in accordance with the method by which the one percent (1%) sales and use taxes levied in that county pursuant to Article 39 of this Chapter or Chapter 1096 of the 1967 Session Laws are distributed, or if no such tax is levied by that county, in accordance with the formula set forth in G.S. 105-472(1). Any interest accruing to the special fund shall be annually transferred to the general fund of the county in consideration of its expenses in administering the tax and distributing the funds.

105-228.56. **Use of proceeds.** Taxes collected under this Article may be used for any purpose permitted by law.

105-228.57. **Administration; penalties.** The provisions of G.S. 105-228.31 through G.S. 105-228.36 shall apply to the tax imposed under this Article.

105-228.58. **Certain counties exempted.** This act shall not apply to the counties of Camden, Chowan, Currituck, and Dare."

Sec. 2. This act shall become effective July 1, 1987.

APPENDIX E

SENATE BILL 1271
Proposed Committee Substitute PCS3641
(FOR REVIEW ONLY)

Short Title: Local Occupancy Taxes.

(Public)

Senator

referred to: Finance.

A BILL TO BE ENTITLED

AN ACT TO AUTHORIZE CITIES AND COUNTIES TO LEVY OCCUPANCY TAXES.

The General Assembly of North Carolina enacts:

Section 1. Chapter 105 of the General Statutes is amended by adding a new Article to read:

"Article 43.

"Local Occupancy Taxes.

"§ 105-505. Short title.--This Article shall be known as the Local Occupancy Tax Act.

"§ 105-506. Purpose and intent.--It is the purpose and intent of this Article to afford the counties and cities of the State an opportunity to obtain an added source of revenue, recognizing that persons occupying transient accommodations place special service burdens on local governments.

"§ 105-507. County occupancy tax.--(a) The board of county commissioners of a county may by resolution, after not less than 10 days' public notice and after a public hearing held pursuant thereto, levy a room occupancy tax of one percent (1%), two percent (2%), or three percent (3%) of the gross receipts derived from the rental in that county of any room, lodging, or similar

accommodation subject to sales tax under G.S. 105-164.4(3). This tax is in addition to any tax levied under Chapter 105 of the General Statutes or under Chapter 1096, Session Laws of 1967, except that, if an occupancy tax is levied or is authorized to be levied by a county or by any city located partly or wholly in that county, under any local act, no occupancy tax may be levied by that county under this Article.

(b) Collection of the tax, and liability therefor, shall begin and continue only on and after the first day of a calendar month set by the board of county commissioners in the resolution levying the tax, which shall in no case be earlier than the first day of the second succeeding calendar month after the date of adoption of the resolution.

Notwithstanding the preceding paragraph, if the operation of G.S. 105-509 would cause any city occupancy tax to be reduced in rate or repealed, the effective date of the county tax shall be no earlier than the first day of the fiscal year beginning on or after the earliest effective date allowed under the first paragraph of this section, unless the city councils of all such cities by resolution consent to the effective date provided by the preceding sentence.

(c) The board of county commissioners, upon adoption of the resolution, shall cause a certified copy of the resolution, and certified copies of any such city resolutions if required by the second paragraph of subsection (b) of this section, to be delivered immediately to the Secretary of Revenue. The Secretary of Revenue shall proceed as authorized in this Article to administer the tax in such county.

(d) Every operator of a business subject to the tax levied under this section shall, on and after the effective date of the levy of the tax, collect the tax. This tax shall be collected as part of the charge for furnishing a taxable accommodation. The tax shall be stated and charged separately from the sales records, and shall be paid by the purchaser to the operator of the business as trustee for and on account of the county wherein the tax is imposed. The tax shall be added to the sales price and shall be passed on to the purchaser instead of being borne by the operator of the business. Collection and administration of the tax shall be as provided for in G.S. 105-469 and G.S. 105-474, except that the Secretary of Revenue shall collect the tax, and notwithstanding G.S. 105-164.16(b), all taxpayers shall file a return on a monthly basis. The Secretary of Revenue shall design, print, and furnish to all appropriate businesses and persons in the county the necessary forms for filing returns and instructions to ensure the full collection of the tax.

An operator of a business who collects the occupancy tax levied under this Article may deduct from the amount timely remitted by him to the Secretary of Revenue a discount of one percent (1%) of the amount collected as reimbursement for the expenses incurred in collecting the tax.

