

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE FISCAL NOTE

BILL NUMBER: House Bill 1520 (First Edition)

SHORT TITLE: Gaston Temporary Sales Tax Referendum.

SPONSOR(S): Representatives Clary and Rayfield

FISCAL IMPACT					
	Yes (X)	No ()	No Estimate Available ()		
	<u>FY 2004-05</u>	<u>FY 2005-06</u>	<u>FY 2006-07</u>	<u>FY 2007-08</u>	<u>FY 2008-09</u>
REVENUES:					
Gaston Co. and assoc. municipalities					
	(See Assumptions and Methodology)				
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: Gaston County and its associated municipalities, the North Carolina Department of Revenue.					
EFFECTIVE DATE: When it becomes law.					

BILL SUMMARY: The legislation authorizes Gaston County to hold a referendum on the issue of the county levying an additional ½ cent in sales tax within the county. If the voters approve the ballot measure, the tax could be levied, with the proceeds distributed among the county and the associated municipalities according to a formula outlined in the bill. The tax would not apply to food or construction materials purchased to fulfill a contract entered into or awarded before the effective date of the levy. The tax expires eight years after the instatement of the levy. The proceeds of the tax can only be used for economic development, tourism, or both.

ASSUMPTIONS AND METHODOLOGY: In 2002-03, Gaston County raised \$15.32 million from the Article 39 (first one cent) sales tax. This is the only entirely point of origin distributed sales tax. Using one-half of this amount, suggests potential revenue of \$7.66 million from a half-cent tax. However, because the Article 39 tax applies to food, the 2002-03 estimate is reduced to \$6.73 million to reflect the removal of food from the base. Growing this amount forward by historical state sales tax growth rates and anticipated rates, suggests the following potential revenue stream:

2005-06	2006-07	2007-08	2008-09	2009-10
7,529,977	7,868,826	8,262,267	8,675,381	9,109,150

The bill divides this amount between the county and its associated municipalities by formula. The percentage each would receive under the formula and the actual amount for 2005-06 are shown below:

	Proportion	2005-06
Gaston County	31.77946%	2,392,986
Belmont	3.50000%	263,549
Bessemer City	2.05000%	154,365
Cherryville	2.15000%	161,895
Cramerton	1.20000%	90,360
Dallas	1.35000%	101,655
Dellview	-	-
Gastonia	50.00000%	3,764,989
High Shoals	0.30000%	22,590
Kings Mountain	0.30000%	22,590
Lowell	1.05000%	79,065
McAdenville	0.25000%	18,825
Mount Holly	3.90000%	293,669
Ranlo	0.90000%	67,770
Spencer Mountain	0.02054%	1,547
Stanley	1.25000%	94,125
TOTAL	100%	7,529,977

This amount is not shown in the fiscal estimate box. Because the tax is subject to a local referendum, the revenue is not a certainty.

SOURCES OF DATA: North Carolina Department of Revenue.

FISCAL RESEARCH DIVISION: (919) 733-4910

PREPARED BY: Linda Struyk Millsaps

APPROVED BY: James D. Johnson, Director
Fiscal Research Division

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