

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1989

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HOUSE BILL 2369\*

Short Title: Local Sales Tax Distribution.

(Public)

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Sponsors: Representatives Creech; and Buchanan.

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Referred to: Finance.

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June 6, 1990

A BILL TO BE ENTITLED

AN ACT TO PROVIDE THAT CERTAIN LOCAL SALES AND USE TAX  
PROCEEDS SHALL BE DISTRIBUTED TO THE TAXING COUNTIES ON A  
PER CAPITA BASIS AND TO APPROPRIATE FUNDS TO THE DEPARTMENT  
OF REVENUE FOR THE COMPUTER PROGRAMMING REQUIRED TO  
CHANGE THE DISTRIBUTION FORMULA.

The General Assembly of North Carolina enacts:

Section 1. G.S. 105-472 reads as rewritten:

**"§105-472. Disposition and distribution of taxes collected.**

~~With respect to the counties in which he shall collect and administer the tax, the Secretary of Revenue shall, on a quarterly basis, distribute to each taxing county and to the municipalities therein the net proceeds of the tax collected in that county under this Article which amount shall be determined by deducting taxes refunded, the cost to the State of collecting and administering the tax in the taxing county and such other deductions as may be properly charged to the taxing county, from the gross amount of the tax remitted to the Secretary of Revenue from the taxing county.~~ The Secretary of Revenue shall, on a quarterly basis, allocate the net proceeds of the taxes levied under this Article to the taxing counties on a per capita basis according to the most recent annual population estimates certified to the Secretary by the State Budget Officer. The amount of the net proceeds shall be determined by deducting taxes refunded, the cost to the State of collecting and administering the taxes, and any other deductions that may be properly charged to the taxing counties from the gross amount of the taxes remitted to the Secretary of Revenue from the taxing counties. The Secretary shall determine the cost of collection and administration, and that amount shall be retained by the State

1 before distribution of the net proceeds of the tax. For the purposes of this Article,  
2 'municipalities' shall mean cities as defined by G.S. 153A-1(1).

3 The amount allocated to each taxing county shall then be distributed to the county  
4 and its municipalities in accordance with the method selected by the board of county  
5 commissioners, as provided below. The board of county commissioners shall, in the  
6 resolution levying the tax, determine that the net proceeds of the tax shall be distributed  
7 in one of the following methods and thereafter said proceeds shall be distributed in  
8 accordance therewith:

- 9 (1) The amount distributable to a taxing county and to  
10 the municipalities therein from the net proceeds of the tax collected  
11 therein shall be determined upon the following basis: The net proceeds  
12 of the tax collected in a taxing county shall be distributed to that taxing  
13 county and to the municipalities therein upon a per capita basis  
14 according to the total population of the taxing county, plus the total  
15 population of the municipalities therein; provided, however, that 'total  
16 population' of a municipality lying within more than one county shall  
17 be only that part of its population which lives within the taxing county.  
18 For this purpose, the Secretary of Revenue shall determine a per capita  
19 figure by dividing the net proceeds of the tax collected under this  
20 Article for the preceding quarter within a taxing county by the total  
21 population of that taxing county plus the total population of all  
22 municipalities therein according to the most recent annual estimates of  
23 population as certified to the Secretary of Revenue by the State Budget  
24 Officer. The per capita figure thus derived shall be multiplied by the  
25 population of the taxing county and each respective municipality  
26 therein according to the most recent annual estimates of population as  
27 certified to the Secretary of Revenue by the State Budget Officer, and  
28 each respective product shall be the amount to be distributed to each  
29 taxing county and to each municipality therein. The State Budget  
30 Officer shall annually cause to be prepared and shall certify to the  
31 Secretary of Revenue such reasonably accurate population estimates of  
32 all counties and municipalities in the State as may be practicably  
33 developed; or
- 34 (2) The net proceeds of the tax collected in a taxing county shall be  
35 divided between the county and the municipalities therein in  
36 proportion to the total amount of ad valorem taxes levied by each on  
37 property having a tax situs in the taxing county during the fiscal year  
38 next preceding such distribution. For purposes of this section, the  
39 amount of the ad valorem taxes levied by such county or municipality  
40 shall include any ad valorem taxes levied by such county or  
41 municipality in behalf of a taxing district or districts and collected by  
42 the county or municipality. In computing the amount of tax proceeds  
43 to be distributed to any county or municipality, the amount of any ad  
44 valorem taxes levied but not substantially collected shall be ignored.

1 Each county and municipality receiving a distributable share of the  
2 sales and use tax levied under this Article shall in turn immediately  
3 share the proceeds with any district or districts in behalf of which the  
4 county or municipality levied ad valorem taxes in the proportion that  
5 the district levy bears to the total levy of the county or municipality.  
6 Any county or municipality which fails to provide the Department of  
7 Revenue with information concerning ad valorem taxes levied by that  
8 county or municipality adequate to permit a timely determination of  
9 the appropriate share of that county or municipality of tax proceeds  
10 collected under this Article may be excluded by the Secretary from  
11 each quarterly distribution with respect to which such information was  
12 not provided in a timely manner, and such tax proceeds shall then be  
13 distributed only to the governmental unit or units whose information  
14 was provided in a timely manner. For the purpose of computing the  
15 distribution of the tax under this subsection to any county and the  
16 municipalities located therein for any quarter with respect to which the  
17 property valuation of a public service company is the subject of an  
18 appeal pursuant to the provisions of the Machinery Act, or to  
19 applicable provisions of federal law, and the Department of Revenue is  
20 restrained by operation of law or by a court of competent jurisdiction  
21 from certifying such valuation to the county and the municipalities  
22 therein, the Department shall use the last property valuation of such  
23 public service company which has been so certified in order to  
24 determine the ad valorem tax levies applicable to such public service  
25 company in the county and the municipalities therein.

26 Where local use taxes, levied pursuant to this Article, or to any other local sales tax  
27 act, which cannot be identified as being attributable to any particular taxing county are  
28 collected and remitted to the Secretary, he shall apportion said taxes to the taxing  
29 counties in the same proportion that the local sales and use taxes collected each month  
30 in a taxing county bears to the total local sales and use taxes collected in all taxing  
31 counties each month during the quarter for which a distribution is to be made, and the  
32 total net proceeds shall then be distributed as above provided.

33 The board of county commissioners in each taxing county shall, by resolution  
34 adopted during the month of April of each year, determine which of the two foregoing  
35 methods of distribution shall be in effect in the county during the next succeeding fiscal  
36 year. In order for such resolution to be effective, a certified copy thereof must be  
37 delivered to the Secretary of Revenue at his office in Raleigh within 15 calendar days  
38 after its adoption. If the board fails to adopt any resolution or if it fails to adopt a  
39 method of distribution not then in effect in the county, or if a certified copy of the  
40 resolution is not timely delivered to the Secretary, the method of distribution then in  
41 effect in the county shall continue in effect for the following fiscal year. The method of  
42 distribution in effect on the first of July of each fiscal year shall apply to every  
43 distribution made during that fiscal year."

1           Sec. 2. There is appropriated from the General Fund to the Department of  
2 Revenue the sum of \$1,000 for the 1990-91 fiscal year to defray the costs of changing  
3 the distribution of local sales tax proceeds as provided in this act.

4           Sec. 3. This act shall become effective July 1, 1990, and applies to sales  
5 made on or after that date.