

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE FISCAL NOTE

BILL NUMBER: S.B. 729 Community College Sales Tax Refund/AB

SHORT TITLE: Community College Sales Tax Refund/AB

SPONSOR(S): Senator Moore

FISCAL IMPACT					
	Yes (x)	No ()	No Estimate Available ()		
	(\$ Millions)				
	<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					
General Fund	(4.2)	(4.4)	(4.7)	(4.9)	(5.1)
Local Governments	(2.1)	(2.2)	(2.3)	(2.4)	(2.6)
Community Colleges	6.3	6.7	7.0	7.3	7.7
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: Department of Revenue, North Carolina Community College System.					
EFFECTIVE DATE: When it becomes law, and applies to taxes paid on or after July 1, 1998.					
* Estimates may not add due to rounding.					

BILL SUMMARY: Currently several government entities are entitled to an annual sales tax refund. Eligible agencies include counties, cities, schools, sewer districts, water districts, lake authorities, district health departments, regional planning commissions, public transportation authorities, and others. The bill adds community colleges and the North Carolina Center for Applied Textile Technology to the list of organizations that qualify for a sales tax refund.

ASSUMPTIONS AND METHODOLOGY: According to the Community College System, North Carolina Community Colleges and Center for Applied Textile Technology paid \$6,044,005 in sales and use taxes in FY 1997-98. A recent survey of community colleges suggests that these institutions made approximately \$65,172,124 taxable purchases, to date, in FY 1998-99. Assuming the 6% sales tax rate applies to all purchases, the total sales tax liability for these items is \$3,910,327.

Because the 1998-99 data is incomplete, the previous year's information is used as a baseline. Assuming the 5% annual growth rate for sales taxes applies to community colleges, the projected community college sales tax liability is as follows:

1997-98	6,044,005
1998-99	6,346,206
1999-00	6,663,516
2000-01	6,996,692
2001-02	7,346,526
2002-03	7,713,852
2003-04	8,099,545

Because each year's sales taxes are refunded in the following fiscal year, both the gain to the community colleges, and the loss to the general fund and the counties will be shifted one year.

1999-00	6,346,206
2000-01	6,663,516
2001-02	6,996,692
2002-03	7,346,526
2003-04	7,713,852

Approximately 2/3 of the revenue loss is sustained by the state. Local governments absorb the remaining 1/3. Individual community colleges would receive 100% of the refund.

FISCAL RESEARCH DIVISION 733-4910

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