

Revenue Laws Study Committee

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Sales Tax Distribution

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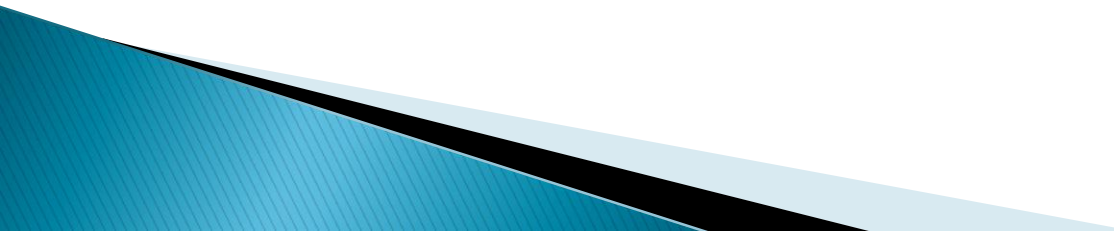
Sales Tax Distribution

Annuals Sales Tax Distribution:

\$2,391,742,261.82

Annual Sales Tax Refunds:

\$107,378,055.45



Sales Tax Distribution Schedule

Monthly and Quarter Ending Returns

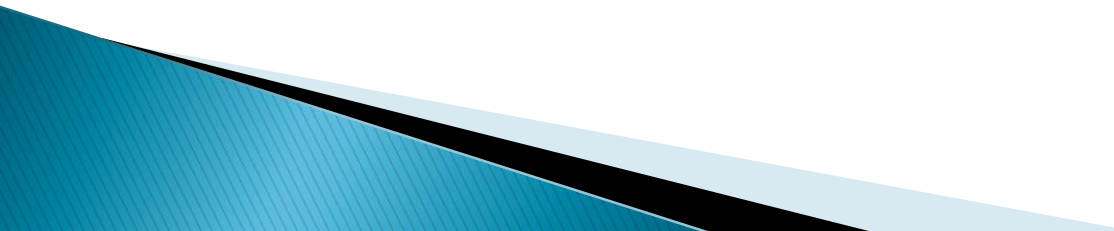
	Monthly	Quarter Ending
Sales	January	March
Collections	February	April
Closeout	March	May
Distribution	April	June



Sales Tax Distribution

<http://www.dornc.com/localgovt/index.html#distribution>

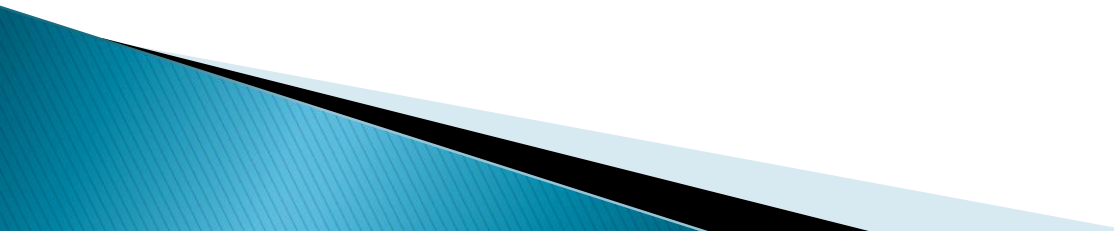
Sales Tax Distribution

- ▶ Sales tax is collected by the retailer or vendor who provides the product or service.
 - ▶ The vendors remit the sales tax by filing returns.
 - ▶ DOR processes the returns and deposits the money.
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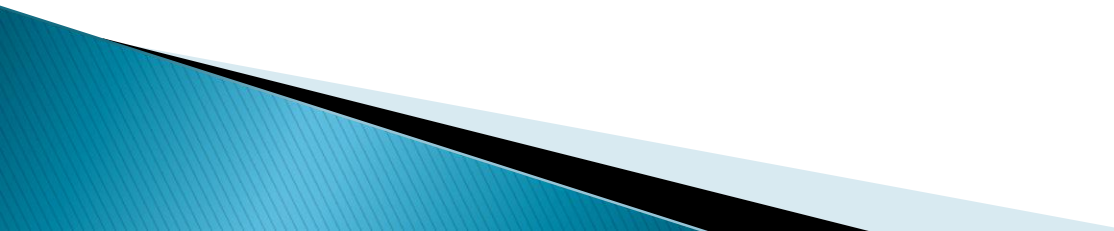
Sales Tax Distribution

