



HOUSE BILL 305: Guilford County Sales Tax Distribution Mods.

2025-2026 General Assembly

Committee:	Senate Rules and Operations of the Senate	Date:	June 24, 2025
Introduced by:	Rep. Blust	Prepared by:	Trina Griffin
Analysis of:	Fourth Edition		Staff Attorney

OVERVIEW: *House Bill 305 would do the following with respect to Guilford County sales tax distributions:*

- *Modify the method of local sales tax distribution by requiring that proceeds be shared with a municipality in the county that does not levy ad valorem taxes. Currently, the only municipality in the county that does not levy property tax is Stokesdale. This distribution method would expire and be substituted with an alternate distribution method if the county, after holding a successful referendum, levies the quarter-cent local sales tax under Article 46 of Chapter 105.*
- *Modify the ballot question that would be posed in a referendum for the levy of the Article 46 local sales tax by specifying the uses for which the tax may be expended.*
- *Modify the distribution method for the net proceeds of the Article 46 tax to provide certain cities with a share. Under general law, Article 46 proceeds are not shared with cities.*
- *Specify the use of Article 46 proceeds as follows:*
 - *For qualifying municipalities other than the Town of Summerfield, the proceeds may be used for any public purpose. The Town of Summerfield would be required to distribute its share to the Summerfield Fire District until the cumulative proceeds reach \$3 million dollars. The fire district may only use the proceeds for capital enhancements for water resources related to fire protection. Once the cumulative total reaches \$3 million dollars, the Town may retain its allocated share of future distributions and use the funds for any public purpose.*
 - *The county must use the proceeds as follows:*
 - *20% or \$5M, whichever is greater, to the Guilford County Fire and Rescue Council for equipment purchases or capital expenditures necessary to provide fire protection services.*
 - *10% or \$2.5M, whichever is greater, to Guilford Technical Community College for capital expenditures.*
 - *The remainder for classroom teacher salary supplements.*

Kara McCraw
Director



Legislative Analysis
Division
919-733-2578

SECTION 1: SALES TAX DISTRIBUTION FOR MUNICIPALITIES NOT LEVYING A PROPERTY TAX

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: Section 1 has 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.

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, 2027. 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 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.

House Bill 305

Page 3

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: This section would become effective when the act becomes law and would expire if Guilford County were to levy the Article 46 local sales tax. This distribution method would be reenacted if Guilford County were to repeal the Article 46 tax.

SECTION 2: ARTICLE 46 MODIFICATIONS

CURRENT LAW: Article 46 of Chapter 105 of the General Statutes authorizes counties to levy a one-quarter cent (1/4¢) local sales and use tax if approved in a referendum. The proceeds of the tax are not shared with the cities and may be used for any public purpose. 48 counties levy this tax. Guilford has held 7 unsuccessful referenda for this tax.

BILL ANALYSIS: Section 2 of the bill would do the following:

- **Ballot Question.** - Modify the ballot question to be asked in a referendum to levy the quarter-cent sales tax to specify the uses for the tax as being solely for (1) classroom teacher salary supplements; (2) fire protection and equipment and services; (3) Guilford Technical Community College; and (4) to municipalities for any public purpose.
- **Distribution Method.** – The Secretary of Revenue would distribute to the County and the qualifying municipalities the net proceeds of the Article 46 tax as follows:
 - Step 1: The greater of 20% or \$5 million dollars of the net proceeds plus the greater of 10% or \$2.5 million dollars, as determined on an annual basis with 1/12 being distributed on a monthly basis, would come off the top and be set aside for distribution under Step #3.
 - Step 2: From the amount remaining, the shares for the qualifying municipalities would be determined as follows and then allocated to those municipalities:
 - If a municipality's distribution of its share of the proceeds from the first 2-cent levy of local sales tax using the ad valorem method is less than 25% of what its per capita distribution would be, that municipality would receive a share of funds from the Article 46 proceeds that is equal to the difference between those two figures. Using current data, there are 5 municipalities in Guilford County that meet this criterion: Oak Ridge, Pleasant Garden, Stokesdale, Summerfield, and Whitsett.
 - Step #3: The set-aside from Step #1 and any remainder would be distributed to the county.
- **Municipal and District Use.** – Qualifying municipalities, other than the Town of Summerfield, may use the net proceeds for any public purpose. The Town of Summerfield must distribute its allocated share to the Summerfield Fire District until the cumulative total reaches \$3 million dollars. Funds received by the fire district must be used for capital enhancements for water resources related to fire protection. Once the cumulative total reaches \$3 million dollars, the Town

House Bill 305

Page 4

of Summerfield shall retain its allocated share of future distributions and may use those funds for any public purpose.

- **County Use.** – The county must use the net proceeds as follows:
 - The greater of 20% or \$5 million dollars to the Guilford County Fire and Rescue Council for equipment purchases or capital expenditures necessary to provide fire protection services in the county.
 - The greater of 10% or \$2.5 million dollars to the Guilford Technical Community College for capital expenditures.
 - The remainder for classroom teacher salary supplements.

EFFECTIVE DATE: This section is effective when it becomes law and applies to referenda held on or after that date for which the Guilford County Board of Commissioners has adopted a resolution prior to¹, on, or after the effective date of this section.

¹ On June 18, 2025, the Guilford County Board of Commissioners adopted a resolution to hold a referendum on the November 2026 general election ballot on the question of levying a one-quarter cent local sales tax increase.