

Overview of North Carolina Local Sales Tax

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Other Local taxes...

- Sales tax on food = 2%.
- Other taxes:
 - Property tax.
 - Privilege license taxes.
 - Rental car gross receipts.
 - Animal tax.
 - Motor vehicle license tax.
 - State-shared taxes.



Overview

- General sales tax:
 - Tax rates.
 - Tax base.
 - History of local sales tax.
 - Medicaid swap.
- Other sales taxes:
 - Transit tax.
 - Occupancy tax.
 - Meals tax.



Sales Tax Rates

- The State general rate is 5.75%. The 1% increase enacted this year will expire in 2011.
- The local rate varies:
 - In 91 counties, the rate is 2%.
 - In Alexander, Catawba, Cumberland, Haywood, Martin, Pitt, Sampson, and Surry Counties the rate is 2.25%.
 - In Mecklenburg, the rate is 2.5%.
- The “combined general rate” is 8%.



The Base

- The local rate applies to the same items the State general rate applies to.
 - Exemptions, refunds, and sales tax holidays that apply to the State rate also apply to local rate.
- 2001 pre-paid phone cards added to the sales tax base:

Fiscal impact:

State - \$4 million

Local - \$1.8 million

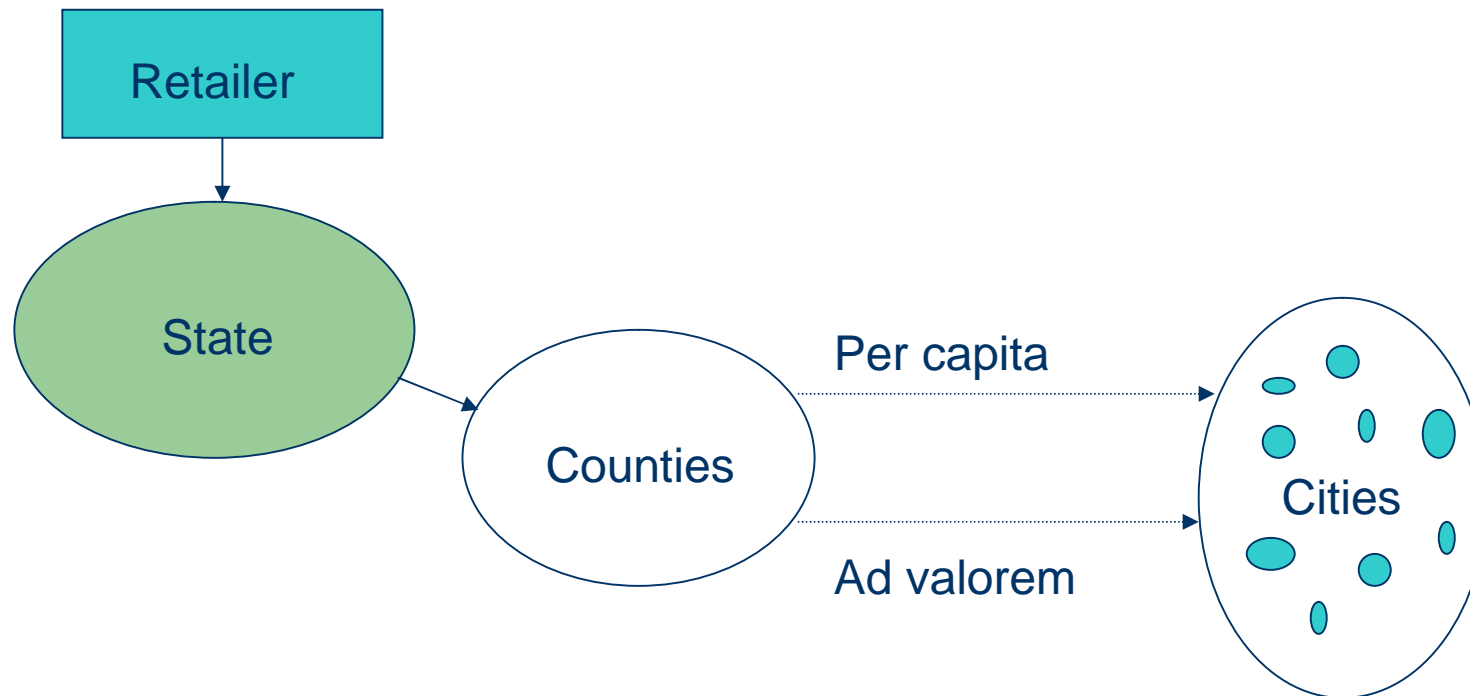


First 1 cent – 1967-1971



First 1 cent		Any lawful purpose	Point of collection
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Flow of revenues






First ½ cent - 1983

First 1 cent		Any lawful purpose	Point of collection
First ½ cent		Counties - 30% school capital	Per capita







Second ½ cent - 1986

First 1 cent		Any lawful purpose	Point of collection
First ½ cent		Counties - 30% school capital	Per capita
Second ½ cent		Counties - 60% school capital	Per capita



Third ½ cent - 2001

First 1 cent		Any lawful purpose	Point of collection
First ½ cent		Counties - 30% school capital	Per capita
Second ½ cent		Counties - 60% school capital	Per capita
Third ½ cent		Any lawful purpose	½ Point of collection ½ Per capita








2007- Medicaid Swap

- State assumes County share of Medicaid over 3 year period.
- Third ½ cent tax phased out, State rate correspondingly increases.
- Second ½ cent distribution changes from per capita to point of collection.
- Hold harmless provision – each County to benefit by at least \$500,000.



After the Medicaid Swap

First 1 cent		Any lawful purpose	Point of collection
First ½ cent		Counties - 30% school capital	Per capita
Second ½ cent		Counties - 60% school capital	Per capita Point of collection
Third ½ cent		Any lawful purpose	1/2 Point of collection
Repealed			
¼ cent		Any lawful purpose	Point of collection – <i>distributed to County only.</i>






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Transit taxes

Mecklenburg ½ Cent		1997	Finance, construct, operate and maintain local public transportation.
Triangle and Triad ½ Cent		Authorized 2009	
94 other counties ¼ Cent		Authorized 2009	



Occupancy Taxes

- First allowed in 1983 for 5 counties and 3 cities.
- A tax on the gross receipts derived from the rental of any room, lodging, or accommodation furnished by a hotel, motel, inn, tourist camp, or similar place.
- 76 Counties.
- 87 Cities.
- Rate varies from 2% to 6%*.



Occupancy Taxes

- Trend towards uniformity.
- North Carolina Travel and Tourism Coalition policy statement:
 - **Rate** – The county tax rate cannot exceed 6% and the city tax rate, when combined with the county rate, cannot exceed 6%.
 - **Use** – At least two-thirds of the proceeds must be used to promote travel and tourism and the remainder must be used for tourism-related expenditures, which may include beach nourishment.
 - **Definitions** The terms "net proceeds," "promote travel and tourism," "tourism- related expenditures," and "beach nourishment" are defined terms.



Meals Tax

- Tax of 1% on 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 also subject to sales tax imposed by the State.
- 4 Counties and 3 cities currently have a meals tax.



Key Points to Remember

- Expanding the State base expands the local base.
- The sales tax first became a local revenue source in 1967.
- The rate varies among the counties.

