



SENATE BILL 131: Temp. Local Sales Tax Changes/Buncombe Co.

2025-2026 General Assembly

Committee:	Senate Rules and Operations of the Senate	Date:	April 10, 2025
Introduced by:	Sens. Moffitt, Mayfield, Daniel	Prepared by:	Trina Griffin
Analysis of:	Second Edition		Staff Attorney

OVERVIEW: *Senate Bill 131 would do the following:*

- *Modify, for a two-year period, the distribution and use of one-half of the net proceeds of the first one cent of local sales and use tax allocated to Buncombe County by requiring that the funds be used for both school capital outlay and school operating expense purposes.*
- *Make technical changes to the session laws governing the Buncombe School Capital Fund Commission and Buncombe's local modification to the distribution and use of local sales and use tax proceeds.*

TEMPORARILY MODIFY ONE-HALF OF BUNCOMBE COUNTY'S ART. 39 PROCEEDS

CURRENT LAW: Generally speaking, the net proceeds of the first one cent of local sales and use tax are allocated to each taxing county and further divided among the taxing county and its municipalities in accordance with either the per capita method or the ad valorem method, as determined by the taxing county. Under the ad valorem method, proceeds are further shared with taxing districts to the extent the county levies a special district tax on behalf of said districts. The net proceeds of this tax may be used for any public purpose.

Buncombe County has a local modification regarding the distribution and use of the net proceeds of the first one cent of local sales tax (Article 39 proceeds).¹ While one-half is allocated to the county and its municipalities in accordance with the ad valorem method and may be used for any public purpose, the other half is paid directly to and managed by the Buncombe School Capital Fund Commission (Commission). These funds are placed in a capital reserve fund to be used to finance public school capital construction, improvement, and renovation projects, or to retire any indebtedness for these purposes. The Commission must consider the capital needs of both the Buncombe County School System and the Asheville City School System, prioritize those needs, and recommend projects to be funded. Moneys in the fund are subject to appropriation; the Commission must disburse moneys from the fund to the board of commissioners, upon written request and after the adoption of an ordinance in response to a written request from the appropriate board of education indicating it is prepared to enter into a contract for a capital project.

BILL ANALYSIS: **Section 1** of the bill modifies, for two years, the distribution and use of one-half of the Article 39 net proceeds that are otherwise paid to the Commission. First, the proceeds would be paid directly to the county rather than the Commission. Second, the proceeds may be used for both school capital outlay and school operating expenses, whereas use of these funds is currently limited to school capital only. The Commission would continue to serve in an advisory capacity to the board with respect

¹ Buncombe County also has a local modification with respect to the use of the net proceeds derived from the Article 40 and Article 42 local sales and use tax, but the use of those proceeds is not being modified by this bill.

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Senate Bill 131

Page 2

to capital expenditures. However, the use of funds would ultimately be at the direction of the board and not under the control of the Commission.

EFFECTIVE DATE: This section is effective when it becomes law and applies to the Article 39 net proceeds distributed to Buncombe County on or after July 1, 2025, and expires on June 30, 2027.

MAKE TECHNICAL CHANGES TO BUNCOMBE SCHOOL CAPITAL FUND COMMISSION

CURRENT LAW: Chapters 134 and 534 of the 1983 Session Laws, as amended by S.L. 2016-19, established the Buncombe School Capital Fund Commission and provide for an ongoing local modification regarding the use and distribution of local sales and use tax proceeds (Articles 39, 40, and 42) allocated to Buncombe County. In drafting Section 1 of this Amendment, it was discovered that the 2016 Session Law amended only S.L. 1983-134 and failed to engross the changes made by S.L. 1983-534.

BILL ANALYSIS: **Section 2** of the bill properly engrosses the session laws, recodifies them as engrossed, and eliminates "leftover" language that was not properly deleted as part of the 2016 changes.

EFFECTIVE DATE: This section is effective when it becomes law.