



# HOUSE BILL 120: Restrict Local Sales Tax/School Construction.

2021-2022 General Assembly

<b>Committee:</b>	House Rules, Calendar, and Operations of the House	<b>Date:</b>	May 6, 2021
<b>Introduced by:</b>	Rep. Hardister	<b>Prepared by:</b>	Trina Griffin
<b>Analysis of:</b>	Second Edition		Staff Attorney

**OVERVIEW:** House Bill 120 would provide Guilford County with the option of identifying in the ballot question the use of the proceeds of the Article 46 local option sales tax as being for either any public purpose or limited to public school capital outlay purposes.

**CURRENT LAW:** In 2007, the General Assembly gave counties a local-option, quarter-cent sales tax under Article 46 of Chapter 105. The tax must be approved by voters in a referendum before it can be adopted. The ballot language for the referendum is set out in statute.<sup>1</sup> If a majority of those voting in the referendum vote for the levy of the tax, the board of county commissioners may, by resolution and after 10 days' public notice, levy a local sales and use tax at a rate of one-quarter percent (0.25%). The proceeds of the tax are not shared with the cities and may be used for any public purpose. Food is not included in the base to which the tax applies.

The State and local sales and use tax rate in Guilford County is 6.75% (4.75% State + 2.0% local). Guilford County has held a total of five unsuccessful referenda: 2008 (May and November), 2010, 2014, and 2020.

**BILL ANALYSIS:** House Bill 120 would allow Guilford County the option of specifying in the ballot question the use of the Article 46 tax proceeds to be either any public purpose or limited to public school capital outlay purposes. If the tax is levied for public school capital outlay purposes, then Guilford County must, using sources other than the Article 46 tax, maintain at least the same amount of public school capital outlay funding as in the fiscal year prior to the fiscal year in which voters approve the ballot measure.

"Public school capital outlay purposes" would consist of those purposes set forth in G.S. 115C-426(f) and retiring any debt for purposes authorized under that statute if the debt was issued on or after the date the referendum is approved.

**EFFECTIVE DATE:** This act would be effective when it becomes law.

**BACKGROUND:** Currently, 46 counties levy the Article 46 quarter-cent sales tax.

*Nick Giddings, Staff Attorney, substantially contributed to this summary.*

<sup>1</sup> G.S. 105-537(c).

Jeffrey Hudson  
Director



Legislative Analysis  
Division  
919-733-2578