



SENATE BILL 105: Tax Rebate/Roanoke Rapids.

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

2019-2020 General Assembly

Committee:	House Finance	Date:	October 31, 2019
Introduced by:	Sens. J. Jackson, J. Davis, Britt	Prepared by:	Finance Team
Analysis of:	PCS to Second Edition S105-CSRBfa-25		

OVERVIEW: *The PCS to Senate Bill 105 would do the following:*

- *Provide for a one-time tax refund to taxpayers who have a net North Carolina tax liability on their 2018 NC individual income tax return. The PCS would also appropriate nonrecurring funds to the Department of Revenue for fiscal year 2019-2020 to cover costs incurred from implementing the tax refund.*
- *Appropriate \$7,500,000 in nonrecurring funds to the City of Roanoke Rapids if certain conditions are met.*

BILL ANALYSIS: Section 1: Under federal law, state tax refunds¹ are taxable if the taxpayer claimed an itemized deduction for state income taxes. Under State law, State tax refunds are deductible from adjusted gross income to the extent they are included in adjusted gross income.

Section 1 of the PCS to Senate Bill 105 would provide an individual income tax credit for the 2018 taxable year equal to the following:

- \$250 for married filing jointly.
- \$125 for all other taxpayers.

The tax credit cannot exceed the amount of tax owed. The tax credit is only available to taxpayers who file an individual income tax return on or before October 15, 2019.

The tax credit cannot be claimed on the 2018 individual income tax return. Instead, the Department is directed to automatically apply the tax credit to a qualifying taxpayer's tax return and mail a tax refund check to the taxpayer on or before October 1, 2020. The Department must include with the check an explanatory insert provided by the State Treasurer. As with other tax refunds, this one would be subject to the Setoff Debt Collection Act.

The bill would also appropriate \$5,560,000 in nonrecurring funds from the General Fund to the Department of Revenue for the 2019-2020 fiscal year to be used to cover costs incurred from implementing the tax refund provided by this bill.

Section 2: In 2005, the NC Northeast Partnership, a 16-county, state-funded regional economic development organization, announced a deal between private developers and the City of Roanoke Rapids for development of a 1,500-seat entertainment venue to be managed by Randy Parton, who would also perform there. The City borrowed \$21.5 million, with Local Government Commission approval, and State

¹ The Department of Revenue sends taxpayers who receive a State tax refund a Form 1099-G.

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agencies contributed about \$6 million to launch the project. The theater opened in July 2007 as the "Randy Parton Theatre." The theater struggled to generate sufficient revenue, and shortly after it opened, Randy Parton was removed from his position, and it was renamed the Roanoke Rapids Theatre. Concurrent with this change, the City assumed full responsibility for operating the theater.

Under tax increment financing, a public economic development investment is supposed to improve the value of the surrounding property, and the incremental increase in property tax collections is then used to repay the borrowed money. Roanoke Rapids officials planned for the increased property tax revenue to be only a reserve and expected theater revenues to cover most of the cost. However, the project essentially failed leaving the City with debt to retire and little revenue to do so.

Currently, the City is leasing the theater, which is being used for various entertainment activities such as concerts, variety shows, and festivals. The City owes approximately \$11 million on the theater and has an annual debt service of \$952,000. The last lease payment is due July 1, 2019, at which time the lessee has the option to purchase the facility for \$3 million. If the lessee exercises the option to purchase, the City will still owe \$8 million; if the lessee chooses not to exercise the option, the City will continue to owe the outstanding debt amount of \$11 million and may have to re-assume maintenance and operating costs of the facility.

Section 2 of the PCS to Senate Bill 105 would appropriate \$7,500,000 in nonrecurring funds for fiscal year 2019-2020 to the City of Roanoke Rapids to be used to reduce the existing debt incurred by the City to finance the Roanoke Rapids Theatre, formerly known as the Randy Parton Theatre. If the funds appropriated in this section are not disbursed by August 31, 2020, the funds shall revert to the General Fund. The following conditions must be met for the funds to be disbursed to the City of Roanoke Rapids:

1. The City of Roanoke Rapids must have applied to the Local Government Commission for approval of a plan to apply the appropriated funds to reduce the existing debt incurred by the City of Roanoke Rapids to finance the Roanoke Rapids Theatre, which plan must include a proposal for the payment of the existing debt that is not prepaid.
2. The Local Government Commission must have approved the application.

EFFECTIVE DATE: The act is effective when it becomes law.