

March 26, 2007

S 1484. SALES TAX MEDICAID SWAP. Filed 3/26/07. *TO SHIFT THE ENTIRE NONFEDERAL SHARE OF MEDICAID TO THE STATE AND TO MAKE CORRESPONDING CHANGES TO STATE AND LOCAL REVENUE STREAMS.* Provides that the nonfederal share of Medical Assistance Program costs, excluding administrative costs, will be borne by the state, effective 7/1/07.

Adds new GS 105-475 providing that 50% of the local sales and use tax imposed by counties pursuant to GS Chapter 105, Article 39 (First 1 Cent Local Government Sales and Use Tax), is converted to a state sales and use tax, effective 7/1/07. Requires each county to ensure that municipalities within that county receive the same distribution under Article 39 that they received for 2006-07, and specifies that on or after 7/1/07, a county may enact or repeal only the local portion of the tax. Makes corresponding amendments to 1967 Session Laws, Chapter 1096, containing similar provisions for Mecklenburg County.

Adds new GS 105-487.1 converting the entire local sales and use tax authorized by GS Chapter 105, Article 40 (First 1/2 cent Local Government Sales and Use Tax) to a state tax effective July 1, 2007, and repealing local authority to enact or repeal the tax. Requires counties to hold municipalities harmless as with the Article 39 tax. Makes conforming changes by repealing GS 105-481, 105-486, and 105-487, which among other things imposed requirements on distribution of the tax to counties and use of tax by counties.

Adds any amount converted to a state tax under GS Chapter 105, Articles 39 and 40, to the rate of state sales and use tax levied in GS 105-164.4(a).

Enacts new GS Chapter 105, Article 46, the Second 1 Cent Local Government Sales and Use Tax, applicable to counties that levy the first 1 cent local sales and use tax under GS Chapter 105, Article 39, or under the 1967 Session Laws, Chapter 1096 (Mecklenburg); the first 1/2 cent local sales and use tax under GS Chapter 105, Article 40; the second 1/2 cent local sales and use tax under GS Chapter 105, Article 42; and the third 1/2 cent local sales and use tax under GS Chapter 105, Article 44. Authorizes a board of county commissioners to levy the tax by a resolution specifying the tax rate, after 10 days' public notice. Rate of tax must not exceed 1% and must be an increment of 1/4%. County may levy multiple taxes under Article 46, as long as total rate of all taxes levied under the article does not exceed 1%.

An Article 46 tax may be imposed as early as July 1, 2007; the provisions of Article 39 regarding advisory referenda do not apply to an Article 46 tax; and the provisions of GS 105-472 requiring counties to share tax proceeds with the municipalities in the county do not apply to Article 46 taxes. Otherwise, administration of Article 46 tax is generally to be in accordance with GS Chapter 105, Article 39. An Article 46 tax levy does not apply to construction materials purchased to fulfill a lump-sum or unit-price contract entered into or awarded before the effective date of the levy or entered into or awarded pursuant to a bid made before the effective date of the levy when the construction materials would otherwise be subject to the Article 46 tax.

Amends GS 105-269.14(b), which requires Secretary of Revenue to distribute a portion of the consumer use tax proceeds collected under GS 105-269.14 to counties and cities, to delete references to Article 40, which the bill converts to a state tax, and to add references to new Article 46. Makes conforming changes and updates other references.

Amendment to G.S. 105-164.4(a) and repeals of GS 105-481, 105-486, and 105-487, become effective July 1, 2007, and apply to sales made on or after that date. Amendments to G.S. 105-269.14(b) are effective for taxable years beginning on or after January 1, 2008. Remainder of act is effective when it becomes law, except as otherwise provided (see text above).

Intro. by Rand.

GS 105, APPROP