



# NORTH CAROLINA GENERAL ASSEMBLY

## 2025 Session

### Legislative Fiscal Note

**Short Title:** Eden/Mills River/Guilford Art 46 Local Act.  
**Bill Number:** Senate Bill 1074 (Second Edition)  
**Sponsor(s):** Sen. Philip E. Berger

#### SUMMARY TABLE

#### FISCAL IMPACT OF S.B. 1074, V.2 (\$ in millions)

	<u>FY 2026-27</u>	<u>FY 2027-28</u>	<u>FY 2028-29</u>	<u>FY 2029-30</u>	<u>FY 2030-31</u>
<b>Local Impact</b>					
Local Revenue	-	-	-	-	-
Less Local Expenditures	-	-	-	-	-

<b>NET LOCAL IMPACT</b>	<b>No Fiscal Impact</b>				
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Note: This document only addresses the section of SB 1074 that relates to the distribution of optional quarter-cent sales tax revenues should a referendum to that effect be successful.

#### FISCAL IMPACT SUMMARY

The quarter-cent sales tax distribution provision in SB 1074 would have no net fiscal impact among affected local governments—the bill only modifies the distributions of sales tax revenues various Guilford County governmental entities would receive if such a referendum and county commissioner vote occur.

#### FISCAL ANALYSIS

##### Guilford County Article 46

Under current law,<sup>1</sup> counties seeking to levy the Article 46 optional ¼ cent sales tax must have a resolution to that effect approved by the county board of commissioners and a successful referendum. Currently, 48 counties levy this tax. Revenues from this article of tax in those currently levying it can be used for any public purpose and are not required to be shared with municipalities.

Guilford County does not currently levy the optional quarter-cent tax.<sup>2</sup> Using past Article 39 collections at its rate of 1%, FRD applied Article 46’s ¼ cent rate to determine the estimated

<sup>1</sup> S.L. 2025-187 (HB 305)-Guilford County Sales Tax Distribution Mods.

<sup>2</sup> The county levies Article 39 (1 cent), 40 (1/2 cent), and 42 (1/2 cent).

revenues under the new tax. FRD estimates Guilford County would have generated about \$28.7 million in FY 2023-24 if it levied the optional quarter-cent tax then.

Distributions under Current Law

Last year, the General Assembly passed Session Law 2025-87<sup>3</sup>, which changed how potential proceeds from a successful Article 46 sales tax referendum in Guilford County would be distributed. Table 1 summarizes the steps involved in distributing revenues from an optional quarter cent sales tax under current law if it was being levied.

**Table 1-Summary of Current Distribution of Guilford County Article 46 Sales Tax Revenues**

<b>Step</b>	<b>Short Title of Step</b>	<b>Summary of Step</b>
Start	Total Art. 46 Revenues	Department of Revenue determines total revenues.
Step 1	Initial Set Aside	Sets aside a portion to be used in Step 3
Step 2	Qualifying Municipalities' Portions	Of what is remaining after the set-aside in previous step, distributes funds to qualifying municipalities whose sales tax revenues under the first 2 cents are less than what those distributions would be when multiplied by 25%.
Step 3	County Portion	Distributes funds set aside from Step 1 plus any remaining from Step 2 as follows: <ul style="list-style-type: none"> <li>• Distributes the greater of 20% or \$5 million to the Guilford County Fire and Rescue Council.</li> <li>• Distributes the greater of 10% or \$2.5 million to Guilford Technical Community College for capital expenditures.</li> <li>• Distributes the remaining funds for salary supplements for classroom teachers employed by the local board of education.</li> </ul>

[This section intentionally blank].

<sup>3</sup> S.L. 20025-87 (HB 305), *Guilford County Sales Tax Distribution Mods.*

Correspondingly, Table 2 below shows the annual distributions the respective entities are estimated to have received had the tax been levied.

**Table 2: Summary of Annual Recipients of Article 46 Revenues Under Current Law  
Based on FY 2023-24 Data**

Recipient Type/Group	Total Estimated Article 46 Revenues (\$)	Estimated Article 46 Revenues (\$)	Recipient	Required Use of Funds Under Current Law
Qualifying Municipalities	\$1.3 million	169,000	Oak Ridge	Any public purpose
		186,000	Pleasant Garden	Any public purpose
		392,000	Stokesdale	Any public purpose
		533,000	Summerfield Fire District and Town of Summerfield	<ul style="list-style-type: none"> <li>• First \$3 million: Capital enhancements for water resources related to fire protection.</li> <li>• Anything above \$3 million: any public purpose</li> </ul>
		2,000	Whitsett	Any public purpose
Guilford County	\$27.4 million	5,500,000	Guilford County Fire and Rescue Council	Equipment purchases or capital expenditures
		2,700,000	Guilford Technical Community College	Capital
		19,200,000	Local board of education	Teacher Salary Supplements
<b>Total</b>	<b>\$28.7 million</b>	<b>\$28.7 million</b>		

Note: Total amounts shown may not sum to values shown due to rounding.