- ▶ Our distribution unit distributes the money to the counties as indicated on the returns.
- ▶ The counties distribute the money to the other taxing units within their county.

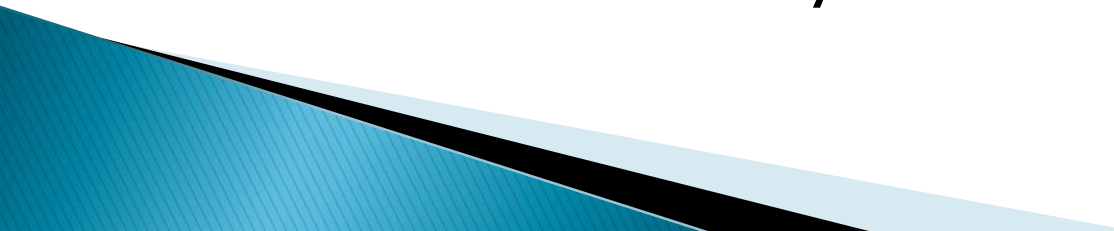
Sales Tax Distribution

- ▶ If we can not determine from the return where the money should go:
 - ▶ § 105–472 provides: If the Secretary collects local sales or use taxes in a month and the taxes cannot be identified as being attributable to a particular taxing county, the Secretary shall allocate the taxes among the taxing counties in proportion to the amount of taxes collected in each county under this Article during that month and shall include them in the monthly distribution.
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Refunds

- ▶ Exempt organizations have up to 3 years to request a refund of sales tax paid in.
 - ▶ DOR approves the refunds and sends the money to the taxpayer.
 - ▶ The Distribution Unit reduces the counties sales tax amounts each month in order to get the counties' share of the refunds.
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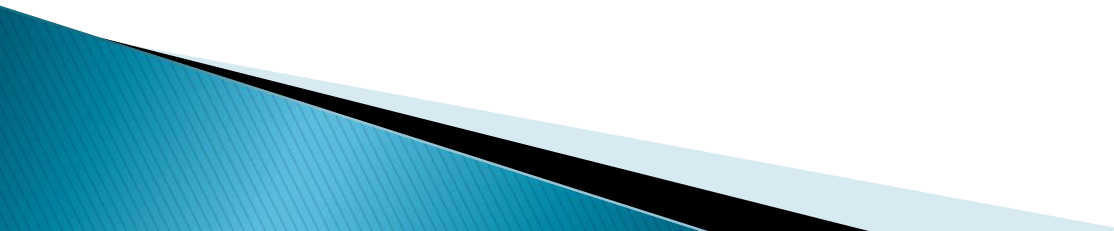
Issue of Reallocations

- ▶ The sales tax money comes in at one point and the refund request at a later time.
 - ▶ The two never are processed together.
 - ▶ The problem occurs when the vendor who collects the tax indicates that the money should go to County A but the exempt organization indicates that the refund should come from County A and County B.
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Issue of Reallocations

- ▶ Anytime the sales tax returns indicate the money goes to one county and the refund request indicates that the refund should be taken from a different county an issue is created.

