

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE FISCAL NOTE

BILL NUMBER: HB 1303 (2nd Edition as Amended)

SHORT TITLE: Nonprofits Exempt from Admissions Tax

SPONSOR(S): Rep. Starnes

FISCAL IMPACT

Yes (X) No () No Estimate Available ()

FY 2003-04 FY 2004-05 FY 2005-06 FY 2006-07 FY 2007-08

REVENUES

General Fund

HB 1303

* See Assumptions and Methodology *

Amendment

Tobacco Discounts	(0.9)	(1.0)	(1.0)	(0.9)	(0.9)
Alcohol Discounts	(1.8)	(2.0)	(2.0)	(2.0)	(2.0)
TOTAL	(2.7)	(3.0)	(3.0)	(2.9)	(2.9)

PRINCIPAL DEPARTMENT(S) &

PROGRAM(S) AFFECTED: NC Department of Revenue.

EFFECTIVE DATE: The main bill is effective October 1, 2003. The amendment is effective August 1, 2003.

BILL SUMMARY: The bill exempts from the 3% gross receipts tax on amusements the gross receipts from youth athletic contests that meet the following criteria: 1) the athletes participating are all less than 19 years old, 2) the admission price is \$5.00 or less, and 3) the sponsor of the contest is exempt from North Carolina income tax. The amendment addresses discounts on tobacco and alcohol products. Currently tobacco and alcohol distributors are able to retain 4% of the tobacco and alcohol taxes they collect as a "discount". However, per the recently passed budget bill, those discounts will be eliminated August 1, 2003. This legislation reinstates the discounts, but at a rate of 2%.

ASSUMPTIONS AND METHODOLOGY: Currently state high school championships and the national high school track events are exempt from the gross receipts tax pursuant to GS 105-40(5). The bill does not affect these events. However, Fiscal Research and the Department of Revenue believe the following list of events would currently be taxable, and exempted under the bill, if an admission fee in excess of 50 cents is charged (GS 105-37.1) unless they meet the exception in GS 105-40(6), which exempts the first \$1,000 of gross

receipts if the events are promoted and managed by a civic organization and the entire proceeds are used for civic and charitable purposes and not to defray the organization's expenses.

American Legion Baseball
PONY softball tournaments
Pop Warner football championships
Babe Ruth League championships
AAU events
Junior Olympics
Special Olympics
CASL special tournaments

The Department of Revenue indicates that in 2001-02 approximately \$9.6 million was collected, in total, from the gross receipts tax on amusements. To date approximately \$7.8 million has been collected in 2002-03, which excludes at least one month of ticket sales. The also indicate that in the most recent filing period approximately 450 different organization paid the gross receipts tax. However, the Department is unable to determine how many of those 450 organizations would indeed be exempt under the bill, although the number is expected to be relatively small. In addition, the Department of Revenue is not certain that all the potentially impacted organizations are currently paying the tax owed. Therefore, no exact fiscal estimate is possible.

It should be noted if 1,000,000 tickets sold at the maximum rate were sold, the total revenue to the state would be \$150,000 under current law. That same amount would be lost under the legislation.

In terms of the amendment, in 2002-03 North Carolina collected approximately \$42.3 million excise taxes from the sale of cigarettes and other tobacco products. Once the amount is adjusted for the 4% discount that was in place at that time, actual taxes collected by wholesalers were approximately \$44.1 million. In 2003-04 that adjusted amount is expected to be \$42.7 million, once the effective date of the elimination of the discount is taken into account. Of the \$42.7 million, approximately \$1.74 million is expected because of the elimination of the discount. In 2004-05 that number increases to \$1.90 million (being the first full year of the discount elimination) and declined by 4% each year thereafter as a reflection of the overall expected decline in cigarette tax revenues. Because the amendment reinstates the discount, but at ½ the previous rate, there is a negative fiscal impact.

The estimate for the return of the alcohol discount at ½ the previous rate is also based on historic collection data and expected future growth rates.

SOURCES OF DATA: NC Department of Revenue

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