Distributions Under SB 1074

The bill modifies several aspects of Guilford County’s current law regarding levying and distributing proceeds of a potential Article 46 quarter-cent sales tax. Since the tax is not currently levied, all values are still a net revenue gain for the same entities discussed in the previous table and no others. The bill modifies the referendum ballot language by adding specific distribution percentages of the tax proceeds for each recipient, as shown in the table below.

**Table 3: Comparison of Required Ballot Language Under Current Law and SB 1074**

Ballot Language Under Current Law	Ballot Language Under S.B. 1074
<p>"[ ] FOR [ ] AGAINST Local sales and use tax at the rate of one-quarter of one percent (0.25%) in addition to all other State and local sales and use taxes to</p> <p><i>be used solely for classroom teacher salary supplements, fire protection equipment and services, for Guilford Technical Community College, and to be used by municipalities for any public purpose.</i>" [Emphasis Added]</p>	<p>"[ ] FOR [ ] AGAINST Local sales and use tax at the rate of one-fourth of one percent (0.25%) in addition to all other State and local sales and use taxes to</p> <p><i>be used solely for</i></p> <ul style="list-style-type: none"> <li>• <i>classroom teacher salary supplements (70%), or</i></li> <li>• <i>or fire protection equipment and services (18%),</i></li> <li>• <i>for Guilford Technical Community College (8%), and</i></li> <li>• <i>for qualifying municipalities for allowable expenses (4%)."</i></li> </ul>

Again, using estimated collections, total proceeds are still estimated at \$28.7 million had the tax been in effect in FY 2023-24. Applying those percentages means the county would receive \$27.6 million for those three purposes (teacher supplements, fire protection and services, Guilford Tech) and qualifying municipalities collectively would receive about \$1.3 million collectively. The sections below discuss the amounts each respective entity is expected to receive under SB 1074.

*County Portion.* Of the estimated \$27.6 million, the table below shows the percentages the bill would allocate to each respective recipient and the estimated revenues each would receive had the bill been in effect in FY 2023-24 (calculated by multiplying total estimated revenues from the tax by the respective percentage). When compared to current law’s required distributions, the changes in SB 1074 due to the ballot language and stated percentages if in effect for FY 2023-24, would have resulted in an additional \$920,000 for teacher supplements, \$250,000 less for fire protection services, and about \$540,000 less for Guilford Technical Community College. Regardless of these differences, these amounts still represent net gains for the affected entities since the tax is not currently levied.

**Table 4: Sub Allocation of County Portion Under SB 1074**

Recipient	Purpose	Allocation Percentage of County Portion Under SB 1074	Estimated Revenue Distributed (\$ in millions)
Guilford County	Teacher salary supplements	73%	\$20.2
Guilford County Fire and Rescue Council	<ul style="list-style-type: none"> <li>• Fire equipment purchases, or</li> <li>• Capital expenditures necessary to provide fire protection services in the county (including administrative expenses).</li> </ul>	19%	\$5.3
Guilford Technical Community College	Capital expenditures	8%	\$2.2

*Municipal Portion.* Similar to current law, the only municipalities that would qualify for a distribution from the set 4% of total net proceeds are those that would have a positive number when subtracting what it would receive under the per capita method of distribution from what it would receive under the ad valorem method of distribution of sales tax revenues.

Since the county uses the ad valorem method of distributing sales tax revenues, the amount distributed to the county and each municipality is known. FRD calculated what each entity would have gotten using the per capita method by applying the respective percentage of population in the county and all municipalities to total estimated proceeds. Then, FRD compared the difference and only positive values moved to the next step. This resulted in five municipalities qualifying for a distribution from the 4% of total net proceeds under the proposed bill: Oak Ridge, Pleasant Garden, Stokesdale, Summerfield, and Whitsett.

Then, the amount each municipality would receive was calculated per the bill’s direction, where each county would receive a proportional share of the total amount distributed to municipalities (which was \$1.3 million for the year of data used). Applying those percentages resulted in estimated distributions to these five municipalities (the same ones that would have received

proceeds under current law) that were slightly lower than what they would have received under current law, with the following respective reductions: (Oak Ridge (\$17,000), Pleasant Garden (\$19,000), Stokesdale (\$40,000), Summerfield (\$54,000), and Whitsey (\$250)). Regardless, these amounts would represent a net gain to these municipalities since they currently do not receive such proceeds.

Since the bill does not change the amount of tax collected and only shifts the amount distributed to various local entities-the bill has no net fiscal impact on the whole.

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### **TECHNICAL CONSIDERATIONS**

The fiscal analysis for both current law and the proposed bill presented herein assumes the requisite referendum will occur and pass, along with necessary approval by the Guilford County Board of Commissioners, which would authorize Guilford County’s optional quarter-cent sales tax.

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### **DATA SOURCES**

N.C. Department of Revenue, Moody’s Analytics.

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### **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.

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### **CONTACT INFORMATION**

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

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June 30, 2026



**Signed copy located in the NCGA Principal Clerk's Offices**

