

**NORTH CAROLINA GENERAL ASSEMBLY**

**LEGISLATIVE FISCAL NOTE**

**BILL NUMBER:** S.B. 571 Sanford-Lee Airport Authority Refunds

**SHORT TITLE:** Sanford-Lee Airport Authority Refunds

**SPONSOR(S):** Sen. Harris

**FISCAL IMPACT**

	<b>Yes (X)</b>	<b>No ( )</b>	<b>No Estimate Available ( )</b>		
	<b><u>FY 1999-00</u></b>	<b><u>FY 2000-01</u></b>	<b><u>FY 2001-02</u></b>	<b><u>FY 2002-03</u></b>	<b><u>FY 2003-04</u></b>
<b>REVENUES</b>					
<b>General Fund</b>	<b>(\$600)</b>	<b>(\$600)</b>	<b>(\$600)</b>	<b>(\$600)</b>	<b>(\$600)</b>
<b>Local Governments</b>	<b>(\$300)</b>	<b>(\$300)</b>	<b>(\$300)</b>	<b>(\$300)</b>	<b>(\$300)</b>
<b>Sanford-Lee Airport Auth.</b>	<b>\$900</b>	<b>\$900</b>	<b>\$900</b>	<b>\$900</b>	<b>\$900</b>

**PRINCIPAL DEPARTMENT(S) &**

**PROGRAM(S) AFFECTED:** Department of Revenue, Sales Tax Division, and Sanford-Lee Airport Authority.

**EFFECTIVE DATE:** When it becomes law.

**BILL SUMMARY:** Under G.S. 105-164.14(c), certain government entities are eligible for refund of the sales taxes they paid on purchases in the previous fiscal year. This refund is issued annually. The types of government organizations that are currently eligible for the refund include city and county governments, municipal sewer districts, water and sewer authorities, public health authorities, a council of government, schools, and regional public transportation authorities. The law also states that local airport authorities, created by the General Assembly, may be eligible for the refund if the authority meets at least one of the following criteria: it has all the rights of a municipality, a local act of the General Assembly declares it to be a municipality, or a local act of the General Assembly specifically authorizes it to receive the refund. This bill is a local act that would specifically authorize the Sanford – Lee Airport Authority to receive the sales tax refund.

**ASSUMPTIONS AND METHODOLOGY:** Prior to FY 1995-96 the Sanford – Lee Airport Authority has been receiving a sales tax refund. Airport officials estimate that this refund was approximately \$500 - \$700 per year. In 1996 the Sales Tax Division of the Department of

Revenue notified the Sanford – Lee Airport Authority that they were ineligible to receive the refund. The Airport Authority has not received a refund since that time.

According to the Sanford Director of Finance, who maintains the authority's financial records, in FY 1997-98 the Authority made taxable purchases of \$12,185. As such, the total sales tax charged was \$731 ( $\$12,185 \times 6\%$ ). While the Authority has only paid \$578 in sales taxes this year, this number is expected to return to near \$750. (The airport authority is in the process of closing their existing facility, and opening a new airport. As such, it appears they are delaying many of their taxable purchases until the new facility is open. The construction costs are being funded primarily through federal grants and are handled as a federal government purchase. As such, a change in the status of the airport authority will have no impact on construction related purchases).

Assuming the authority continues to make approximately \$12,500 to \$15,000 in taxable purchases each year, total lost tax revenue would be approximately \$750 to \$900 per year. Two-thirds of this revenue loss (\$500 to \$600) will be to the State and one-third (\$250 to \$300) will be to local governments. The larger number in the range is used for estimate purposes.

**FISCAL RESEARCH DIVISION 733-4910**

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**DATE:**

Monday, May 24, 1999



**Signed Copy Located in the NCGA Principal Clerk's Offices**