



SENATE BILL 26: Add'l Local Sales Tax/Sampson County.

2023-2024 General Assembly

| | | | |
|-----------------------|---|---------------------|----------------|
| Committee: | Senate Rules and Operations of the Senate | Date: | June 27, 2023 |
| Introduced by: | Sen. Jackson | Prepared by: | Trina Griffin |
| Analysis of: | Second Edition | | Staff Attorney |

OVERVIEW: Senate Bill 26 would authorize Sampson County to levy, by resolution and without the necessity of a special election, an additional local sales and use tax of up to 1% in increments of one-quarter percent, the proceeds of which may be used for any public purpose. If levied, the combined State and local rate of sales and use tax in Sampson County would be 8%.

BILL ANALYSIS: Senate Bill 26 would authorize Sampson County, by resolution and after not less than 10 days' public notice and after a public hearing, to levy an additional local sales and use tax of up to 1%, which must be in increments of one-quarter percent (0.25%). The proceeds of the tax could be used for any public purpose and would not be allocated between the county and the municipalities in the county. If enacted, Sampson County would be the only county with this additional authority. The current maximum local sales and use tax rate is 2.75% for six counties and 2.5% for the remaining 94. Under this bill, Sampson County could have a maximum local sales and use tax rate of 3.5%.

CURRENT LAW:

Sampson County. – Sampson County levies a local sales and use tax rate of 2.25%. When combined with the State rate, the total rate is 7%.

Generally. – The local sales and use tax rate varies among the counties, ranging from 2% to 2.75%.¹ Under 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.² Only 2 counties are levying at that rate: Durham and Orange. The maximum that may be levied in the other 94 counties is two and one-half percent (2½%). The reason for the difference is that those 94 counties may only levy a one-quarter cent (1/4%) tax for public transportation. The remaining local taxes for those counties are the same.

"General Purpose" Quarter-Cent Tax (Article 46). – In 2007, the General Assembly gave counties a local-option, quarter-cent sales tax. The tax must be approved by voters in a referendum before it can be adopted. The proceeds of the tax are not shared with the cities and may be used for any public purpose. Currently, 47 counties levy this tax.

Public Transportation (Article 43). – Counties may levy, upon referendum, a local sales and use tax to be used only for public transportation if the county or at least one unit of local government in the county operates a public transportation system. "Public transportation system" is broadly defined as any

¹See Table #1 in the **BACKGROUND** section of this Bill Analysis for a listing of current local option sales and use tax rates in all 100 counties.

² 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 these 6 counties levy the maximum: Durham and Orange.

Jeffrey Hudson
Director



Legislative Analysis
Division
919-733-2578

Senate Bill 26

combination of real and personal property established for purposes of public transportation, but specifically excludes streets, roads, and highways (except to the extent they are dedicated to public transportation vehicles). The rate of tax that may be levied for this purpose is ½% for the following six counties: Durham, Forsyth, Guilford, Mecklenburg, Orange, and Wake.³ The rate of tax that may be levied in all other counties is ¼%.

Currently, the only counties levying a tax under this Article are Mecklenburg,⁴ Durham,⁵ Orange,⁶ and Wake⁷ Counties. None of the 94 counties levy the 1/4¢ tax under this Article.

EFFECTIVE DATE: This act is effective when it becomes law. A tax levied under this act shall become effective on the first day of a calendar quarter. For the first levy of a tax under this act, the county must provide a minimum of 180 days' notice of the levy to the Secretary of Revenue and at least 90 days' notice for any subsequent levies.

BACKGROUND:

| Sales and Use Tax Rates Across North Carolina Counties | | | | | | | |
|--|---|------------|-----------|-------------|-------------|--------------|--------|
| Tax Rate | County | | | | | | |
| 6.75% Total: | Alamance | Carteret | Davie | Iredell | Pamlico | Transylvania | Wilson |
| 4.75% State | Avery | Caswell | Franklin | Johnston | Pender | Tyrrell | Yadkin |
| 1.00% Art. 39 | Beaufort | Chowan | Gates | Lenoir | Perquimans | Union | Yancey |
| 0.50% Art. 40 | Bladen | Cleveland | Granville | Macon | Person | Vance | |
| 0.50% Art. 42 | Brunswick | Columbus | Guilford | McDowell | Polk | Warren | |
| | Burke | Craven | Henderson | Mitchell | Richmond | Washington | |
| | Caldwell | Currituck | Hoke | Nash | Scotland | Watauga | |
| | Camden | Dare | Hyde | Northampton | Stokes | Wayne | |
| 7.00% Total: | Alexander | Catawba | Edgecombe | Haywood | Martin | Randolph | Surry |
| 4.75% State | Alleghany | Chatham | Forsyth | Hertford | Montgomery | Robeson | Swain |
| 1.00% Art. 39 | Anson | Cherokee | Gaston | Jackson | Moore | Rockingham | Wilkes |
| 0.50% Art. 40 | Ashe | Clay | Graham | Jones | New Hanover | Rowan | |
| 0.50% Art. 42 | Bertie | Cumberland | Greene | Lee | Onslow | Rutherford | |
| 0.25% Art. 46 | Buncombe | Davidson | Halifax | Lincoln | Pasquotank | Sampson | |
| | Cabarrus | Duplin | Harnett | Madison | Pitt | Stanly | |
| 7.25% Total: | Mecklenburg Wake | | | | | | |
| 4.75% State | | | | | | | |
| 2.50% ----> | 1% Art. 39 + 0.5% Art. 40 + 0.5% Art. 42 + 0.5% Art. 43 | | | | | | |
| 7.50% Total: | Durham Orange | | | | | | |
| 4.75% State | | | | | | | |
| 2.75% ----> | 1% Art. 39 + 0.5% Art. 40 + 0.5% Art. 42 + 0.5% Art. 43 + 0.25% Art. 46 | | | | | | |

Source: North Carolina Department of Revenue

³ Of these six counties, Durham and Orange are the only ones that also levy the quarter-cent tax under Article 46.

⁴ Mecklenburg County passed a one-half cent sales tax for transit, with 58% of the voters in favor, in November 1998. The county began levying the tax April 1, 1999.

⁵ Durham County passed a one-half cent sales tax for transit, with 60% of the voters in favor, in November 2011. The county began levying the tax April 1, 2013.

⁶ Orange County passed a one-half cent sales tax for transit, with 59% of the voters in favor, in November 2012. The county began levying the tax April 1, 2013.

⁷ Wake County passed a one-half cent sales tax for transit, with 53% of the voters in favor in November 2016. The county began levying the tax April 1, 2017.