GENERAL ASSEMBLY OF NORTH CAROLINA SESSION 2007

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SENATE DRS35304-LYx-8C (12/10)

Short Title: Sales Tax Medicaid Swap.

(Public)

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Sponsors:	Senator Rand.
Referred to:	

1	A BILL TO BE ENTITLED
2	AN ACT TO SHIFT THE ENTIRE NONFEDERAL SHARE OF MEDICAID TO THE
3	STATE AND TO MAKE CORRESPONDING CHANGES TO STATE AND
4	LOCAL REVENUE STREAMS.
5	The General Assembly of North Carolina enacts:
6	PART I. MEDICAID CHANGES
7	SECTION 1.1. Effective July 1, 2007, the nonfederal share of Medical
8	Assistance Program costs, excluding administrative costs, shall be borne by the State.
9	SECTION 1.2. This part is effective when it becomes law.
10	PART II. SALES AND USE TAX CHANGES
11	SECTION 2.1. The lead-in language of G.S. 105-164.4(a) reads as
12	rewritten:
13	"(a) A privilege tax is imposed on a retailer at the following percentage rates of
14	the retailer's net taxable sales or gross receipts, as appropriate. The general rate of tax is
15	four percent (4%).(4%) plus any amount converted to a State tax under Articles 39 and
16	40 of this Chapter.
17	"
18	SECTION 2.2. Article 39 of Chapter 105 of the General Statutes is amended
19	by adding a new section to read:
20	" <u>§ 105-475. Conversion to State tax; hold harmless.</u>
21	(a) <u>Conversion. – Effective July 1, 2007, a portion of a tax levied under this</u>
22	Article is converted to a State sales and use tax. The portion of the tax that is converted
23	to a State tax is equal to fifty percent (50%) of the tax imposed. On or after that date, a
24	county has the authority to enact or repeal the local portion of the tax only.
25	(b) <u>City Hold Harmless. – A county shall ensure that the municipalities within</u>
26	the county receive the same distribution that they received from a tax levied under this
27	Article for the 2006-2007 fiscal year."

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1	SECTION 2.3. Chapter 1096 of the 1967 Session Laws is amended by
2	adding a new section to read:
3	"Section 10.4. Effective July 1, 2007, a portion of a tax levied under this act is
4	converted to a State sales and use tax. The portion of the tax that is converted to a State
5	tax is equal to fifty percent (50%) of the tax imposed. On or after that date,
6	Mecklenburg County has the authority to enact or repeal the local portion of the tax
7	only. Mecklenburg County shall ensure that the municipalities within the County
8	receive the same distribution that they received from a tax levied under this act for the
9	<u>2006-2007 fiscal year."</u>
10	SECTION 2.4. G.S. 105-481 is repealed.
11	SECTION 2.5. G.S. 105-486 is repealed.
12	SECTION 2.6. G.S. 105-487 is repealed.
13	SECTION 2.7. Article 40 of Chapter 105 of the General Statutes is amended
14	by adding a new section to read:
15	" <u>§ 105-487.1. Conversion to State tax; hold harmless.</u>
16	(a) Conversion. – Effective July 1, 2007, a tax levied under this Article is
17	converted to a State sales and use tax. On or after that date, a county has no authority to
18	enact or repeal the tax.
19	(b) <u>City Hold Harmless. – A county shall ensure that the municipalities within</u>
20	the county receive the same distribution that they received from a tax levied under this
21	Article for the 2006-2007 fiscal year."
22	SECTION 2.8. Chapter 105 of the General Statutes is amended by adding a
23	new Article to read:
24	" <u>Article 46.</u>
25	"Second One-Cent (1¢) Local Government Sales and Use Tax.
26	" <u>§ 105-535. Short title.</u>
27	This Article is the Second One-Cent (1¢) Local Government Sales and Use Tax Act.
28	" <u>§ 105-536. Limitations.</u>
29	This Article applies only to counties that levy the first one-cent (1¢) local sales and
30	use tax under Article 39 of this Chapter or under Chapter 1096 of the 1967 Session
31	Laws, the first one-half cent $(1/2\phi)$ local sales and use tax under Article 40 of this
32	Chapter, the second one-half cent $(1/2\phi)$ local sales and use tax under Article 42 of this
33	Chapter, and the third one-half cent $(1/2\phi)$ local sales and use tax under Article 44 of
34	this Chapter.
35	" <u>§ 105-537. Levy.</u>
36	The board of county commissioners may, by resolution and after 10 days' public
37	notice, levy a local sales and use tax under this Article. The board of county
38	commissioners must specify the rate of tax in the resolution levying the tax. The rate of
39	a tax levied under this Article may not exceed one percent (1%) and must be an
40	increment of one-quarter percent (1/4%). A county may levy multiple taxes under this
41	Article so long as the total rate of all taxes levied under this Article does not exceed one
42	percent (1%).
43	" <u>§ 105-538. Administration.</u>

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Except as provided in this Article, the adoption, levy, collection, administration, distribution, and repeal of the additional taxes authorized by this Article shall be in accordance with Article 39 of this Chapter. Notwithstanding the provisions of G.S. 105-466, a tax may be imposed under this Article as early as July 1, 2007. The provisions of Article 39 regarding advisory referenda do not apply to a tax levied under this Article. The provisions of G.S. 105-472 requiring counties to share the proceeds of a tax with municipalities in the county do not apply to a tax levied under this Article."

8 **SECTION 2.9.** A tax levied under Article 46 of Chapter 105 of the General 9 Statutes, as enacted by this act, does not apply to construction materials purchased to 10 fulfill a lump-sum or unit-price contract entered into or awarded before the effective 11 date of the levy or entered into or awarded pursuant to a bid made before the effective 12 date of the levy when the construction materials would otherwise be subject to the tax 13 levied under Article 46 of Chapter 105 of the General Statutes.

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SECTION 2.10. G.S. 105-269.14(b) reads as rewritten:

15 "(b) Distribution. - The Secretary must distribute a portion of the net use tax 16 proceeds collected under this section to counties and cities. The portion to be distributed 17 to all counties and cities is the total net use tax proceeds collected under this section 18 multiplied by a fraction. The numerator of the fraction is the local use tax proceeds 19 collected under this section. The denominator of the fraction is the total use tax 20 proceeds collected under this section. The Secretary must distribute this portion to the 21 counties and cities in proportion to their total distributions under Articles 39, 40, 42, 43, 22 and 4444, 45, and 46 of this Chapter and Chapter 1096 of the 1967 Session Laws for the 23 most recent period for which data are available. The provisions of G.S. 105-472, 24 105-486, and 105-501105-501, 105-510, 105-520, 105-531, and 105-538 do not apply 25 to tax proceeds distributed under this section."

SECTION 2.11. Sections 2.1, 2.4, 2.5, and 2.6 of this part become effective July 1, 2007, and apply to sales made on or after that date. Section 2.10 of this part is effective for taxable years beginning on or after January 1, 2008. The remainder of this part is effective when it becomes law.

30 PART III. EFFECTIVE DATE

31 **SECTION 3.1.** Except as otherwise provided, this act is effective when it 32 becomes law.