

**NORTH CAROLINA GENERAL ASSEMBLY
LEGISLATIVE FISCAL NOTE**

BILL NUMBER: House Bill 35
SHORT TITLE: Conform Sales and Use Refund Period - 2nd Edition
SPONSOR(S): Representative Capps, et al.

	FISCAL IMPACT				
	Yes (X)	No ()	No Estimate Available ()		
	<u>FY 1997-98</u>	<u>FY 1998-99</u>	<u>FY 1999-00</u>	<u>FY 2000-01</u>	<u>FY 2001-02</u>
REVENUES					
General Fund					
Sales Tax - Refund	(\$200,000)	(\$200,000)	(\$200,000)	(\$200,000)	(\$200,000)
Sales Tax - Fuel		\$399,000	\$797,525	\$797,525	\$797,525
Highway Fund					
1 Cent Holdback		\$100,000	\$200,000	\$200,000	\$200,000
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED:					
Department of Revenue Sales and Use Tax Division Department of Revenue Motor Fuels Tax Division					
EFFECTIVE DATE: For sales tax refunds when it becomes law. The effective date on the refunds for off-highway use tax and the one cent holdback is January 1, 1998.					

BILL SUMMARY: The proposed act extends the time nonprofit organizations and government entities have to file for sales and use tax refunds from six months to three years. This change conforms to the same period allowed taxpayers for refunds of overpayment of taxes. Under this proposal, conforming changes are made to the motor fuel and alternative fuel refund statutes.
 (The bill does not affect the penalty for late filings.)

Each year bills are introduced in the General Assembly for refunds of nonprofit entities and State agencies whose refunds have been barred because their applications were filed six months after the due date. The Department of Revenue informed the Revenue Laws Study Commission that by increasing the filing deadline to three years most of the refund legislation could be eliminated.

Certain motor vehicles are allowed a refund on a portion of the fuel consumed by the vehicle when the vehicle is in use but not in use on the highways of the State. An example of this use is a concrete vehicle. Such vehicles have to continue to run the engine in order to deliver the concrete. The operators of this equipment are allowed an annual refund. The refund was for the flat cents per gallon rate less one cent. The one cent was retained to liquidate highway bonds. The bonds have been paid off and the once cent holdback is eliminated in this act.

When a refund is made for off -highway fuel consumed the sales tax applies. Under this act the sales tax amount will be retained by the Department of Revenue from the annual refund for off-highway use.

ASSUMPTIONS AND METHODOLOGY : In fiscal year 1995-96, the total of all penalties did not exceed \$250,000. Based on information provided by the Department a \$200,000 loss is expected from lengthening the filing deadline.

As of January 1, 1996, 19 million gallons were subject to the 1 cent holdback from the off-highway use tax. The gain in sales tax revenue from changing the way the tax is paid when a refund for off-highway use tax is made is expected to be \$797,525 in a single tax year.

Data Source: Department of Revenue

FISCAL RESEARCH DIVISION 733-4910 DATE: July 9, 1997

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