GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2025

H D

H.B. 1215
Apr 30, 2026
HOUSE PRINCIPAL CLERK

HOUSE BILL DRH30594-SVxf-25

Short Title:	Garner Mgr/Wake Munic. Meals Tax Reallocation.	(Public)
Sponsors:	Representative Paré.	
Referred to:		

A BILL TO BE ENTITLED

AN ACT TO AUTHORIZE THE TOWN MANAGER OF GARNER TO SETTLE CERTAIN CLAIMS OF TEN THOUSAND DOLLARS OR LESS AND CERTAIN EMINENT DOMAIN CLAIMS AND TO PROMOTE FAIRNESS AMONG THE MUNICIPALITIES IN WAKE COUNTY THAT GENERATE PREPARED FOOD AND BEVERAGE TAX REVENUES BY ALLOWING THOSE MUNICIPALITIES TO RECEIVE THEIR PROPORTIONAL SHARE AND TO USE THOSE FUNDS TO PROMOTE TRAVEL AND TOURISM.

The General Assembly of North Carolina enacts:

PART I. AUTHORIZE TOWN MANAGER OF GARNER TO SETTLE CERTAIN CLAIMS

SECTION 1.(a) Section 6.2 of the Charter of the Town of Garner, being Chapter 333 of the 1977 Session Laws, reads as rewritten:

"Sec. 6.2. Settlement of claims. The ~~board of aldermen~~town council may authorize the town manager to settle the following claims ~~against~~ involving the ~~town~~ town:

(1) ~~for personal~~Personal injury or ~~damage to~~ property damage claims when the amount involved does not exceed the sum of ~~one hundred dollars ($100.00)~~ten thousand dollars ($10,000) and does not exceed the actual loss sustained, including loss of time, medical expenses, and any other expense actually incurred.

(2) Eminent domain claims filed by the town when the amount involved does not exceed the amount budgeted for property or easement acquisition for the approved capital improvement project.

(3) Claims made by the town for debts owed to the town when the amount involved does not exceed the sum of ten thousand dollars ($10,000).

All ~~such~~ settlements pursuant to this section shall be approved by the town ~~attorney.~~attorney and reported to the town council in a timely manner. Settlement of a claim by the town manager pursuant to this section shall constitute a complete release of the town from all damages sustained by a person involved in the settlement arising out of the same claim."

SECTION 1.(b) This Part is effective when it becomes law.

PART II. WAKE COUNTY MUNICIPALITIES/MEALS TAX REALLOCATION

SECTION 2.(a) Chapter 594 of the 1991 Session Laws, as amended by S.L. 1995-458, S.L. 1997-68, Section 2.22 of S.L. 2001-347, Section 33.30 of S.L. 2005-276, and Section 21(hh) of S.L. 2007-527, reads as rewritten:

"Section 1. Intent. – This act authorizes Wake County to levy a room occupancy tax and a prepared food and beverage tax.

"Sec. 2. Definitions. – The definitions in G.S. 105-164.3 apply to this act to the extent they are not inconsistent with the provisions of this act. The following definitions also apply in this act:

…

(3) Prepared food and beverage. – Defined in G.S. 153A-154.1. ~~The term includes the following:~~

~~a. Prepared food, as defined in G.S. 105-164.3.~~

~~b. An alcoholic beverage, as defined in G.S. 18B-101, that meets at least one of the conditions of prepared food under G.S. 105-164.3.~~

(3a) Promote travel and tourism. –To advertise or market an area or activity, publish and distribute pamphlets and other materials, conduct market research, or engage in similar promotional activities that attract tourists or business travelers to the area. The term includes administrative expenses incurred in engaging in the listed activities.

(3b) Regional facility. – Defined in G.S. 160A-480.2.

