

GENERAL ASSEMBLY OF NORTH CAROLINA



Session 2007

Legislative Fiscal Note

**BILL NUMBER:** House Bill 2530 (Fourth Edition)

**SHORT TITLE:** Solid Waste Tax Changes/Unsalable OTP Refund.

**SPONSOR(S):** Representatives Harrison, T. Harrell, Luebke, and Thomas

**FISCAL IMPACT**

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

FY 2008-09    FY 2009-10    FY 2010-11    FY 2011-12    FY 2012-13

**REVENUES**

**Solid Waste Tax**      \*Reduction in first-year revenue of approximately \$6.15 million due to quarterly payment schedule – see assumptions and methodology\*

**General Fund/  
Cancer Fund**

\*Refund of tax for unsalable other tobacco products (OTP) will reduce revenues from this tax by approximately \$30,000. The OTP tax is distributed 30% to the General Fund and 70% to the UNC Cancer Fund\*

**EXPENDITURES**

\*\*Changes distribution of revenues.  
See Assumptions and Methodology\*\*

**PRINCIPAL DEPARTMENT(S) &**

**PROGRAM(S) AFFECTED:** Department of Environment and Natural Resources; Local Governments; Department of Revenue

**EFFECTIVE DATE:** Section 4 becomes effective October 1, 2008. The remainder becomes effective when the bill becomes law.

**BILL SUMMARY:** HB 2530 makes changes to the Solid Waste Management Act of 2007 to allow an owner or operator of a landfill or transfer station to deduct from the amount of waste tonnage reported on their tax return any waste tonnage received from a third party when the accounts receivable are worthless. The bill also establishes a quarterly payment schedule and amends the distribution of tax proceeds to units of local government.

**ASSUMPTIONS AND METHODOLOGY:** The Solid Waste Management Act of 2007 (S.L. 2007-550) established the solid waste disposal tax at a rate of \$2.00 per ton effective July 1, 2008. It was estimated by Fiscal Research that the tax would raise approximately \$24.5 million annually. The Department of Revenue is allowed to retain \$225,000 of the tax collected for administrative expenses. The remaining revenue would be distributed to the Inactive Hazardous Sites Cleanup Fund (50%), the Solid Waste Management Trust Fund (12.5%), and local governments (37.5%), as follows:

| <b>Solid Waste Disposal Tax Revenue Distribution</b> |                     |                     |                     |                     |                     |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|
|  | <b>FY 2008-09</b>   | <b>FY 2009-10</b>   | <b>FY 2010-11</b>   | <b>FY 2011-12</b>   | <b>FY 2012-13</b>   |
| <b>Available Revenue</b>                             | <b>\$24,386,299</b> | <b>\$25,052,576</b> | <b>\$25,718,853</b> | <b>\$26,385,130</b> | <b>\$27,051,407</b> |
| 50% Inactive Hazardous Sites                         | \$12,193,150        | \$12,526,288        | \$12,859,427        | \$13,192,565        | \$13,525,704        |
| 7% Admin. Allowance                                  | \$853,520           | \$876,840           | \$900,160           | \$923,480           | \$946,799           |
| 12.5% Solid Waste Mgmt Trust Fund                    | \$3,048,287         | \$3,131,572         | \$3,214,857         | \$3,298,141         | \$3,381,426         |
| 7% Admin. Allowance                                  | \$213,380           | \$219,210           | \$225,040           | \$230,870           | \$236,700           |
| 37.5% for local governments                          | \$9,144,862         | \$9,394,716         | \$9,644,570         | \$9,894,424         | \$10,144,278        |

This bill requires payments to be remitted quarterly on the last day of the month following the end of the quarter. Thus, only three quarterly payments would be remitted in FY 08-09, resulting in revenue of approximately \$18.3 million and a loss of \$6.15 million.

Section 4 provides a refund for stale/unusable other tobacco products. A refund is already available for cigarettes and cigars; this section would provide the refund for all other tobacco products, which would include snuff and chewing tobacco. The impact is estimated to be approximately \$30,000. The tax on other tobacco products is 10% of the price. 3% of the tax goes to the General Fund and the remainder is distributed to the UNC Cancer Fund.

**SOURCES OF DATA:** Department of Environment and Natural Resources

**TECHNICAL CONSIDERATIONS:** None

**FISCAL RESEARCH DIVISION:** (919) 733-4910

**PREPARED BY:** Rodney Bizzell and Kristin Walker

**APPROVED BY:** Lynn Muchmore, Director  
Fiscal Research Division



**DATE:** July 16, 2008

**Signed Copy Located in the NCGA Principal Clerk's Offices**