

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE FISCAL NOTE

BILL NUMBER: SB 855 (First Edition) Ports Authority Tax Refunds

SHORT TITLE: Ports Authority Tax Refunds

SPONSOR(S): Senators Perdue and Hoyle

FISCAL IMPACT					
	Yes (X)	No ()	No Estimate Available ()		
	<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					
State Ports Authority					
Enterprise Fund					
Operating		\$120,000	\$120,000	\$120,000	\$120,000
Capital		<u>\$668,000</u>	<u>\$326,000</u>	<u>\$626,000</u>	<u>\$456,000</u>
		\$788,000	\$446,000	\$746,000	\$576,000
General Fund (4%)		(\$525,330)	(\$297,330)	(\$497,330)	(\$384,000)
Local Governments (2%)		<u>(\$262,670)</u>	<u>(\$148,670)</u>	<u>(\$248,670)</u>	<u>(\$192,000)</u>
		(\$788,000)	(\$446,000)	(\$746,000)	(\$576,000)
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: North Carolina State Ports Authority; Department of Revenue; Local Governments					
EFFECTIVE DATE: The bill becomes effective July 1, 1999 and applies to taxes paid on or after that date.					

BILL SUMMARY:

Authorizes the State Ports Authority to receive an annual refund of the state and local sales and use tax that it pays.

BACKGROUND:

The items eligible for a tax refund under GS 105-164.14(c) are “building materials, supplies, fixtures, and equipment that become a part of or annexed to any building or structure that is owned or leased by the governmental entity and is being erected, altered, or repaired for use by the governmental entity.” Not eligible for refund are taxes on electricity and

telecommunications. The request for a refund must be in writing to the Secretary of Revenue and must be submitted within six months of the governmental entity's fiscal year.

ASSUMPTIONS AND METHODOLOGY:

The sales tax refund authorized in this legislation will come from the State Ports Authority's operating and capital budgets. The State Ports Authority estimates that \$1.9 million of its annual operating budget is eligible for sales tax refund. Using the current state sales tax rate of 4% and local sales tax rate of 2%, the State Ports Authority will receive a tax refund of \$114,145 each year from its operating budget. (see below) For estimating purposes, this figure is rounded to \$120,000 for future years.

Maintenance & Supplies	\$1,235,000
Contract Repairs (Materials)	508,000
Office Supplies	<u>159,424</u>
Eligible Costs	\$1,902,424
Sales Tax – State & Local	<u>X 6%</u>
Sales Tax Refund	\$114,145

The estimated sales tax refund on capital purchases is based on the “Six Year Capital Improvement Schedule” approved by the North Carolina State Ports Authority Board on December 1, 1998. This schedule is included in the “Capital Improvement Budget Requests for State Funding – 1999-01 Biennium” submitted to the 1999 General Assembly. The estimated tax refund assumes that the Ports Authority receives all requested capital funds. The Ports Authority estimates that approximately 40% of capital expenditures are subject to sales tax.

	<u>FY 99-00</u>	<u>FY 00-01</u>	<u>FY 01-02</u>	<u>FY 02-03</u>	<u>FY 03-04</u>
Capital Budget	\$27,824,000	\$13,557,000	\$26,100,000	\$19,000,000	\$26,750,000
% Subject to Sales Tax	40%	40%	40%	40%	40%
Amount Subject to Sales Tax	\$11,129,600	\$5,422,800	\$10,440,000	\$7,600,000	\$10,700,000
Sales Tax	6%	6%	6%	6%	6%
Sales Tax Paid	\$667,776	\$325,368	\$626,400	\$456,000	\$642,000

The taxes paid each fiscal year will be refunded within the first six months of the next fiscal year.

FISCAL RESEARCH DIVISION 733-4910
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DATE: Tuesday, April 20, 1999



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