

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE FISCAL NOTE

BILL NUMBER: SB 400 (2nd Edition)

SHORT TITLE: No Tax on Newspapers Sold in Vending Machines

SPONSOR(S): Sen. Hoyle

FISCAL IMPACT

Yes (X) No () No Estimate Available (X)

FY 2001-02 FY 2002-03 FY 2003-04 FY 2004-05 FY 2005-06

REVENUES

General Fund

*** See Assumptions and Methodology ***

Local Governments

*** See Assumptions and Methodology ***

PRINCIPAL DEPARTMENT(S) &

PROGRAM(S) AFFECTED: North Carolina Department of Revenue, Local Governments.

EFFECTIVE DATE: July 1, 2001.

BILL SUMMARY: Under current law newspapers sold by street vendors and newspaper carriers making door-to-door deliveries are exempt from sales tax. The bill extends that exemption specifically to newspapers sold through all vending machines.

ASSUMPTIONS AND METHODOLOGY: Currently 6% tax is due on newspapers sold over the counter. Newspapers sold by traditional street vendors and door-to-door carriers are exempt from the tax. All taxable vending machine sales are subject to only 50% of the existing tax rate for that item.

In the past few years confusion has arisen about the tax status of newspapers sold through vending machines at convenience stores, shopping areas, and malls. The Department of Revenue's interpretation of the law is that newspapers sold through vending machines in public areas are a form of "street vendor" and are exempt.

"Newspapers sold in or near a stand-alone convenience store are not considered a street vendor sale, and are subject to tax. "Sales through newspaper vending racks located inside or on the premises of a store or business are taxable whether such sales are made by the owner of the business or another vendor. Such sales are not considered to be sales made by street vendors.

Sales through newspaper vending racks which are not located on the street but are in public areas such as shopping centers and malls, airport terminals, train stations, bus stations and other similar locations or facilities, but not inside or on the premises of a store or business, are considered to be sales by street vendors and are exempt from sales tax". (Technical Bulletins, Section 7-16-B.10 & 11).

Because of the confusion over this provision, the Department of Revenue agreed to not pursue any of these taxes before April 1, 2001, and to not attempt to collect back taxes previous to this date. The Department has indicated, however, that they consider these non-vendor sales to be taxable, and believe these taxes are now due. They also plan to include these taxes in audit considerations (after the April 1, 2001 date).

Because this item is not recorded separately on the sales tax returns, and since this item has not been considered in most recent audits, no estimate is available from the Department. The Press Association believes that most independent carriers are not currently collecting or remitting the tax. Because there is no good data available, no fiscal estimate is possible. However, it is expected the impact of this bill will be relatively small given the limited number of papers sold through stand alone machines, and the fact that all vending machine sales that are taxable are only subject to 50% of the current tax rate (6%) or 3%.

TECHNICAL CONSIDERATIONS: The bill should be modified to allow for a later effective date.

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DATE: July 5, 2001



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