



HOUSE BILL 1201: Exempt Admission to Agricultural Fairs

2013-2014 General Assembly

Committee:	House Finance	Date:	June 4, 2014
Introduced by:	Reps. Holloway, Pierce, Dixon, Dobson	Prepared by:	Trina Griffin
Analysis of:	First Edition		Committee Counsel

SUMMARY: *House Bill 1201 would exempt from sales and use tax admission charges to agricultural fairs, which would include the State Fair as well as county fairs. The exemption would become effective January 1, 2015, and apply to gross receipts derived on or after that date.*

CURRENT LAW: Effective January 1, 2014, S.L. 2013-316 (Tax Simplification and Reduction Act) changed the taxation of live events and movies from a 3% gross receipts privilege tax to a State and local sales tax. The two taxes differ in that the gross receipts tax was imposed upon the person engaged in providing the event; it was not designed to be passed directly onto the consumer. The sales tax is imposed upon the retailer, but it is intended to be passed onto the purchaser and borne by the purchaser instead of the retailer.¹

Under the gross receipts tax, there were at least 12 exemptions. When admission charges were moved to sales tax, only five exemptions were retained:

- Events at elementary and secondary schools
- Agricultural fairs
- Youth sporting events
- State attractions
- Limited nonprofit events

During the 2013-2014 interim, the Revenue Laws Study Committee learned that the latter three exemptions were causing confusion and appointed a subcommittee to review them.² The subcommittee considered the exemptions from the sales tax on admissions in other states and discussed the administrative difficulties of interpreting the current exemptions. It expressed concern that the exemptions create situations where similar entertainment events are taxed differently. The subcommittee stated a desire that similar entertainment events should be taxed similarly and recommended that the exemption for events sponsored and held at elementary and secondary schools be retained but that the other four exemptions be repealed. The Committee's recommendation was ultimately incorporated into House Bill 1050.

S.L. 2014-3 (House Bill 1050), enacted on May 29, 2014, repealed the following exemptions, thus subjecting the gross receipts derived from an admission charge to that event to sales tax, effective January 1, 2015:

- Agricultural fairs.
- Up to two activities a year sponsored by a nonprofit.
- State attractions.

¹ G.S. 105-164.7.

² The subcommittee members were Senator Rucho, Chair, and Representatives Carney and Moffitt.



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BILL ANALYSIS: This bill would exempt from sales and use tax the gross receipts derived from admission charges to a commercial agricultural fair that meets the requirements of G.S. 106-520.1.³ Currently, admission charges to agricultural fairs are exempt by virtue of S.L. 2013-316. The repeal of the exemption in S.L. 2014-3 does not become effective until January 1, 2015. Therefore, if this bill is enacted, the exemption for agricultural fairs will continue uninterrupted, essentially nullifying the repeal in S.L. 2014-3.

According to the NC Agricultural Fairs Association, there are about 40 county fairs held across the State each year. See list below. This exemption would also cover the North Carolina State Fair held in Raleigh.

EFFECTIVE DATE: The bill would become effective January 1, 2015, and apply to gross received derived on or after that date.

BACKGROUND:

Alexander County Agricultural Fair	Hickory American Legion Fair
Atlantic District Fair Association	Iredell County Agricultural Fair
Avery County A&H Fair	Lee Regional Fair
Bethware Community Fair	Lenoir County Fair
Burke County Fair Inc.	Madison County Fair
Cabarrus County Fair	Moore County Agricultural Fair
Caldwell County Agricultural Fair	N.C. Mountain State Fair
Cape Fear Fair & Expo	Onslow County Agricultural Show
Central Carolina Fair	Pitt Co. American Legion Agricultural Show
Chatham County Ag & Ind Fair	Richmond County Agricultural Show
Chowan County Regional Fair	Robeson Regional Agricultural Show
Cleveland County Fair	Rocky Mount Ag Show
Coastal Carolina Ag Fair	Rowan Co. Agricultural & Industrial Fair
Columbus County Agricultural Fair Inc.	Stanly County American Legion Post 76 Agricultural Fair
Cumberland County Agricultural Fair	Stokes County Ag Show
Davidson County Agricultural Fair	Surry County Agricultural Show
Dixie Classic Fair	Warren County Show
Drexel Community Fair	Wayne Regional Agricultural Fair
Duplin Agribusiness Fair	Wilkes County Agricultural Show
Haywood County Fair	Wilson County American Legion Show

³ § 106 520.1. Definition.

As used in this Article, the word "fair" means a bona fide exhibition designed, arranged and operated to promote, encourage and improve agriculture, horticulture, livestock, poultry, dairy products, mechanical fabrics, domestic economy, and 4 H Club and Future Farmers of America activities, by offering premiums and awards for the best exhibits thereof or with respect thereto.