



Bulletin #05-12

Thursday, April 14, 2005

LOCAL REVENUE OPTIONS PROPOSED

Legislation introduced this week would authorize local governments to levy a number of taxes after approval by voters. **H1142**, introduced by Rep. Mickey Michaux (Durham) and described in detail on page 2, would, if enacted, accomplish an Association Legislative Goal. It would permit counties and cities to hold referenda on the following local taxes:

- Sales Tax
- Impact Tax
- Meals Tax
- Occupancy Tax
- Income Tax
- Land Transfer Tax

WE'RE NO. 1 . . . OR THE ONLY ONE

The State Legislature in New York, the only other state in which counties are required to share in nonfederal Medicaid costs across the board, has approved legislation to cap county costs. According to news reports, the legislation includes a phaseout of county participation with eventual state takeover of the escalating Medicaid burden. That leaves North Carolina. County officials who have not yet communicated updated cost figures to members of the General Assembly should do so as soon as possible, and others should remind those legislators who have already been told.

GENERAL GOVERNMENT Updates

H399 “To allow counties with no incorporated municipalities to exercise most municipal functions.” Rep. Bill Owens (Pasquotank). (**Bulletin #06**, March 3, 2005; **Bulletin #08**, March 18, 2005). This bill was favorably reported in the House on April 5. It was approved on second reading April 12 and on third reading the next day.

S396 “Allowing counties to make changes in service districts created pursuant to Article 16 of Chapter 153A of the General Statutes.” Sen. David Hoyle (Gaston). (**Bulletin #07**, March 10, 2005). This bill was approved by the Senate on second reading April 6 and on third reading April 7. It has been referred to the House Finance Committee.

Introductions

H1123 “Prohibiting public officials from holding paid position in nonprofit organizations that receive funding from the state or federal government.” Rep. John Rayfield (Gaston). This bill would make it a misdemeanor for an official of state or local government to hold a paid position in a nonprofit organization that receives either direct or indirect funding of any kind from the state or federal government. The bill was referred to the House Judiciary Committee No. 2.

PUBLIC EDUCATION Updates

H1023 “To establish a State Lottery.” Rep. Bill Owens (Pasquotank). ([Bulletin #11](#), April 7, 2005). This bill, approved by the House last week, has been referred to a select Senate Committee chaired by Sen. Tony Rand (Cumberland).

TAXATION AND FINANCE Updates

S682 “To extend to Public Health Authorities the set-off debt collection procedures currently available to counties and cities.” Sen. Robert Holloman (Hertford). ([Bulletin #09](#), March 24, 2005). This bill was approved by the Senate on second reading April 5 and on third reading the next day. It has been referred to the House Finance Committee.

Introductions

H1117 “To make changes to state and local government finance laws.” Rep. Deborah Ross (Wake). This bill would make a number of technical changes to statutes implementing “Amendment One” relating to economic development financing, approved by the voters last year. It would also make changes in statutes applying to revenue bonds and to fidelity bonds required of local government finance officers. This bill would also make changes in interest rate restrictions on bonds issued by North Carolina governments. The bill was referred to the House Judiciary Committee No. 1.

H1142 “To authorize counties and cities to levy a menu of local option taxes if approved by the voters.” Rep. Mickey Michaux (Durham). This bill would authorize municipalities and counties to levy the following local taxes if approved by the voters of the municipality or county, up to any rate approved by the voters: (1) a sales tax, (2) an impact tax per square foot of dwelling space and of commercial building enclosed floor space, (3) a meals tax, (4) a room occupancy tax, (5) an income tax, and (6) a land transfer tax. If both a county and a municipality in the county levy the tax, the taxes would be cumulative. If a municipality or county levies a tax under the new articles, it would lose any existing authority to levy the same tax under a local act. The sales tax would not apply to food. The sales tax and the income tax would be administered by the Department of Revenue; if levied by a county, the proceeds would be shared by the county and its municipalities in the same manner as local sales taxes are currently shared in that county. The income tax would be measured as a percentage of the state income tax paid by residents of the county or city that levies the tax. The meals tax would exempt: (1) prepared food and drink served to residents in boarding houses and sold together with rental of a sleeping room, (2) retail sales exempt from taxation under G. S. 105-164.13, (3) retail sales through vending machines, (4) prepared food and drink served by a retailer subject to the local occupancy tax if the charge for the prepared food and drink is included in a single, non-

itemized sales price, (5) prepared food and drink furnished by an employer to an employee, and (6) retail sales of unprepared foods by grocers. A refund would be provided for meal taxes paid by a nonprofit or governmental entity entitled to a refund of local sales and use taxes. The land transfer tax would be measured as a percentage of the value or consideration, whichever is greater, including the value of any liens on the property transferred. If property is located in two or more counties, a transfer of interest in the property would be taxable only by the county in which the greater value of the property lies. The bill has been referred to the House Finance Committee.

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