

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE FISCAL NOTE

BILL NUMBER: Senate Bill 55 (Senate Finance Committee Substitute) Revenue Laws Technical Changes

SHORT TITLE: Revenue Laws Technical Changes

SPONSOR(S): Senators Cochrane, et al.

FISCAL IMPACT					
	Yes ()	No (X)	No Estimate Available ()		
	<u>FY 1999-00</u>	<u>FY 2000-01</u>	<u>FY 2001-02</u>	<u>FY 2002-03</u>	<u>FY 2003-04</u>
REVENUES					
Triangle Transit Authority	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000
General Fund Notary Fee	(See Assumptions and Methodology)				
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: Department of the Secretary of State, Department of Revenue, Triangle Transit Authority					
EFFECTIVE DATE: Part I (Triangle Transit Authority) is effective July 1, 1999 and applies to contracts entered into on or after that date. Part II, section 7 (notary fee) becomes effective July 1, 1999. All remaining sections become effective when it becomes law.					

BILL SUMMARY: Part one of the bill broadens the tax base for the Triangle Transit Authority's 5% gross receipts tax on rental vehicles. Part two of the bill makes numerous technical and conforming changes to the Revenue Laws and related statutes.

ASSUMPTIONS AND METHODOLOGY:

Part One – Triangle Transit Authority

Part one of the bill allows the Triangle Transit Authority to begin taxing the short-term rental of heavy trucks and trailers. G.S. 105 – 551 permits a regional public transportation authority or a

regional transportation authority to levy a privilege tax of up to 5% on businesses leasing or renting U-drive-it passenger vehicles or motorcycles. This bill broadens the tax base for these authorities by striking the words “U-drive-it passenger vehicles or motorcycles” and replacing them with the term “motor vehicles”. A motor vehicles is defined in GS 105-164.3 as a vehicle “designed primarily for use upon the highways and is either self propelled or propelled by a self-propelled vehicle”. A motor vehicle does not include a moped, special mobile equipment, tow dolly, farm tractor, or road construction equipment.

The Department of Revenue’s Tax Research Division has determined that a 5% tax on the gross receipts of heavy truck and trailer rental businesses in Durham, Orange, and Wake counties will generate an additional \$1 million in revenue each year for the Triangle Transit Authority. This estimate is based on highway use tax returns from four major truck and/or trailer leasing companies in the state that account for 75% of the business in this market. The tax returns are for the 8% gross receipts tax on short-term rentals these businesses pay to the state. Since Durham, Orange, and Wake counties have 12% of the population and motor vehicle registrations in North Carolina, it was assumed that 12% of the truck and trailer leasing business in the state is done in these three counties.

Part Two – Revenue Laws Technical Changes

Except for Section 7, the changes in this bill have no fiscal impact on the General Fund. Section 7 reinstates a \$5 increase in the notary commission fee that was enacted by the 1998 General Assembly in SB 1366 (Chapter 212). Section 29A.9 of SB 1366 increased the nonrefundable fee for notarial commissions from \$25 to \$30. Unfortunately, SB 1552 (Chapter 228) was also enacted to make changes in the Notary Act and it did not increase the fee. When statute 10A-7 was codified, it was determined that the fee would remain \$25 despite legislative intent to increase the fee.

The \$5 notarial fee increase is estimated to generate the following revenue:

1999-2000	\$74,635
2000-2001	76,665
2001-2002	78,750
2002-2003	80,890

Since this estimate was included in the budgeted revenues for 1998-99 and in future year projections, these revenues will not increase the budget. However, failure to pass this bill will result in the reduction of estimated General Fund revenues.

FISCAL RESEARCH DIVISION
733-4910

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