

**NORTH CAROLINA GENERAL ASSEMBLY
LEGISLATIVE FISCAL NOTE**

BILL NUMBER: HB 223
SHORT TITLE: Phase Out Soft Drink Tax
SPONSOR(S): Representatives Gray and Black
FISCAL IMPACT: **Expenditures:** **Increase ()** **Decrease ()**
 Revenues: **Increase ()** **Decrease (X)**
 No Impact ()
 No Estimate Available ()

FUND AFFECTED: **General Fund (X)** **Highway Fund ()** **Local Govt. ()**
 Other Funds ()

BILL SUMMARY: The proposed act phases out the excise tax on bottled soft drinks, liquid base products, and dry base products. The phase out is accomplished by reducing each excise tax rate by one fourth each year for the next four years.

The current tax rate on soft drinks sold in containers is 1 cent. Liquid base product is taxed at \$1.00 per gallon and the tax on dry base product is 1 cent per ounce.

The act proposes the following reduced tax rates; expressed in decimal form:

| <u>Fiscal</u> <u>Year</u> | <u>Soft</u> <u>Drinks</u> | <u>Liquid</u> <u>Base</u> | <u>Dry</u> <u>Base</u> |
|------------------------------|-------------------------------------|------------------------------|---------------------------|
| 95-96 | .0075 | .75 | .0075 |
| 96-97 | .005 | .50 | .005 |
| 97-98 | .0025 | .25 | .0025 |
| 98-99 | The tax is repealed. No collections | | |

EFFECTIVE DATE: July 1, 1995

PRINCIPAL DEPARTMENT(S)/PROGRAM(S) AFFECTED:
 N.C. Department of Revenue License and Excise Tax Division

FISCAL IMPACT
 Estimate
 (\$ Millions)

| | <u>FY</u> 95-96 | <u>FY</u> 96-97 | <u>FY</u> 97-98 | <u>FY</u> 98-99 |
|---------------------|--------------------|--------------------|--------------------|--------------------|
| REVENUES: | \$ 37.4 | 39.4 | 41.5 | 43.7 |
| (Cost) | <u>(9.3)</u> | <u>(19.7)</u> | <u>(31.1)</u> | <u>(43.7)</u> |
| COLLECTIONS: | \$ 28.1 | 19.7 | 10.4 | -0- |

ASSUMPTIONS AND METHODOLOGY: The average annual growth in the excise tax for the past 5 years is 5.2%. The 1995-96 revenue estimate of \$37.4 million was grown each year by 5.2% and reduced by one fourth. The

estimate was made on net collections; after discounts for timely payments and refunds for over payments.

SOURCES OF DATA: Department of Revenue Excise Tax collections

FISCAL RESEARCH DIVISION

733-4910

PREPARED BY: H. Warren Plonk

APPROVED BY: Tom L. Covington TomC

DATE: February 20, 1995

[FRD#001]

**REVISED JULY 12, 1995NORTH CAROLINA GENERAL ASSEMBLY
LEGISLATIVE FISCAL NOTE**

BILL NUMBER: HB 223 (Committee substitute)

SHORT TITLE: Reduce Soft Drink Tax

SPONSOR(S): Proposed Committee Substitute, I

FISCAL IMPACT: **Expenditures:** **Increase ()** **Decrease ()**
 Revenues: **Increase ()** **Decrease (XX)**
 No Impact ()
 No Estimate Available ()

FUND AFFECTED: General Fund (X) Highway Fund () Local Govt. ()
Other Funds ()

BILL SUMMARY: The proposed act reduces the excise tax on bottled soft drinks, liquid base products, and dry base products by 1/4 of the current tax.

The current tax rate on soft drinks sold in containers is 1 cent. Liquid base product is taxed at \$1.00 per gallon and the tax on dry base product is 1 cent per ounce.

| <u>FISCAL</u> <u>YEAR</u> | <u>SOFT</u> <u>DRINKS</u> | <u>LIQUID</u> <u>BASE</u> | <u>DRY</u> <u>BASE</u> |
|------------------------------|------------------------------|------------------------------|---------------------------|
| 96-97 | .0075 | .75 | .0075 |

EFFECTIVE DATE: July 1, 1996

PRINCIPAL DEPARTMENT(S)/PROGRAM(S) AFFECTED:
Department of Revenue License and Excise Tax Division

**ESTIMATE
FISCAL IMPACT
(\$ Millions)**

| | <u>FY</u> | <u>FY</u> | <u>FY</u> | <u>FY</u> | <u>FY</u> |
|--|-----------|-----------|-----------|-----------|-----------|
| | 96-97 | 97-98 | 98-99 | 99-00 | 00-01 |
| REVENUES: | \$ 38.4 | 40.4 | 42.5 | 44.7 | 47.0 |
| Estimated General Fund Loss, if HB233 is enacted | (09.6) | (10.1) | (10.5) | (11.2) | (11.7) |
| COLLECTIONS: | 28.8 | 30.3 | 32.0 | 33.5 | 35.3 |

ASSUMPTIONS AND METHODOLOGY: The average annual growth in the excise tax for the past 5 years has been 5.2%. The fiscal year 96-97 revenue estimate assumes a base collection of \$38.4 million or a 5.2% increase in collections over the estimate for fiscal year 95-96; \$37.4 million. The estimate was prepared on net collections; collections after allowance for discounts on timely payments and for refunds of over payments.

SOURCES OF DATA: Department of Revenue License and Excise tax Division

FISCAL RESEARCH DIVISION

733-4910

PREPARED BY: H. Warren Plonk

APPROVED BY: Tom L. Covington **TomC**

DATE: July 11, 1995

[FRD#001]



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