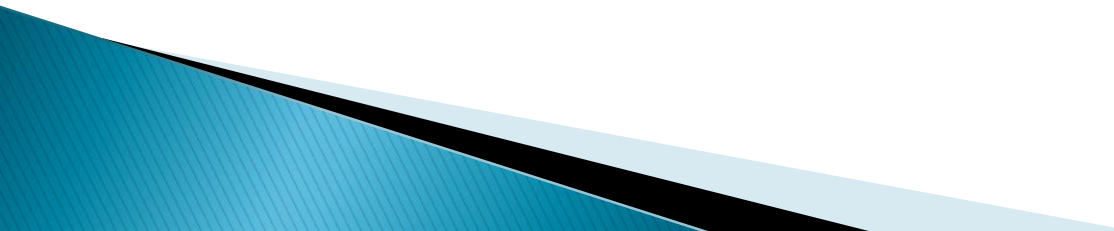
Example

- ▶ Over a 30 month period we distributed over 4 million dollars to County A based on the returns filed.
 - ▶ The refund request indicated that the refund money should be paid by 12 different counties who never received the money.
 - ▶ This resulted in County A having to repay over 4 million dollars which had to be redistributed to the other counties
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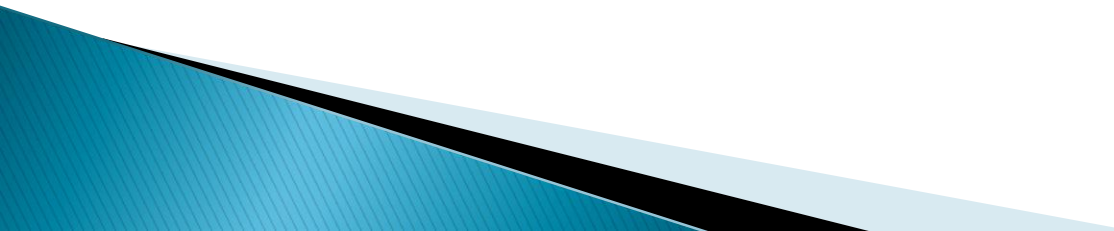
Reallocations

- ▶ There is no new money found with these reallocations.
 - ▶ There is only one pie and it is all about who get which piece.
 - ▶ A reallocation only re-slices the pie.
 - ▶ The reallocation can be a major issue for local units as showed in the example above.
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Reallocations

- ▶ Local units contract with consultants to audit on their behalf and have an amended refund request filed with us.
 - ▶ This results in a reallocation being processed by our office.
 - ▶ These consultants normally work on a contingency basis.
 - ▶ These reallocations move money between counties with part of it going to the consultants.
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Numbers of Reallocations

- ▶ Over the last three years we have processed 1309 reallocations filed by consultants.
 - ▶ These resulted in \$36,000,161.90 being requested for reallocations.
 - ▶ We approved \$18,853,767.34 and moved the money from one county to another.
 - ▶ Approximately 15–30% of this money was paid out to consultants.
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January 2010 through December 2012

(COUNTY A) - 18 Reallocations submitted

\$ 312,442.65 Reallocation Requested - \$ 179,852.47 Reallocation Allowed

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(COUNTY B) - 92 Reallocations submitted

\$ 1,220,797.84 Reallocation Requested - \$ 840,934.91 Reallocation Allowed

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(COUNTY C) - 22 Reallocations Submitted

\$ 890,807.09 Reallocation Requested - \$ 553,037.71 Reallocation Allowed

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(COUNTY D) - 100 Reallocations Submitted

\$ 2,908,582.41 Reallocation Requested - \$ 1,609,638.05 Reallocation Allowed

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(COUNTY E) - 78 Reallocations Submitted

\$ 3,498,706.12 Reallocation Requested - \$ 1,917,695.41 Reallocation Allowed

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(COUNTY F) - 40 Reallocations Submitted

\$ 1,454,448.17 Reallocation Requested - \$ 945,317.48 Reallocation Allowed

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(COUNTY G) - 83 Reallocations Submitted

\$ 6,334,929.08 Reallocation Requested - \$ 2,518,994.39 Reallocation Allowed

Reallocations

- ▶ We currently have only one auditor that goes out and audits and educates taxpayers on correcting these problems.
- ▶ Over the last six months our auditor found:

\$4,016,037.20 which was reallocated between counties.

Questions

