



NORTH CAROLINA GENERAL ASSEMBLY

Session 2021

Legislative Fiscal Note

Short Title: Alcohol Bev. Manufacture Sales Tax Exemption.
Bill Number: House Bill 619 (First Edition)
Sponsor(s): Representatives Moffitt, Richardson, Setzer, and Winslow

SUMMARY TABLE

FISCAL IMPACT OF H.B.619, V.1					
	<u>FY 2021-22</u>	<u>FY 2022-23</u>	<u>FY 2023-24</u>	<u>FY 2024-25</u>	<u>FY 2025-26</u>
State Impact					
General Fund Revenue	-	-	-	-	-
Less Expenditures	-	-	-	-	-
General Fund Impact	Likely insignificant revenue loss - refer to Fiscal Analysis Section				
NET STATE IMPACT	-	-	-	-	-
Local Impact					
Local Revenue	-	-	-	-	-
Less Local Expenditures	-	-	-	-	-
	Likely insignificant revenue loss - refer to Fiscal Analysis Section				
NET LOCAL IMPACT	-	-	-	-	-

FISCAL IMPACT SUMMARY

H.B. 619 exempts certain manufacturing equipment and supplies from sales tax, which will reduce State and local sales tax revenue by an unknown but likely insignificant amount.

FISCAL ANALYSIS

Background

Sales of tangible personal property in North Carolina are subject to sales or use taxes unless the North Carolina General Statutes specifically exempt the item from sales and use taxes. G.S. 105-164.13.(5e) provides a sales and use tax exemption for sales of equipment and accessories used in manufacturing unfortified or fortified wine, malt beverages, and spirituous liquor when the items are purchased by a manufacturer. The definition of “manufacturer” found in this subsection specifically excludes restaurants, cafés, and any retailer “principally engaged in the retail sale of food prepared by it for consumption on or off its premises.”

The food-related exclusion has caused some alcohol manufacturers to lose their sales tax exemption when they expand their business to include sales of food, such as when operating as a brewpub or restaurant. H.B. 619 provides that all permitted manufacturers of alcohol would be able to purchase the stated items without paying State or local sales taxes.

Fiscal Impact

Expanding the scope of the current sales tax exemption will reduce State and local government sales tax collections. However, Fiscal Research cannot estimate the potential revenue loss under this bill. There is no reliable data available to help forecast how much equipment is purchased annually that would qualify under this expanded exemption. The revenue loss is expected to be minimal relative to the State's nearly \$8 billion in annual sales tax collections.

TECHNICAL CONSIDERATIONS

N/A.

DATA SOURCES

LEGISLATIVE FISCAL NOTE – PURPOSE AND LIMITATIONS

This document is an official fiscal analysis prepared pursuant to Chapter 120 of the General Statutes and rules adopted by the Senate and House of Representatives. The estimates in this analysis are based on the data, assumptions, and methodology described in the Fiscal Analysis section of this document. This document only addresses sections of the bill that have projected direct fiscal impacts on State or local governments and does not address sections that have no projected fiscal impacts.

CONTACT INFORMATION

Questions on this analysis should be directed to the Fiscal Research Division at (919) 733-4910.

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