

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.

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Referred to:

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A BILL TO BE ENTITLED

AN ACT TO SHIFT THE ENTIRE NONFEDERAL SHARE OF MEDICAID TO THE STATE AND TO MAKE CORRESPONDING CHANGES TO STATE AND LOCAL REVENUE STREAMS.

The General Assembly of North Carolina enacts:

**PART I. MEDICAID CHANGES**

**SECTION 1.1.** Effective July 1, 2007, the nonfederal share of Medical Assistance Program costs, excluding administrative costs, shall be borne by the State.

**SECTION 1.2.** This part is effective when it becomes law.

**PART II. SALES AND USE TAX CHANGES**

**SECTION 2.1.** The lead-in language of G.S. 105-164.4(a) reads as rewritten:

"(a) A privilege tax is imposed on a retailer at the following percentage rates of the retailer's net taxable sales or gross receipts, as appropriate. The general rate of tax is four percent ~~(4%)~~ (4%) plus any amount converted to a State tax under Articles 39 and 40 of this Chapter.

...."

**SECTION 2.2.** Article 39 of Chapter 105 of the General Statutes is amended by adding a new section to read:

**§ 105-475. Conversion to State tax; hold harmless.**

(a) Conversion. – Effective July 1, 2007, a portion of a tax levied under this Article is converted to a State sales and use tax. The portion of the tax that is converted to a State tax is equal to fifty percent (50%) of the tax imposed. On or after that date, a county has the authority to enact or repeal the local portion of the tax only.

(b) City Hold Harmless. – A county shall ensure that the municipalities within the county receive the same distribution that they received from a tax levied under this Article for the 2006-2007 fiscal year.



1        Except as provided in this Article, the adoption, levy, collection, administration,  
2 distribution, and repeal of the additional taxes authorized by this Article shall be in  
3 accordance with Article 39 of this Chapter. Notwithstanding the provisions of  
4 G.S. 105-466, a tax may be imposed under this Article as early as July 1, 2007. The  
5 provisions of Article 39 regarding advisory referenda do not apply to a tax levied under  
6 this Article. The provisions of G.S. 105-472 requiring counties to share the proceeds of  
7 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.

14            **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 44~~ 44, 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 105-501~~ 105-501, 105-510, 105-520, 105-531, and 105-538 do not apply  
25 to tax proceeds distributed under this section."

26            **SECTION 2.11.** Sections 2.1, 2.4, 2.5, and 2.6 of this part become effective  
27 July 1, 2007, and apply to sales made on or after that date. Section 2.10 of this part is  
28 effective for taxable years beginning on or after January 1, 2008. The remainder of this  
29 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.