

GENERAL ASSEMBLY OF NORTH CAROLINA



Session

Legislative Fiscal Note

BILL NUMBER: Senate Bill 1745 (Second Edition)

SHORT TITLE: 1%/\$80 Rate / Indust. Machinery Refurbisher.

SPONSOR(S): Senator Hoyle

FISCAL IMPACT

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

FY 2008-09 FY 2009-10 FY 2010-11 FY 2011-12 FY 2012-13

REVENUES

General Fund No Estimate Available ****See Assumptions and Methodology****

Local Governments No Estimate Available ****See Assumptions and Methodology****

PRINCIPAL DEPARTMENT(S) &

PROGRAM(S) AFFECTED: Department of Revenue; NC Local Governments

EFFECTIVE DATE: This act is effective when it becomes law and applies retroactively to purchases made on or after July 1, 2006.

BILL SUMMARY: Senate Bill 1745 expands Article 5F of Chapter 105 to provide that the 1% privilege tax, with a cap of \$80, would apply to an industrial machinery refurbishing company that purchases equipment or an attachment or repair part for equipment used by the company in repairing or refurbishing tangible personal property owned by a third party. This bill would become effective July 1, 2006, and apply to purchases made on or after that date and to assessments made on or after that date for prior purchases.

ASSUMPTIONS AND METHODOLOGY: The bill would allow machine refurbishing companies who meet certain requirements to pay 1% privilege tax with an \$80 cap rather than the general rate of sales tax, or 6.75%. The bill identifies qualifying industries by referencing the North American Industry Classification System (NAICS). The NAICS industry code referenced in the bill includes 843 companies; however the number of companies that would qualify under the bill would be a smaller subset of this group that refurbishes mill machinery. The Department of Revenue does not have sales tax data at this level of detail; therefore, the impact on state revenues is not known.

SOURCES OF DATA: NC Department of Revenue

TECHNICAL CONSIDERATIONS: None

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