~~(4) Retailer. A caterer or a retailer as defined in G.S. 105-164.3 as in effect on the effective date of this act.~~

(5) Taxable establishment. – A hotel, motel, inn, tourist camp, or similar place that is subject to a room occupancy tax levied pursuant to this act and a retailer that sells prepared food or beverages and is subject to the prepared food and beverage tax levied pursuant to this act.

(6) Undesignated proceeds. – Net proceeds distributed to the City of Raleigh and to Wake County and designated for use pursuant to Sections 10(b)(1)b., 10(b)(3), ~~11(1)b.,~~ 11(2), 11(3), 12(1)a., 12(2)c. and d., 12(3)c. and ~~d., and 13~~ d. of this act.

…

"Sec. 5. Prepared Food and Beverage Tax. – (a) Authorization. – The Wake County Board of Commissioners may, by resolution, levy a prepared food and beverage tax of up to one percent (1%) of the sales price of prepared food and beverages sold at retail for consumption on or off the premises by any retailer within the county that is subject to sales tax imposed by the State under G.S. 105-164.4(a)(1). Before levying the tax authorized in this section, the board of commissioners must hold a public hearing on the tax. Notice of the public hearing shall be advertised at least 10 days, but not more than 25 days, before the scheduled date of the hearing. The revision of this act by AN ACT TO PROVIDE FOR THE CREATION OF FACILITY AUTHORITIES AND TO ESTABLISH THE CENTENNIAL AUTHORITY does not affect the previous levying of the tax under this section, and no new hearings or resolutions are required.

(b) Interlocal Agreement Required. – The following provisions apply with respect to an interlocal agreement:

(1) Prior to Levy of Tax. – Before a tax may be enacted pursuant to this section, Wake County and the City of Raleigh must enter into an interlocal agreement pursuant to Article 20 of Chapter 160A of the General Statutes. The agreement shall contain, at the minimum, the type and general location of all capital projects to be funded in any way by the proceeds of the tax levied under this section. The agreement shall also contain a preliminary schedule for the completion of any projects to be so funded. If the city and the county are unable to approve and execute the required agreement within three years after the effective date of this act, this section is repealed.

(2) After Levy of Tax. – Wake County and the City of Raleigh must amend the interlocal agreement to include as parties to the agreement at least three other municipalities within the county.

"Sec. 6. Exemptions and Refunds. – (a) Exemptions. – The prepared food and beverage tax does not apply to the following sales of prepared food and beverages:

(1) Prepared food and beverages served to residents in boarding houses and sold together on a periodic basis with rental of any sleeping room or lodging.

(2) Retail sales exempt from taxation under G.S. ~~105-614.13 on the effective date of this act.~~105-164.13.

(3) Retail sales through or by means of vending machines.

(4) Prepared food and beverages served by any taxable establishment subject to the occupancy tax levied pursuant to this act if the charge for the prepared food or beverages is included in a single, nonitemized sales price together with the charge for rental of a room, lodging, or accommodation furnished by the taxable establishment.

(5) Prepared food and beverages furnished without charge by an employer to any employee.

(6) Retail sales by grocers or by grocery sections of supermarkets or other diversified retail establishments other than sales of prepared food and ~~beverages in the delicatessen or similar department of the grocer or grocery section.~~beverages.

(b) Refunds. – The county shall refund to a nonprofit or governmental entity the prepared food and beverage tax paid by the entity on eligible purchases of prepared food and beverages. A nonprofit or governmental entity's purchase of prepared food and beverages is eligible for a refund under this subsection if the entity is entitled to a refund under G.S. 105-164.14(b) or (c) of local sales and use tax paid on the purchase. The time limitations, application requirements, penalties, and restrictions provided in G.S. 105-164.14(b) and (d) apply to refunds to nonprofit entities; the time limitations, application requirements, penalties, and restrictions provided in G.S. 105-164.14(c) and (d) apply to refunds to governmental entities. When an entity applies for a refund of the prepared food and beverage tax paid by it on purchases, it shall attach to its application a copy of the application submitted to the Department of Revenue under G.S. 105-164.14 for a refund of the sales and use tax on the same purchases. An applicant for a refund under this subsection shall provide any information required by the county to substantiate the claim.

