

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2007

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SENATE BILL 1201

Short Title: Financing Capital Projects. (Public)

Sponsors: Senator Clodfelter.

Referred to: Finance.

March 26, 2007

A BILL TO BE ENTITLED

AN ACT TO ADDRESS THE INFRASTRUCTURE NEEDS OF THE STATE BY PROVIDING PERMANENT SOURCES OF FUNDING FOR INFRASTRUCTURE AND TO REQUIRE THE ANNUAL DEBT AFFORDABILITY STUDY TO INCLUDE DEBT CAPACITY FOR HIGHWAY FUNDS.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 142-101 reads as rewritten:

"(d) Duties. – The Debt Affordability Advisory Committee shall annually advise the Governor and the General Assembly on the estimated debt capacity of the State for the upcoming 10 fiscal years. The Committee shall oversee the undertaking of an annual debt affordability study and the establishment of guidelines for evaluating the State's debt burden. The guidelines should include target and ceiling ratios of net tax-supported debt to personal income and debt service to revenues, target and floor percentages for the 10-year payout ratio, and target and floor percentages for the unreserved General Fund balance. The Committee's recommendations shall include recommendations on debt capacities for debt supported by the General Fund and by the Highway Fund and Highway Trust Fund. The Committee shall also recommend any other debt management policies it considers desirable and consistent with sound management of the State's debt."

SECTION 2. G.S. 105-187.3(a) reads as rewritten:

"§ 105-187.3. Rate of tax.

(a) Amount. – The rate of the use tax imposed by this Article is ~~three percent (3%) of the combined general rate~~ and is applied to the retail value of a motor vehicle for which a certificate of title is issued. The tax is payable as provided in G.S. 105-187.4. The maximum tax is one thousand dollars (\$1,000) for each certificate of title issued for a Class A or Class B motor vehicle that is a commercial motor vehicle, as defined in G.S. 20-4.01. The maximum tax is one thousand five hundred dollars (\$1,500) for each

1 certificate of title issued for a recreational vehicle that is not subject to the one thousand
2 dollar (\$1,000) maximum tax.

3 (b) Retail Value. – The retail value of a motor vehicle for which a certificate of
4 title is issued because of a sale of the motor vehicle by a retailer is the sales price of the
5 motor vehicle, including all accessories attached to the vehicle when it is delivered to
6 the purchaser, ~~less the amount of any allowance given by the retailer for a motor vehicle~~
7 ~~taken in trade as a full or partial payment for the purchased motor vehicle.~~purchaser.
8 The retail value of a motor vehicle for which a certificate of title is issued because of a
9 sale of the motor vehicle by a seller who is not a retailer is the market value of the
10 ~~vehicle, less the amount of any allowance given by the seller for a motor vehicle taken~~
11 ~~in trade as a full or partial payment for the purchased motor vehicle.~~vehicle. A
12 transaction in which two parties exchange motor vehicles is considered a sale regardless
13 of whether either party gives additional consideration as part of the transaction. The
14 retail value of a motor vehicle for which a certificate of title is issued because of a
15 reason other than the sale of the motor vehicle is the market value of the vehicle. The
16 market value of a vehicle is presumed to be the value of the vehicle set in a schedule of
17 values adopted by the Commissioner.

18 (c) Schedules. – In adopting a schedule of values for motor vehicles, the
19 Commissioner shall adopt a schedule whose values do not exceed the wholesale values
20 of motor vehicles as published in a recognized automotive reference manual."

21 **SECTION 3.** G.S. 105-187.5(b) reads as rewritten:

22 "(b) Rate. – The tax rate on the gross receipts from the short-term lease or rental
23 of a motor vehicle is eight percent (8%) and the tax rate on the gross receipts from the
24 long-term lease or rental of a motor vehicle is ~~three percent (3%).~~the combined general
25 rate. Gross receipts does not include the amount of any allowance given for a motor
26 vehicle taken in trade as a partial payment on the lease or rental price. The maximum
27 tax in G.S. 105-187.3(a) on certain motor vehicles applies to a continuous lease or rental
28 of such a motor vehicle to the same person."

29 **SECTION 4.** G.S. 105-187.6(c) reads as rewritten:

30 "(c) Out-of-state Vehicles. – A maximum tax of ~~one hundred fifty dollars~~
31 ~~(\$150.00)~~three hundred dollars (\$300.00) applies when a certificate of title is issued for
32 a motor vehicle that, at the time of applying for a certificate of title, is and has been
33 titled in another state for at least 90 days."

34 **SECTION 4.** G.S. 105-187.9 reads as rewritten:

35 "**§ 105-187.9. Disposition and use of tax proceeds.**

36 (a) Distribution. – Taxes collected under this Article at the rate of eight percent
37 (8%) shall be credited to the General Fund. Taxes collected under this Article at the ~~rate~~
38 ~~of three percent (3%)~~ combined general rate shall be credited to the North Carolina
39 Highway Trust Fund.

