

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE FISCAL NOTE

BILL NUMBER: H.B. 33

SHORT TITLE: Cumberland Sales Tax for Schools

SPONSOR(S): Rep. Warner and Rep. Hurley

FISCAL IMPACT					
	Yes (x)	No ()	No Estimate Available ()		
	(\$ Millions)				
	<u>FY 1999-00</u>	<u>FY 2000-01</u>	<u>FY 2001-02</u>	<u>FY 2002-03</u>	<u>FY 2003-04</u>
REVENUES					
General Fund		* No General Fund Impact *			
Cumberland County	16.3	22.8	24.0	25.2	26.4
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED:	Cumberland County Schools and the North Carolina Department of Revenue, Sales Tax Division.				
EFFECTIVE DATE:	When it becomes law.				

BILL SUMMARY: The bill authorizes the Cumberland County Commission to levy an additional 1% sales and use tax. The Commission can approve such a tax levy through a resolution, once a public hearing is held. The additional tax does not apply to food. The bill also instructs the Department of Revenue to administer the tax, and forward the net proceeds to the county on a quarterly basis. The Secretary of Revenue can deduct from the quarterly payment the costs associated with administering the tax. Special provisions are made for certain contracts entered into or awarded before the effective date of the law or levy. The proceeds of the new tax must be used for public school capital outlays as defined in G.S. 115C-426(f), or to retire debt incurred by the county for school capital after January 1, 1997. The authority to levy the tax expires ten years after the effective tax of the tax.

ASSUMPTIONS AND METHODOLOGY: Every county in the state currently levies a 1% point of origin sales tax. (The tax is point of origin because the money raised in a particular county is returned to that county, or its point of origin). Historical reports from the Department of Revenue indicate the amount of revenue returned to each county, by quarter, from this tax. These numbers suggest what an individual county would raise through their own local tax.

Cumberland County, historically, has raised the following amounts through a 1% sales tax (excluding food):

1992-93	1993-94	1994-95	1995-96	1996-97
18,234,945	19,692,304	20,298,837	21,152,150	22,014,900

Assuming this revenue source continues to grow by 5% per year, income from the tax will be as follows:

1999-00	2000-01	2001-02	2002-03	2003-04
21,755,095	22,842,850	23,984,992	25,184,242	26,443,454

This note assumes that Cumberland County tax will not be collected until July 1, 1999. As such, the county will not see additional revenue until the second quarter of FY 1999-00. The actual amount shown as the fiscal estimate has been adjusted for this lag.

NOTE: The bill instructs the Secretary of Revenue to deduct the cost associated with administering the tax from the proceeds of the tax. This cost, however, has not been deducted from the estimate. The Department of Revenue is not prepared to offer an estimated cost at this time.

NOTE: The definition of capital outlays for schools, as defined in G.S. 115C-426(f) is very broad. While construction is certainly included, it appears the definition also includes capital equipment, the purchase of school buses, business machines, furnishings, equipment, cars, administrative buildings, etc.

TECHNICAL CONSIDERATIONS: none

FISCAL RESEARCH DIVISION 733-4910

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DATE: May 17, 1999



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