

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE FISCAL NOTE

BILL NUMBER: SB 944 (Second Edition)

SHORT TITLE: Economic Incentives/Committee Changes

SPONSOR(S): Senator Hoyle

FISCAL IMPACT (\$Mill.)					
	Yes (x)	No ()	No Estimate Available ()		
	<u>FY 2003-04</u>	<u>FY 2004-05</u>	<u>FY 2005-06</u>	<u>FY 2006-07</u>	<u>FY 2007-08</u>
REVENUES					
State	-	-1.8	-2.65	-1.6	-1.6
Local	-	-1.0	-1.5	-1.0	-1.0
PRINCIPAL DEPARTMENTS AFFECTED: The refunds are administered by the Department of Revenue and the eligibility for the refunds is determined by the Department of Commerce. The enactment of the bill should not affect the budget requirements of either agency.					
EFFECTIVE DATE: The sales tax refund provision applies to sales made on or after January 1, 2004.					

BILL SUMMARY:

Sales Tax Refund. Allows an annual sales tax refund for the state and local sales tax paid on building materials, building supplies, fixtures, and equipment that become part of the real property of an eligible facility. For a facility to become eligible, the Secretary of Commerce must certify that the owner of the facility will invest at least \$100 million in constructing the facility within the State and must be primarily engaged in one of the following industries:

- Aircraft manufacturing
- Bioprocessing
- Motor vehicle manufacturing
- Pharmaceutical manufacturing
- Semiconductor manufacturing

The refund request must be made within six months following the end of the taxpayer's fiscal year.

Revenue Laws Study Committee. Expands the membership of the Committee from 16 to 18 members.

ASSUMPTIONS AND METHODOLOGY: Discussions with the Secretary of Commerce and the policy staff of the Department of Commerce indicate there are a couple of major projects that would be eligible for the refund if they choose to locate in North Carolina. For purposes of this analysis, a \$200 million “announced” total investment amount is used for the 2004 calendar year. The assumed construction period is two years and it is assumed that 40% of the project cost will be used for the purchase of items that will be eligible for the refund. For 2005 and future years, a \$100 million per year investment amount is used.

Under current law, state and local sales tax rates are used to determine the impacts. Thus, a 4.5% state rate is used until the 4.0% rate kicks in on July 1, 2005. The 2004-05 fiscal year revenue base would be affected by taxable purchases for the January-1-June 30, 2004 period.

SOURCES OF DATA: North Carolina Department of Commerce

FISCAL RESEARCH DIVISION: (919) 733-4910

PREPARED BY: David Crotts

APPROVED BY: James D. Johnson, Director, Fiscal Research Division

DATE: July 19, 2003



Signed Copy Located in the NCGA Principal Clerk's Offices