

# Local Privilege License Taxes

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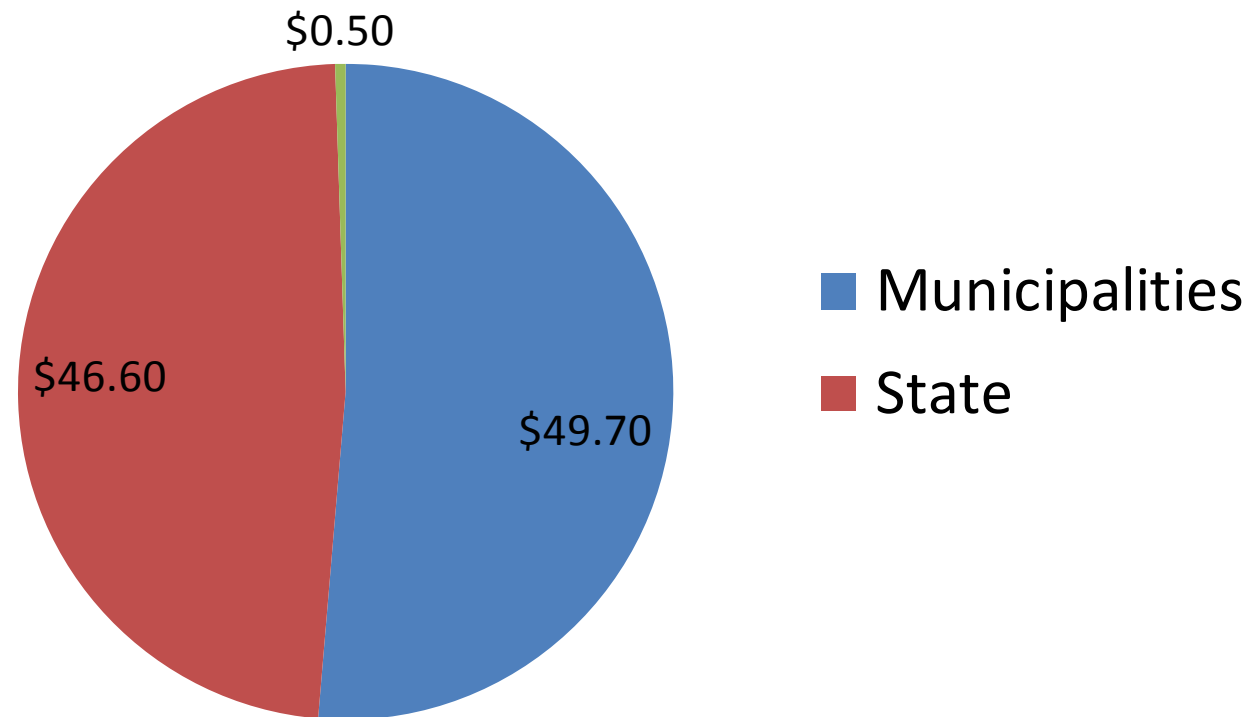


