

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE FISCAL NOTE

BILL NUMBER: Senate Bill 847
SHORT TITLE: No Sales Tax on Reusable Containers
SPONSOR(S): Proposed Committee Substitute

FISCAL IMPACT

Yes () No () No Estimate Available (X)

FY 1997-98 FY 1998-99 FY 1999-00 FY 2000-01 FY 2001-02

REVENUES **Unable to determine the loss in State and local sale tax revenues.**

PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: Department of Revenue, Sales and Use Tax Division

EFFECTIVE DATE: Sales made on or after October 1, 1997

BILL SUMMARY:

The proposed act repeals the sales tax on leased tangible personal property used in shipping and delivering goods if the container in which manufactured goods are packaged is reusable.

Under current law, G.S. 105-164.4, tangible personal property used in shipping and delivering goods is exempt from a sales tax if the property becomes part of the sell. If the property does not go with and becomes part of the sale, the State sales tax is 4% and the local sales tax is 2%.

Containers, wrapping, packaging, and shipping materials sold to farmers that do not go with and become part of the sale are subject to a 1% State sales tax.

ASSUMPTIONS AND METHODOLOGY:

The statistics on the sales and use tax collections are not product specific and it is for this reason that the loss cannot be determined.

The sales tax statistics are group specific such as apparel, automotive, and general merchandise. The data is recorded by gross tax collections by sub-grouping. The information does not allow for the identification of the sales tax collected on a specific product or even a group of similar products such as packaging materials.

When a vendor records the amount of sales tax collected the record is made as to the amount of revenue collected by tax rate rather than to the amount of tax collected by type of goods sold.

The type of containers eligible for the exemption is very narrow as to product and industry. National statistics are available for the packaging industry. However, there is no information on the value of sales of reusable shipping containers leased to a manufacturer.

FISCAL RESEARCH DIVISION

733-4910

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