

# GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2015

## Legislative Fiscal Note

**BILL NUMBER:** Senate Bill 399 (First Edition)  
**SHORT TITLE:** Joint Agency & Waste Authority/Tax Exemption.  
**SPONSOR(S):** Senator Sanderson

<b>FISCAL IMPACT</b>					
(\$ in millions)					
<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> No Estimate Available					
	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
<b>State Impact</b>					
General Fund Revenues:					
General Fund Expenditures:					
HF/HTF Revenues:					
HTF Expenditures:					
State Positions:					
<b>NET STATE IMPACT</b>	<b>De minimis fiscal impact. Please see Assumptions and Methodology Section.</b>				
<b>Local Impact</b>					
Revenues:					
Expenditures:					
<b>NET LOCAL IMPACT</b>	<b>De minimis fiscal impact. Please see Assumptions and Methodology Section.</b>				
<b>PRINCIPAL DEPARTMENT(S) &amp; PROGRAM(S) AFFECTED:</b> Department of Transportation; Department of Revenue					
<b>EFFECTIVE DATE:</b> July 1, 2015					
<b>TECHNICAL CONSIDERATIONS:</b> None					

**BILL SUMMARY:**

Section 1 expands the types of joint agencies allowed annual refunds of sales and use taxes to include joint agencies that provide fire or police protection or emergency services.

Section 2 exempts joint agencies that provide fire or police protection or emergency services, and regional solid waste management authorities from the motor fuels excise tax.

## **ASSUMPTIONS AND METHODOLOGY:**

This bill exempts the Western Carteret Fire & EMS Department, the Albemarle Regional Solid Waste Authority, and the Coastal Regional Solid Waste Authority from paying sales and use taxes and motor fuel tax. It is not known whether any other joint agencies exist in North Carolina that would qualify for the exemptions described in the bill; this analysis assumes that if any exist, the number is very low.

### Section 1: General Fund Impact

The Western Carteret Fire & EMS Department (Department) is located in Carteret County, which has a combined State and local sales and use tax rate of 6.75% (i.e., 4.75% State and 2% local). Under the bill, both the State and Carteret County would no longer receive sales and use tax revenue on qualifying purchases made by the Department. According to the Department, its combined State and local sales and use tax liability in each of the past two fiscal years was under \$10,000. In comparison, the combined State and local sales and use tax revenue for North Carolina in FY 2013-14 totaled approximately between \$9 billion and \$10 billion. The loss of \$10,000 in sales and use tax revenue due to the bill would have a negligible impact on the State and on Carteret County.

### Section 2: Motor Fuel Tax Impact

SB 399 creates a new motor fuels excise tax exemption for joint agencies formed to provide fire protection, emergency services, and police protection services. Current law exempts municipalities and counties from paying motor fuel taxes, but it does not exempt municipal and county governments when they form interlocal agreements for these services. Though intended for the Western Carteret Fire & EMS Department, SB 399 creates a motor fuel tax exemption that extends to multiple agencies. According to the North Carolina State Firemen's Association, 1,259 fire and rescue departments operate in North Carolina. The majority of North Carolina's fire and rescue associations, 1,119 departments, are nonprofit entities with many created through interlocal agreement, however it is not known how much.

The Western Carteret Fire & EMS Department paid \$1,300 in motor fuel excise tax in FY 2013-14. Although it is not known how many interlocal governmental units exist, the fiscal impact from this bill is expected to be very minimal.

This bill also expands the motor fuel tax exemption to regional solid waste management authorities created under G.S. 153A-421. Two regional entities exist: Coastal Regional and Albemarle Regional. Coastal Regional purchased 75,000 gallons of diesel and 3,500 gallons of gasoline in FY 2014, thus paying approximately \$30,000 in motor fuel tax. Albemarle Regional uses contractors for solid waste collections and would therefore not benefit from the tax change.

### Distribution of Motor Fuels Tax:

Seventy-five percent (75%) of motor fuels tax revenue is deposited in the Highway Fund and the remaining twenty-five percent (25%) is deposited in the Highway Trust Fund. Three formulaic allocations of revenues from the Highway Fund are impacted by this bill. Powell Bill aid to municipalities is derived from ten and four tenths percent (10.4%) of motor fuel tax revenues and both the Wildlife Resources Fund and the Shallow Draft Navigational Channel and Lake Dredging

Fund receive one sixth of one percent (0.167%) of Highway Fund motor fuels tax revenues. These three funds will be impacted very minimally.

**SOURCES OF DATA:**

Western Carteret Fire & EMS Department; North Carolina State Fireman's Association; Albemarle Regional Solid Waste Authority; Coastal Regional Solid Waste Authority; North Carolina Department of Revenue.

**TECHNICAL CONSIDERATIONS:** None

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