(e) The Secretary shall, on a quarterly basis, distribute to each taxing county and to the municipalities therein the net proceeds of the tax collected in that county under this Article, which amount shall be determined by deducting taxes refunded, the cost to the State of collecting and administering the tax in the taxing county, and such other deductions as may be properly

charged to the taxing county, from the gross amount of the tax remitted to the Secretary of Revenue from the taxing county. The Secretary shall determine the cost of collection and administration, and that amount shall be retained by the State before distribution of the net proceeds of the tax. For the purposes of this Article, 'municipalities' shall mean 'cities' as defined by G.S. 153A-1. The amount distributed to a county that levies a tax under this Article shall be divided among the county and its cities in accordance with the method by which the one percent (1%) sales and use taxes levied in that county pursuant to Article 39 of this Chapter or Chapter 1096 of the 1967 Session Laws are distributed.

(f) A tax levied under this Article may be repealed by a resolution adopted by the board of county commissioners of the taxing county. Repeal of a tax levied under this Article shall become effective on the first day of a month and may not become effective until the end of the fiscal year in which the repeal resolution was adopted. Repeal of a tax levied under this Article does not affect a liability for a tax that attached before the effective date of the repeal, nor does it affect a right to a refund of a tax that accrued before the effective date of the repeal.

(g) Upon adoption of a resolution of repeal, the board of county commissioners shall cause a certified copy of the resolution to be delivered immediately to the Secretary of Revenue.

(h) For the purpose of this Article, the phrase 'local act' or 'local sales tax' does not include Chapter 1096, Session Laws of 1967.

"§ 105-508. City occupancy tax.-- (a) If the county board of commissioners of a county where a city is located has not levied the tax authorized by G.S. 105-507 or has levied the tax at a rate of one percent (1%) or two percent (2%), if that county has not levied and is not authorized to levy an occupancy tax under a local act, and if the city has not levied and is not authorized to levy an occupancy tax under a local act, the city council may by ordinance, after a public hearing is held on the issue, levy a room occupancy tax within the part of the city located in that county at a rate of one percent (1%), two percent (2%), or three percent (3%), except that no levy under this section may cause the combined city and county rate to exceed three percent (3%). Notice of the public hearing shall be published at least 10 days and no more than 25 days before the date fixed for the hearing.

This tax shall apply to the same accommodations that are taxable under G.S. 105-507 and shall be collected, administered, and distributed in the same manner as the tax authorized by that section, unless this section specifies otherwise. The tax may be repealed by the city under the procedures of G.S. 105-507(f). In applying the provisions of G.S. 105-507 to a tax levied by a city under this section, however, all references in G.S. 105-507 to a county or an official of that county shall be construed to mean the city and the city counterpart to the county official.

This tax is in addition to any State or local sales tax.

(b) Levy of a tax under this Article does not affect a liability for a tax levied under a local act that attached before the effective date of the levy under this Article, nor does it affect a right to a refund of a tax that accrued before the effective date of the levy under this Article.

(c) If a city is located in more than one county, the rules for determining whether the city may levy a tax or limiting its maximum rate apply separately to the part of the city located in each county, but the city in making its levy may not treat areas differently unless required by subsection (a) of this section. As an example, if City A is located in Counties B, C, and D, and County B levies a three percent (3%) tax, County C levies a one percent (1%) tax, and County D levies no tax, the city may levy a three percent (3%) tax, but the tax may not be levied as to property in County B, shall be at the rate of two percent (2%) in County C, and shall be at the rate of three percent (3%) in County D, so that the total city and county tax rate shall be the same for all taxpayers within the city, even though the rate allocated between the city and county may differ based on the action taken by the county.

(d) The net proceeds of a tax levied under this section shall be distributed to the city levying the tax.

"§ 105-509. Effect of county tax on previously levied city tax. -- (a) If a city levies an occupancy tax under G.S. 105-508, and the county board of commissioners for any territory where the city is located subsequently adopts a resolution levying an occupancy tax in that county under G.S. 105-507, the occupancy tax levied by the city within that county shall be repealed as of

the effective date of the county levy if the county levies an occupancy tax at the rate of three percent (3%), and, if the county levies a tax at a rate of less than three percent (3%), shall be reduced by the amount that the combined county and city occupancy tax rates exceed three percent (3%).

(b) Repeal of a tax, or reduction of its rate, under this section does not affect a liability for a local tax that attached before the effective date of the levy under this Article, nor does it affect a right to a refund of a tax that accrued before the effective date of the levy under this Article."

Sec. 2. This act shall become effective August 1, 1987, except that G.S. 105-508 shall become effective November 1, 1987.

