

**NORTH CAROLINA GENERAL ASSEMBLY
LEGISLATIVE FISCAL NOTE**

BILL NUMBER: HB 170 (Second Edition)
SHORT TITLE: No Sales Tax on Funerals
SPONSOR(S): Rep. Berry

| FISCAL IMPACT | | | | | |
|--|-------------------|-------------------|---------------------------|-------------------|-------------------|
| | Yes (X) | No () | No Estimate Available () | | |
| | (\$Million) | | | | |
| | <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 | | (7.22) | (7.70) | (8.24) | (8.82) |
| Local Govt. | | <u>(3.61)</u> | <u>(3.85)</u> | <u>(4.12)</u> | <u>(4.41)</u> |
| All Funds | | (10.83) | (11.55) | (12.36) | (13.23) |
| PRINCIPAL DEPARTMENT(S) & Department of Revenue, Sales Tax Division | | | | | |
| PROGRAM(S) AFFECTED: | | | | | |
| EFFECTIVE DATE: July 1, 1998 | | | | | |

BILL SUMMARY: The act exempts all funeral expenses from sales tax. The law currently exempts funeral expenses up to \$1,500.

ASSUMPTIONS AND METHODOLOGY: In FY 1995-96, gross retail sales reported by funeral homes was \$226.9 million. The actual sales tax paid on funeral goods and services last fiscal year was \$5.98 million state and \$2.99 million local. This note projects gross sales will increase 5.5% each year based on the following factors. First, the National Funeral Directors Association reports that funeral costs have increased 3% a year in recent years. As funeral costs increase and the excludable costs remain at \$1500, then the percent of goods and services taxed will increase. This year the state sales tax on funeral goods and services is equal to 2.65%, but as cost rise 3% a year this effective tax rate will increase to 2.82% in 2001. Second, the State Center for Health and Environmental Statistics has documented that the number of deaths since 1990 has increased 2.55% a year. This rate of deaths might be attributed to the aging of the overall population and to in-migration to the state that includes retirees.

FISCAL RESEARCH DIVISION DATE: June 19, 1997

PREPARED BY: Richard Bostic

APPROVED BY: Tom Covington



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