



HOUSE BILL 394: Increase Options for Local Option Sales Tax

**This Bill Analysis
reflects the contents
of the bill as it was
presented in
committee.**

2015-2016 General Assembly

Committee:	House Finance	Date:	July 30, 2015
Introduced by:	Reps. Goodman, Waddell, Pierce, C. Graham	Prepared by:	Greg Roney
Analysis of:	Second Edition		Committee Counsel

SUMMARY: *House Bill 394 would authorize Robeson County to conduct a referendum on the question of whether to levy a local sales and use tax at the rate of one-quarter percent (1/4%) to be used only for school construction or renovation, for the purchase of land or facilities for schools, and to pay indebtedness incurred by the county for these purposes.*

[As introduced, this bill was identical to S246, as introduced by Sen. Smith, which is currently in Senate Finance.¹]

CURRENT LAW: The local option sales tax (LOST) authorizations are found in five different articles. The following table sets out the local sales and use tax rates, how the local sales and use taxes may be used, how they are distributed, and whether their enactment required a referendum.

Statutory Authority	Use of Proceeds	Distribution Method	Referendum Requirement
1st 1-cent (Article 39)	Any lawful purpose	Point of collection	Permitted, but not required
1st 1/2-cent (Article 40)	Counties – 30% school capital	Per capita * Adjustment formula	Permitted but not required
2nd 1/2-cent (Article 42)	Counties – 60% school capital	Point of collection	Permitted, but not required
1/2-cent or 1/4-cent (Article 43)	Counties/Transportation Authorities – public transportation systems only	Per capita among county and units of local government in county that operate public transportation system	Required
	<table border="0" style="width: 100%;"> <tr> <td style="text-align: center; width: 50%;"><u>1/2-cent</u> Part 2: Mecklenburg Part 4: Triangle (Wake, Durham, Orange) Part 5: Triad (Forsyth, Guilford)</td> <td style="text-align: center; width: 50%;"><u>1/4-cent</u> Part 6 – All other counties</td> </tr> </table>		
<u>1/2-cent</u> Part 2: Mecklenburg Part 4: Triangle (Wake, Durham, Orange) Part 5: Triad (Forsyth, Guilford)	<u>1/4-cent</u> Part 6 – All other counties		
1/4-cent (Article 46)	Any lawful purpose	Point of collection – distributed to county only	Required

All counties levy LOST under Articles 39, 40, and 42 for a total of 2%. Twenty-nine counties levy a 1/4 cent under Article 46; and three counties levy a 1/2 cent under Article 43. The following table shows the local sales and use tax rates among the counties, ranging from 2% to 2.75%.²

¹ The Senate budget contains a similar provision that would be available to all counties.

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Local Rate of Sales & Use Tax	Counties
2.75%	Durham, Orange
2.50%	Mecklenburg
2.25%	Alexander, Anson, Ashe, Buncombe, Cabarrus, Catawba, Cumberland, Davidson, Duplin, Edgecombe, Greene, Halifax, Harnett, Haywood, Hertford, Lee, Martin, Montgomery, New Hanover, Onslow, Pitt, Randolph, Robeson, Rowan, Sampson, Surry, Wilkes
2.00%	Remaining 70 counties

BILL ANALYSIS: Robeson County currently levies a LOST of 2.25%. Robeson County has the authority to levy an additional one-quarter percent (1/4%) under Article 43 for public transportation. House Bill 394 would give Robeson County the authority to levy that additional one-quarter percent (1/4%) for school construction in lieu of public transportation.

The bill creates a new Article 43A to give Robeson County the authority to levy (after a successful referendum) a one-quarter percent (1/4%) tax under new Article 43A for school construction, renovation, purchasing land, or to pay indebtedness incurred by the county for these purposes. Robeson County is not authorized to impose both one-quarter percent (1/4%) tax under existing Article 43 and new Article 43A. The county would have to elect one purpose or the other.

EFFECTIVE DATE: House Bill 394 would be effective when it becomes law.

Trina Griffin with the Research Division substantially contributed to this summary.

²Under current law, there are 6 counties that could have a total local sales and use tax rate of two and three-quarters (2.75%), for a total State and local rate of 7.5%. Those counties are: Durham, Forsyth, Guilford, Mecklenburg, Orange, and Wake. To reach the maximum, a county would have to levy the first cent, the first one-half cent, the second one-half cent, the one-half cent public transportation tax, and the one-quarter cent tax. To date, only 2 of the 6 counties levy the maximum: Durham and Orange. That rate became effective in those counties in April of 2013.