"Sec. 7. Date of Levy. – A tax levied under this act shall become effective on the date specified in the resolution or ordinance levying the tax. ~~The levy of the prepared food and beverage tax may not become effective before January 1, 1993.~~

…

"Sec. 11. Distribution and Use of Prepared Food and Beverage Tax. – ~~It is anticipated for allocation purposes that the annual net proceeds realized from the levy of the tax authorized by Section 5 of this act will be at least four million five hundred thousand dollars ($4,500,000). The county shall distribute the first four million five hundred thousand dollars ($4,500,000) of the net proceeds of the taxes levied under Section 5 of this act as provided in this section; the county shall distribute any proceeds in excess of this amount as provided in Section 13 of this act.~~ The county may deduct from the gross proceeds of the taxes collected pursuant to Section 5 of this act an amount not to exceed three percent (3%) of the ~~gross proceeds~~ of the first five hundred thousand dollars ($500,000) of gross proceeds collected each year and one percent (1%) of the remaining gross receipts collected each year to pay for the direct cost of administering and collecting the taxes. After deducting the amount for administration and collection costs as provided in this section, the~~The~~ county shall make the following distributions ~~provided in this~~

~~section~~ by the twentieth day of the month following the month in which the tax is ~~collected.~~ collected:

(1) Distribution to Greater Raleigh Convention and Visitors Bureau. – The sum of six hundred seventy-five thousand dollars ($675,000) to be used only to promote travel and tourism.

(2) Distribution to Municipalities. – Except as otherwise provided in this subdivision, to each municipality in the county, a sum equal to the amount of prepared food and beverage tax collected in that municipality in proportion to the total amount of prepared food and beverage tax collected by the county. The share attributable to the Town of Angier and the City of Durham shall be distributed to Wake County. The distribution to the Town of Cary shall be reduced by an amount equal to the amount distributed to the Town of Cary under Section 10(b)(2) of this act. A municipality may use the net proceeds distributed to it under this subdivision only to promote travel and tourism or to fund any of the activities listed in this subdivision. The governing body of a municipality shall maintain the proceeds received under this subdivision in a special nonreverting fund that may accumulate a fund balance for up to five years for future use in the range of activities allowed by this subdivision. Monies in the fund that remain unspent and unencumbered after a period of five years shall revert to Wake County and be placed in the Small Tourism Projects Grant Fund to be used in accordance with subdivision (3)c. of this section. Each municipality that receives proceeds under this subdivision shall report quarterly to the Wake County Board of Commissioners on its receipts and expenditures in such detail as the board may require. The activities are:

a. The acquisition, construction, financing, debt servicing, renovation, maintenance, or operation of convention centers, civic centers, performing arts centers, coliseums, auditoriums, museums, or sports, cultural, or arts facilities.

b. Off-street parking facilities for use in conjunction with such facilities.

c. Visitor-related programs and activities, including cultural programs, events or festivals.

~~Distribution to Raleigh. After deducting the amount provided above, the county shall transfer to the City of Raleigh an amount equal to forty-seven and seventy-five one hundredths percent (47.75%) of the net proceeds of each monthly collection. The net proceeds received by Raleigh shall be applied in accordance with the following priorities.~~

~~a. The city may use the first six hundred eighty thousand dollars ($680,000) of the net proceeds of the taxes levied under this act to fund the acquisition, construction, financing, debt servicing, renovation, maintenance, or operation of convention centers, civic centers, performing arts centers, coliseums, auditoriums, and museums; to provide off-street parking facilities for use in conjunction with such facilities; and to fund visitor-related programs and activities, including cultural programs, events or festivals, and convention and visitor programs and activities of the Convention and Visitor Bureau.~~

