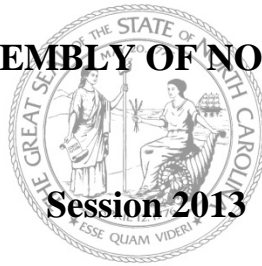


GENERAL ASSEMBLY OF NORTH CAROLINA



FISCAL ANALYSIS MEMORANDUM

[This confidential fiscal memorandum is a fiscal analysis of a draft bill, amendment, committee substitute, or conference committee report that has not been formally introduced or adopted on the chamber floor or in committee. This is not an official fiscal note. If upon introduction of the bill you determine that a formal fiscal note is needed, please make a fiscal note request to the Fiscal Research Division, and one will be provided under the rules of the House and the Senate.]

DATE: March 12, 2014

TO: Revenue Laws Study Committee

FROM: Sandra Johnson
Fiscal Research Division

RE: Rev Laws Proposal

FISCAL IMPACT (\$ in millions)						
	<input checked="" type="checkbox"/> Yes		<input type="checkbox"/> No		<input type="checkbox"/> No Estimate Available	
State Impact	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	
General Fund Revenues:	to	to	to	to	to	
General Fund Expenditures:	to	to	to	to	to	
Special Fund Revenues:	to	to	to	to	to	
Special Fund Expenditures:	to	to	to	to	to	
State Positions:	to	to	to	to	to	
NET STATE IMPACT	\$0.0 to \$0.0	\$0.0 to \$0.0	\$0.0 to \$0.0	\$0.0 to \$0.0	\$0.0 to \$0.0	
Local Impact						
Revenues:	Fiscal Impact of less than \$500K for counties					
Expenditures:						
NET LOCAL IMPACT	Annual loss of \$11.4 million to \$24.6 million for municipalities					
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED:						
North Carolina City and County Governments						
EFFECTIVE DATE: July 1, 2015						
TECHNICAL CONSIDERATIONS:						
None						

BILL SUMMARY: This bill proposes to repeal city and county privilege license taxes (PLTs) replacing PLTs with a flat \$100 per business tax applicable at the municipal level. Effective July 1, 2015.

ASSUMPTIONS AND METHODOLOGY:

Enacting this bill would result in an \$11.4 million to \$24.6 million loss for municipalities. The estimated loss to counties is approximately \$500,000. To estimate the fiscal impact of replacing the current privilege license tax (PLT) system with a \$100 per business, per location tax, Fiscal Research utilized business information from the North Carolina League of Municipalities and the U.S. Census County Business Patterns database, alongside population information from the North Carolina Department of Revenue.

The estimated lower bound losses of \$11.4 million assume that all cities levy the maximum \$100 per business on all businesses available. The estimated upper bound loss of \$24.6 million assume that cities either reduce their privilege license tax collections (based on the \$100 per business tax) or hold their current privilege license tax collections constant, choosing the lesser of the two options.

SOURCES OF DATA: North Carolina League of Municipalities: The League of Municipalities surveyed its members in 2013 on the number businesses currently paying a privilege license tax. Members responded to the survey, reporting the number of companies reflected in the 2009-10 fiscal year PLT collections. Of the 310 cities that levied a PLT tax in FY 09-10, the League received information on the number of businesses taxed from 120 cities.

U.S. Census County Business Patterns database: NS1100A2: 2011 Nonemployer Statistics: Geographic Area Series: Nonemployer Statistics for the US, States, Metropolitan Areas, and Counties: 2011; CB1100A11: 2011 County Business Patterns: Geography Area Series: County Business Patterns

North Carolina Department of Revenue

TECHNICAL CONSIDERATIONS: None