40 (b) Transfer. – In each fiscal year the State Treasurer shall transfer the amounts
41 provided below from the taxes deposited in the Trust Fund to the General Fund. The
42 transfer of funds authorized by this section may be made by transferring one-fourth of
43 the amount at the end of each quarter in the fiscal year or by transferring the full amount
44 annually on July 1 of each fiscal year, subject to the availability of revenue.

- 1 (1) The sum of one hundred seventy million dollars (\$170,000,000).
2 (2) In addition to the amount transferred under subdivision (1) of this
3 subsection, the sum of one million seven hundred thousand dollars
4 (\$1,700,000) shall be transferred in the 2001-2002 fiscal year. The
5 amount distributed under this subdivision shall increase in the
6 2002-2003 fiscal year to the sum of two million four hundred thousand
7 dollars (\$2,400,000). In each fiscal year thereafter, the sum transferred
8 under this subdivision shall be the amount distributed in the previous
9 fiscal year plus or minus a percentage of this sum equal to the
10 percentage by which tax collections under this Article increased or
11 decreased for the most recent 12-month period for which data are
12 available.

13 (c) Use. – One-half of the taxes credited to the North Carolina Highway Trust
14 Fund under this Article shall be used only to retire indebtedness incurred for road
15 construction and maintenance projects."

16 **SECTION 5.** G.S. 105-228.29 reads as rewritten:

17 **"§ 105-228.29. Exemptions.**

18 This Article does not apply to any of the following transfers of an interest in real
19 property:

- 20 (1) By operation of law.
21 (2) By lease for a term of years.
22 (3) By or pursuant to the provisions of a will.
23 (4) By intestacy.
24 (5) By gift.
25 (6) If no consideration in property or money is due or paid by the
26 transferee to the transferor.
27 (7) By merger, conversion, or consolidation.
28 (8) ~~By an instrument securing indebtedness."~~

29 **SECTION 6.** G.S. 105-228.30 reads as rewritten:

30 **"§ 105-228.30. Imposition of excise tax; distribution of proceeds.**

31 (a) An excise tax is levied on each instrument by which any interest in real
32 property is conveyed to another person. ~~The For instruments securing indebtedness, the~~
33 ~~tax rate is one dollar (\$1.00) on each one thousand dollars (\$1,000) or fractional part~~
34 ~~thereof of the consideration or value of the interest conveyed. For all other instruments,~~
35 ~~the tax rate is one dollar (\$1.00) five dollars (\$5.00) on each five hundred dollars~~
36 ~~(\$500.00) one thousand dollars (\$1,000) or fractional part thereof of the consideration or~~
37 value of the interest conveyed. The transferor must pay the tax to the register of deeds
38 of the county in which the real estate is located before recording the instrument of
39 conveyance. If the instrument transfers a parcel of real estate lying in two or more
40 counties, however, the tax must be paid to the register of deeds of the county in which
41 the greater part of the real estate with respect to value lies.

42 The excise tax on instruments imposed by this Article applies to timber deeds and
43 contracts for the sale of standing timber to the same extent as if these deeds and
44 contracts conveyed an interest in real property.

1 (b) The register of deeds of each county must remit the proceeds of the tax levied
2 by this section to the county finance officer. The finance officer of each county must
3 credit ~~one-half~~one-fifth of the proceeds to the county's general fund and remit the
4 remaining ~~one-half~~four-fifths of the proceeds, less the county's allowance for
5 administrative expenses, to the Department of Revenue on a monthly basis. A county
6 may retain ~~two percent (2%)~~one-half percent (0.5%) of the amount of tax proceeds
7 allocated for remittance to the Department of Revenue as compensation for the county's
8 cost in collecting and remitting the State's share of the tax. ~~Of the funds remitted to it~~
9 ~~pursuant to this section, the~~The Department of Revenue must credit funds remitted to it
10 as follows:

- 11 (1) Seventy-five percent (75%) to the Capital and Infrastructure Fund
12 established under G.S. 143C-8-13.
- 13 (2) Eighteen and seventy-five one-hundredths percent (18.75%) to
14 the Parks and Recreation Trust Fund established under G.S. 113-44.15
15 and 113-44.15.
- 16 (3) Six and twenty-five one-hundredths percent (6.25%) to the
17 Natural Heritage Trust Fund established under G.S. 113-77.7."

18 **SECTION 7.** Article 8 of Chapter 143C of the General Statutes is amended
19 by adding a new section to read:

20 "**§ 143C-8-13. Capital and Infrastructure Fund.**

21 There is established the Capital and Infrastructure Fund. Investment earnings and
22 interest earned on the Fund shall be credited to the Fund. Moneys in the Fund do not
23 revert except as provided in G.S. 143C-8-11. The moneys in the Fund shall be used only
24 for capital projects. Moneys in the Fund shall be available for expenditure only upon an
25 act of appropriation by the General Assembly."

26 **SECTION 9.** This act becomes effective July 1, 2007.