~~b. The city shall use any additional net tax proceeds received only for (i) the acquisition, construction, renovation, financing, debt service, maintenance, and operation of expansions and additions to the Raleigh Civic Center Complex, and (ii) the construction of sports, cultural, and arts facilities, including a coliseum to be built in conjunction with North Carolina State University at Raleigh, a performing arts theater,~~

~~a visual arts program, and a children's museum. Any funds not spent in a fiscal year may be held in one or more reserve accounts by the city for future use in the range of activities allowed by this subsection. The city may make expenditures pursuant to this section only after the city and county have agreed on the amount and purpose of the expenditure. The county's approval of an expenditure must be evidenced by a resolution adopted by the board of commissioners.~~

~~(2)~~(3) Distribution to Wake County. – ~~The county shall retain an amount equal to thirty-seven and twenty-five one hundredths percent (37.25%) of the net proceeds of the tax levied under Section 5 of this act. Wake County may expend these proceeds only for the planning,~~A sum equal to (i) the amount of prepared food and beverage tax collected in the unincorporated areas of the county, (ii) the shares of prepared food and beverage tax levied by Wake County and attributable to the Town of Angier and the City of Durham, (iii) the amount deducted from the Town of Cary's distribution under subdivision (2) of this subsection, and (iv) the amount of funds forfeited by a municipality, if any, for failure to be expended within five years of receipt. The county may use the net proceeds distributed to it under this subdivision only to fund any of the activities listed in this subdivision. The Wake County Board of Commissioners shall maintain the proceeds received under this subdivision in a special nonreverting fund that may accumulate a fund balance for future use in the range of activities allowed by this subdivision. The Wake County Board of Commissioners shall provide a report on a quarterly basis of its receipts and expenditures for the preceding year from funds received under this subdivision to be posted on the county website. The activities are:

a. Promotion of travel and tourism.

b. Planning, acquisition, renovation, or construction of the Raleigh Civic Center Complex or similar facilities or for construction of sports, cultural, and arts facilities, including a coliseum to be built in conjunction with North Carolina State University at Raleigh, a performing arts theater, a visual arts program, and a children's museum. ~~Any funds not spent in a fiscal year may be held in reserve accounts by the county for future use in the range of activities allowed by this subsection. The county may make expenditures pursuant to this subdivision only after the city and county have agreed on the amount and purpose of the expenditure. The city's approval of an expenditure must be evidenced by a resolution adopted by the city council.~~

c. Small Tourism Projects Grant Fund. – Monies in this fund shall be used to provide financial assistance to municipalities in Wake County, with priority given to municipalities other than Raleigh and Cary, for tourism-related projects that are designed to (i) increase patronage of lodging facilities, meeting facilities, or convention facilities by attracting tourists, business travelers, or both or (ii) benefit the community at large in the municipality. Wake County shall create a Small Tourism Projects Committee to review and evaluate proposals from applicants for tourism projects, including tourism-related capital projects. The Committee shall make recommendations to the Wake County Board of Commissioners regarding use and disposition of monies in the Fund. Based on the Committee's recommendations, the Wake County Board of Commissioners may award funds to a municipality for a qualified project in the form of an outright grant of

money and may guarantee loans and participate in pledges of debt service for these projects; provided, however, that no loan guarantee may exceed the amount committed from the Fund for the project.

~~(3) Distribution to Greater Raleigh Convention and Visitor Bureau. The county shall remit fifteen percent (15%) of the net proceeds of the tax levied under Section 5 of this act to the Greater Raleigh Convention and Visitor Bureau. The Greater Raleigh Convention and Visitor Bureau may expend these funds pursuant to the provisions of Section 15 of this act.~~

…

"~~Sec. 13. Future Revenue Allocations of the Prepared Food and Beverage Tax. In the event that the annual net proceeds of the tax levied under Section 5 of this act exceed four million five hundred thousand dollars ($4,500,000) in a tax year, the additional proceeds will be allocated according to the following schedule:~~

