

GENERAL ASSEMBLY OF NORTH CAROLINA



Session 2007

Legislative Fiscal Note

BILL NUMBER: Senate Bill 1392 (First Edition)

SHORT TITLE: Sales Tax Relief for Certain Textbooks.

SPONSOR(S): Senator Brown

FISCAL IMPACT (\$Million)					
	Yes (x)	No ()	No Estimate Available ()		
	<u>FY 2007-08</u>	<u>FY 2008-09</u>	<u>FY 2009-10</u>	<u>FY 2010-11</u>	<u>FY 2011-12</u>
REVENUES					
State General Fund	-\$6.1	-\$6.5	-\$6.9	-\$7.3	-\$7.7
Local Units	-3.8	-4.0	-4.3	-4.5	-4.8
EXPENDITURES					
POSITIONS (cumulative):					
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED:					
The sales tax is administered by the Department of Revenue. The enactment of the bill is not expected to affect the Department's budget requirements.					
EFFECTIVE DATE: Sales occurring on or after July 1, 2007					

BILL SUMMARY: Creates a state and local sales tax exemption for purchase of school instructional material to students enrolled at postsecondary educational institutions.

ASSUMPTIONS AND METHODOLOGY: The primary data source is a report on retail sales by major spending category at college and university book stores. The author is the trade group representing these stores.

The data in the report include nationwide sales for course materials (new and used texts, course packs) for the 2005-05 academic year. This data was allocated to North Carolina based on population, personal income, and number of postsecondary students.

In addition, tax expenditure reports were reviewed in three of the states that exempt textbooks. Exemption impact data from these states was adjusted for differences in number of postsecondary students as well as the varying tax rates.

The tax expenditure results vary by State. Primary emphasis was placed on the Minnesota data due to the similarity of the exemption and the recognized quality of their tax research staff. This data was compared to the allocated college stores data to develop a consensus estimate.

Finally, the normal tax collection lag was not built into the FY08 results due to the fact that the sale of textbooks in the month that would carryover into FY09 (June 2008) would be minor.

SOURCES OF DATA:

TECHNICAL CONSIDERATIONS:

FISCAL RESEARCH DIVISION: (919) 733-4910

PREPARED BY: David Crotts

APPROVED BY: Lynn Muchmore, Director
Fiscal Research Division

DATE: June 29, 2007



Signed Copy Located in the NCGA Principal Clerk's Offices