

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE FISCAL NOTE

BILL NUMBER: H.B. 1367 (Senate Finance Committee Substitute)

SHORT TITLE: Sales Tax Changes

SPONSOR(S): Representatives Hill, et al.

FISCAL IMPACT					
	Yes (X)	No ()	No Estimate Available ()		
	<u>FY 1998-99</u>	<u>FY 1999-00</u>	<u>FY 2000-01</u>	<u>FY 2001-02</u>	<u>FY 2002-03</u>
REVENUES					
General Fund					
Wholesale License	(\$1,250,000)	(\$1,250,000)	(\$1,250,000)	(\$1,250,000)	(\$1,250,000)
Threshold		(\$2,000,000)			
Net Change	(\$1,250,000)	(\$3,250,000)	(\$1,250,000)	(\$1,250,000)	(\$1,250,000)
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: Department of Revenue -Sales Tax Division					
EFFECTIVE DATE: Section 1(threshold) becomes effective July 1, 1999. The remainder of the act is effective when it becomes law.					

BILL SUMMARY: This act repeals the annual \$25 wholesale license tax and changes the name of the retail sales tax license to certificate of registration. The bill also increases the quarterly filing threshold for sales tax from \$50 to \$100.

ASSUMPTIONS AND METHODOLOGY:

Filing Threshold

Businesses that are liable for less than \$50 in sales and use tax remit this tax to the Department of Revenue on a quarterly basis. Section 1 of the bill raises the filing threshold from \$50 to \$100 beginning July 1, 1999. After analyzing sales and use tax collections and the number of accounts by tax bracket, the Department of Revenue's Tax Research Division estimates that this will affect 10,000 taxpayers and will shift \$2 million in collections from FY 1999-00 to FY

2000-01. There is no actual loss of income, but on a cash flow basis there will be \$2 million less to spend on the FY 1999-00 budget.

Wholesale License

Section 2 of the bill repeals the annual \$25 wholesale license. The Department of Revenue reports \$1.25 million in revenue from this tax each year. Since the Director of the Sales Tax Division projects little or no growth in wholesale license revenues, this memo assumes a flat growth rate for this license. Sections 3 through 8 simply change the name of the retail sales tax license to certificate of registration.

FISCAL RESEARCH DIVISION

733-4910

PREPARED BY: Richard Bostic, Linda Struyk Millsaps

APPROVED BY: Tom Covington

DATE: August 3, 1998



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