~~(1) Any additional net proceeds up to six million five hundred thousand dollars ($6,500,000) shall be divided between the City of Raleigh and Wake County. The city shall receive seventy-five percent (75%) of the additional net proceeds for use in activities allowed under Section 10 of this act while the county will receive twenty-five percent (25%) of the net proceeds for use in any lawful activity authorized by this act.~~

~~(2) Any net proceeds in excess of six million five hundred thousand dollars ($6,500,000) shall be divided between the City of Raleigh and Wake County. The city shall receive sixty percent (60%) of the additional net proceeds for use in any lawful purpose authorized by this act while the county shall receive the remaining forty percent (40%) of the additional net proceeds for use in any lawful purpose authorized by this act.~~

"Sec. 14. ~~"Transfers~~ Transfers to Centennial Authority. – (a) Construction of Regional Facility. – On or before June 30, 1996, the City of Raleigh and Wake County shall jointly transfer eleven million dollars ($11,000,000) from undesignated proceeds to the Centennial Authority, and on or before June 30, 1997, the City of Raleigh and Wake County shall jointly transfer an additional eleven million dollars ($11,000,000) from undesignated proceeds to the Centennial Authority. The proportions of this sum to be drawn from undesignated proceeds distributed to the City of Raleigh and from undesignated proceeds distributed to Wake County shall be determined by the city and the county by interlocal agreement entered into pursuant to Article 20 of Chapter 160A of the General Statutes. If the city and the county are unable to agree on the relative proportions to be drawn from net proceeds distributed to each of them, each shall transfer from undesignated proceeds distributed to it its proportional share based on the total undesignated proceeds distributed to it during the preceding 36-month period. The Centennial Authority shall use the funds distributed to it pursuant to this subsection only to fund all or part of the acquisition, construction, financing, and debt servicing of a regional facility to be located in the general vicinity of the Carter-Finley Stadium.

(b) Operation, Renovation, Maintenance, and Repair of Regional Facility. – During July of 1995, and each July thereafter, the City of Raleigh and Wake County shall each transfer to the Centennial Authority seven percent (7%) of the total undesignated proceeds distributed to it during the preceding fiscal year. The Centennial Authority shall use the funds transferred to it pursuant to this subsection only for enhancement of operating revenues of a regional facility and for planning, design, renovations, maintenance, and repairs to a regional facility.

…."

SECTION 2.(b) G.S. 153A-154.1 reads as rewritten:

"**§ 153A-154.1. Uniform provisions for local meals taxes.**

(a) Scope. – This section applies to every county authorized by the General Assembly to levy a meals tax. To the extent this section conflicts with any provision of a local act, this section supersedes that provision.

(b) Collection. – A retailer who is required to remit to the Department of Revenue the State and local sales and use tax is required to remit the local meals tax on prepared food and beverages to the taxing county on and after the effective date of the levy of the local meals tax.

(c) Penalties. – The civil and criminal penalties that apply to State sales and use taxes under Chapter 105 of the General Statutes apply to local meals taxes. The governing board of a taxing county has the same authority to waive the penalties for a local meals tax that the Secretary of Revenue has to waive the penalties for State sales and use taxes.

(d) Definitions. – The following definitions apply in this section:

(1) Meals tax. – A tax on prepared food and beverages.

(2) Prepared food and beverages. – The term means both of the following:

a. Prepared food, as defined in G.S. ~~105-164.3.~~105-164.4L.

b. An alcoholic beverage, as defined in G.S. 18B-101, that meets at least one of the conditions of prepared food under G.S. ~~105-164.3.~~105-164.4L."

SECTION 2.(c) This Part becomes effective July 1, 2026, and applies to the distribution of proceeds of the prepared food and beverage tax on or after that date. Within 90 days of this Part becoming law, Wake County and the City of Raleigh must amend the interlocal agreement in accordance with Section 5(b)(2) of Chapter 594 of the 1991 Session Laws, as amended by S.L. 1995-458 and Section 2(a) of this Part.