

# Should Joint Agencies be Allowed a Motor Fuel Tax Exemption or Refund?



**REVENUE LAWS STUDY COMMITTEE  
MARCH 8, 2016**

**CINDY AVRETTE ~ DENISE CANADA  
LEGISLATIVE ANALYSIS ~ FISCAL RESEARCH**



# S.L. 2015-235

Revenue Laws Study  
Committee

Directed to Study

Application of the  
motor fuels tax  
exemption to entities  
that are comprised of  
multiple local  
government units



# SB 399 Proposed Two Changes



## Sales Tax Refund

- 105-164.14(c) lists many entities
- Proposed a refund for joint agencies created to provide fire, police, and EMS services
- Enacted

## Motor Fuel Tax Exemption

- 105-449.88 has few exemptions
- Proposed an exemption for 2 specific joint agencies
- Existing law does not allow an exemption for joint agencies
- Revenue Laws directed to study

# Existing Tax Treatment of Joint Agencies



## Property

- Exemption for counties, cities, boards, commissions, authorities
- Article V, Sec. 2(3)
- G.S. 105-278.1

## Sales

- Refund for enumerated list of joint agencies
- G.S. 105-164.14(c)
- More than 20 listed joint agencies

## Motor Fuels

- Exemption for counties and cities; but not joint agencies
- G.S. 105-449.88

# Joint Agencies Receiving Sales Tax Refund



- Regional libraries
- Water and sewer authority
- Regional solid waste management authority
- Area mental health, developmental disabilities and substance abuse authority
- Regional planning commission
- Public health authority
- Sports authority
- Confinement facility
- Lake authority
- District health department
- Public transportation authority
- Regional economic development commission
- Regional planning commission
- Airport authority
- Joint agency created by interlocal agreement for
  - Fire, police, and EMS services
  - Public broadcasting television station

# Existing Motor Fuel Tax Preferences



## Exemption

- Federal government
- State government
- County government
- City government
- A local board of education, charter school, and community college for school purposes

## Quarterly Refund

- Nonprofit organization that transports passengers for a unit of local government
- Volunteer fire department
- Volunteer rescue squad
- Sheltered workshop recognized by DHHS

# Questions to Consider



- Should 2 or more local governments working together be eligible for the same motor fuels tax exemption that each is eligible for when acting alone?
- If so, how much would this tax benefit cost?
  - No good estimate available for motor fuels exemption
  - Sales tax refunds for the joint agencies enumerated in G.S. 105-164.14(c) ~ \$5M annually

## Policy Options

Do nothing

Tax preference



## Who Gets Preference?

A Specific List of Joint Agencies  
E.g., Sales tax refund

A General Category of Joint Agencies  
E.g., Property tax exemption



## What Type of Preference?

Exemption, like property tax  
~ county, city, school

Refund, like sales tax  
~ nonprofits, volunteer fire & EMS