

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE FISCAL NOTE

BILL NUMBER: SB 97 (2nd Edition)

SHORT TITLE: Revenue Laws Technical Changes

SPONSOR(S): Senator Hartsell

FISCAL IMPACT

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

FY 2003-04 FY 2004-05 FY 2005-06 FY 2006-07 FY 2007-08

REVENUES

General Fund

*** No Fiscal Impact ***

Local Governments

*** See Assumptions and Methodology ***

PRINCIPAL DEPARTMENT(S) &

PROGRAM(S) AFFECTED: NC Department of Revenue, local tax offices.

EFFECTIVE DATE: When it becomes law.

BILL SUMMARY: The bill makes numerous technical and administrative changes to G.S. 105 and related statutes. The Revenue Laws Study Committee recommended sections 1 – 12.

ASSUMPTIONS AND METHODOLOGY:

Sections 1 & 3 – Clarifies that the 2002 law modifying the estate tax formula for estates with property in more than one state does not apply to the extent that it would create a retroactive increase. It also clarifies the effective date of the Low-Income Housing credit. Both of these changes reflect current Department practices and will have no fiscal impact.

Section 2 – Re-enacts S.L. 2002-172 (HB 1734), which did not receive three roll call readings on the adoption of the conference report. This bill was last session's economic incentive bill which included modifications to the Bill Lee Credit, creation of the Job Development Investment Grant program (JDIG), changes in the Film Industry Credit, alteration of the North Carolina Railroad's condemnation authority, a modification of the public hearing requirements financing of industrial and pollution control facilities, and capital planning authority for the State Board of Community Colleges, the Board of Governors of the University of North Carolina system, and the North Carolina Biotechnology Center to develop a new biopharmaceutical/bioprocess manufacturing training center and related regional training centers. It appears to Fiscal Research that all the requirements of this bill are being carried out. Therefore, there is no fiscal impact associated with this portion of the legislation, as it only codifies existing practices.

Section 4 – This section moves the location of a definition and makes conforming changes. No fiscal impact is expected.

Section 5 – The section substitutes the word “apportionable” for the word “business” in the phrase “business income”. This conforms to the language used in recent court decisions and should have no impact on the bill.

Sections 6, 7, 9 11, 14, 21, and 22 – Makes grammatical and punctuation changes, fills in missing statute references, and replaces inaccurate statute references. These sections will have no fiscal impact.

Section 8 – Clarifies that the interest amount, not the interest rate, is factor to use when determining the value of the low income housing tax credit. This change follows the original intent of the bill and will have no fiscal impact.

Section 10 – Gives local tax collectors the ability to reduce or waive the entire penalty imposed on a worthless check. Current law only allows the tax collector to waive the 10% penalty. The Department indicates that this may result in some revenue loss for local units, but that the loss should be minimal.

Section 12 – Clarifies that the General Assembly cannot surrender, suspend, or contract away their taxing power. It also clarifies that no provision of the tax statutes constitutes a contract that the provision will remain in effect in future years. No immediate fiscal impact is expected, although the language change may have some impact in future court decisions.

Section 13 – Makes appropriate wording change to clarify that a set number of states must adopt the Streamline Sales Tax Agreement. Current law says the states must sign, not adopt, the agreement. No fiscal impact is expected.

Section 15 – Alters the related entity definition to correct a drafting error. No fiscal impact is expected.

Section 16 – Deletes the word “interstate” from the term “interstate telecommunications” in selected statutes. This change is made to reflect the 2002 tax law change that removed the distinction between interstate and intrastate telecommunication for tax purposes. No fiscal impact is expected.

Section 17 – Returns to statute language that was deleted in 1997. At that time, the language was considered redundant, but the Department would like the language returned to further clarify their current practices.

Section 18 – Conforms the language allowing sales tax refunds to selected government agencies and nonprofits to include sales taxes levied on the sale of services, except telecommunications and electricity. As a matter of administrative practice, the Department has always refunded sales taxes paid directly by an eligible entity on accommodations and dry cleaning. Because these are the only services currently subject to a sales tax other than telecommunications and electricity, the bill only puts into statute the current practice of the Department. As such, there is no fiscal impact associated with this portion of bill.

Section 19 – Sets out in statute a prohibition against levying the scrap tire or white goods tax on sales that the state cannot statutorily tax. It also removes the language that specifically exempts stored cotton from property tax, as it is already exempt under the inventory exemption. No fiscal impact is expected because of either change.

In closing, it should be noted that all Department of Revenue Division Directors were asked to examine the legislation to determine if it would have a fiscal impact on the state. The directors for Corporate Income, Individual Income, Sales, and Property taxes all indicated that they did not see a fiscal impact from the bill that would affect state revenues.

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