



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

# HOUSE BILL 305: Guilford County Sales Tax Distribution Mods.

2025-2026 General Assembly

<b>Committee:</b>	Senate Finance. If favorable, re-refer to Rules and Operations of the Senate	<b>Date:</b>	June 23, 2025
<b>Introduced by:</b>	Rep. Blust	<b>Prepared by:</b>	Trina Griffin
<b>Analysis of:</b>	Third Edition		Staff Attorney

**OVERVIEW:** *House Bill 305 would modify the method of local sales tax distribution for Guilford County by requiring that proceeds be shared with a municipality in the county that does not levy ad valorem taxes. The bill would also hold harmless fire districts and other special taxing districts that levy an ad valorem tax in the county.*

**CURRENT LAW:** The net proceeds of the first two cents of local sales and use tax are divided among each taxing county and its municipalities in accordance with either the per capita method or the ad valorem method, which is determined by the county. Currently, 51 counties use the per capita method, and 49 counties use the ad valorem method, including Guilford County. Under the ad valorem method, the proceeds are shared among the county and its municipalities in proportion to the total amount of ad valorem taxes levied by each on both real and personal property located within the county and the municipalities.

The amount levied also includes ad valorem taxes levied and collected by a county or municipality on behalf of a taxing district. Counties and municipalities that collect ad valorem taxes on behalf of a taxing district essentially act as a pass-through entity for fire districts and other special districts. When a county or municipality receives its monthly distribution from the Secretary of Revenue, it must "immediately share" the proceeds with each taxing district on behalf of which it levied the ad valorem taxes in the proportion that the district levy bears to the total levy of the county or municipality. There are a total of 44 taxing districts in Guilford County, of which only 25 currently levy a tax, and three taxing districts in the City of Greensboro.

Stokesdale is the only municipality within Guilford County that does not levy a property tax. Therefore, it does not receive a share of local sales tax distributions to the extent the county has elected the ad valorem method of distribution.

**BILL ANALYSIS:** The bill makes the following provisions:

**Modified Distribution.** – It would modify Guilford County's method of sharing local sales tax revenues by requiring sales tax revenues to be shared with a municipality in the county that does not levy ad valorem property taxes; the only municipality meeting this criteria is the town of Stokesdale. The amount of sales tax Stokesdale would receive is based on what they would receive if the per capita method of distribution was used, multiplied by 25%. By allocating a portion of the sales tax revenues to Stokesdale, Guilford County and the other municipalities would see a decrease in their distributions; however, the bill would hold harmless fire districts and special districts that levy an ad valorem tax.

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**Procedure.** – To effectuate this modified distribution, Stokesdale would have to adopt a resolution indicating its intent to receive an allocated share and send a certified copy to the Department of Revenue. If a resolution is adopted in 2025, it must be done by October 1, 2025, and the modified distribution would become effective beginning July 1, 2028. If a resolution is adopted in a later year, it must be done in April to correspond with the timing of when counties may elect a different method of distribution, and the effective date of the distributions would begin for the fiscal year following the succeeding fiscal year after the resolution is adopted.

Subsection (e) sets out the steps for the Department of Revenue to follow when making the modified distribution. First, it would determine the county's allocation of net proceeds. Second, it would deduct Stokesdale's allocated share, and then it would divide the remaining funds among the county and the other municipalities using the ad valorem method. Finally, it would provide Guilford County and the City of Greensboro with information as to what the distribution amounts would have been but for the allocated share to assist Guilford and Greensboro in making distributions to the taxing districts in a manner that holds those districts harmless.

**Discontinuation.** – The modified distribution would be discontinued if either of the following occurs and would require a new resolution to be adopted to notify the Department of Revenue of the change:

- The municipality levies a property tax.
- Guilford elects the per capita method of distribution.

**Hold Harmless.** – Once the county and the City of Greensboro receive their distributions from the Department of Revenue, they are required to send the taxing districts their proportionate shares. Under subsection (f), the county and the City of Greensboro would be required to hold the taxing districts harmless, providing them with the same amount had Stokesdale not received its allocated share. The Department would be required to send them the information necessary to make this calculation.

**EFFECTIVE DATE:** The bill would become effective when the act becomes law.