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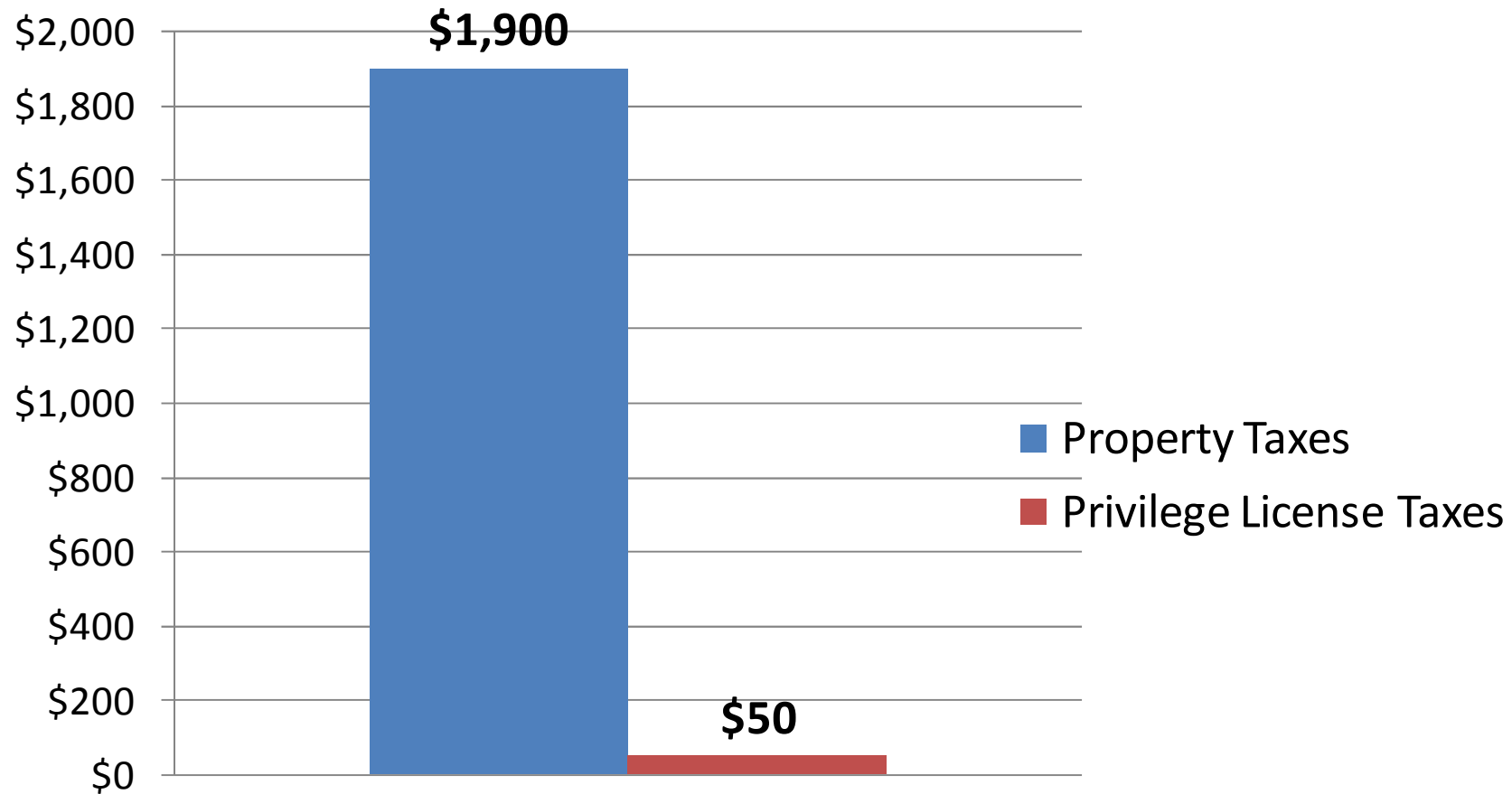
# PLT Collections 2006-07



Total: \$96,800,000

# Municipal PLTs v. Property Taxes

(\$ millions, 2006-07)



# Current State PLTs

(All but 7 state PLTs were repealed as of July 1997)

Amusements	3%
Motion Picture Shows	1%
Professionals	\$50
Installment Paper Dealers	.277% of face value of obligations/quarter
Loan agencies, check cashers, pawnbrokers	\$250 per location
Banks	\$30 for each \$1 million in assets
Newsprint publishers	\$15 on each ton that fails to meet the applicable content percentage

# Local PLT's Since 1997

- **Municipalities** (§160A-211):
  - GENERAL authority to levy PLT's on all businesses  
EXCEPT as limited by 30 repealed Schedule B provisions
- **Counties**(§153A-152):
  - SPECIFIC authority to levy PLT'S on certain businesses  
ONLY as permitted by 11 repealed Schedule B provisions



# Local Privilege License Taxes In North Carolina

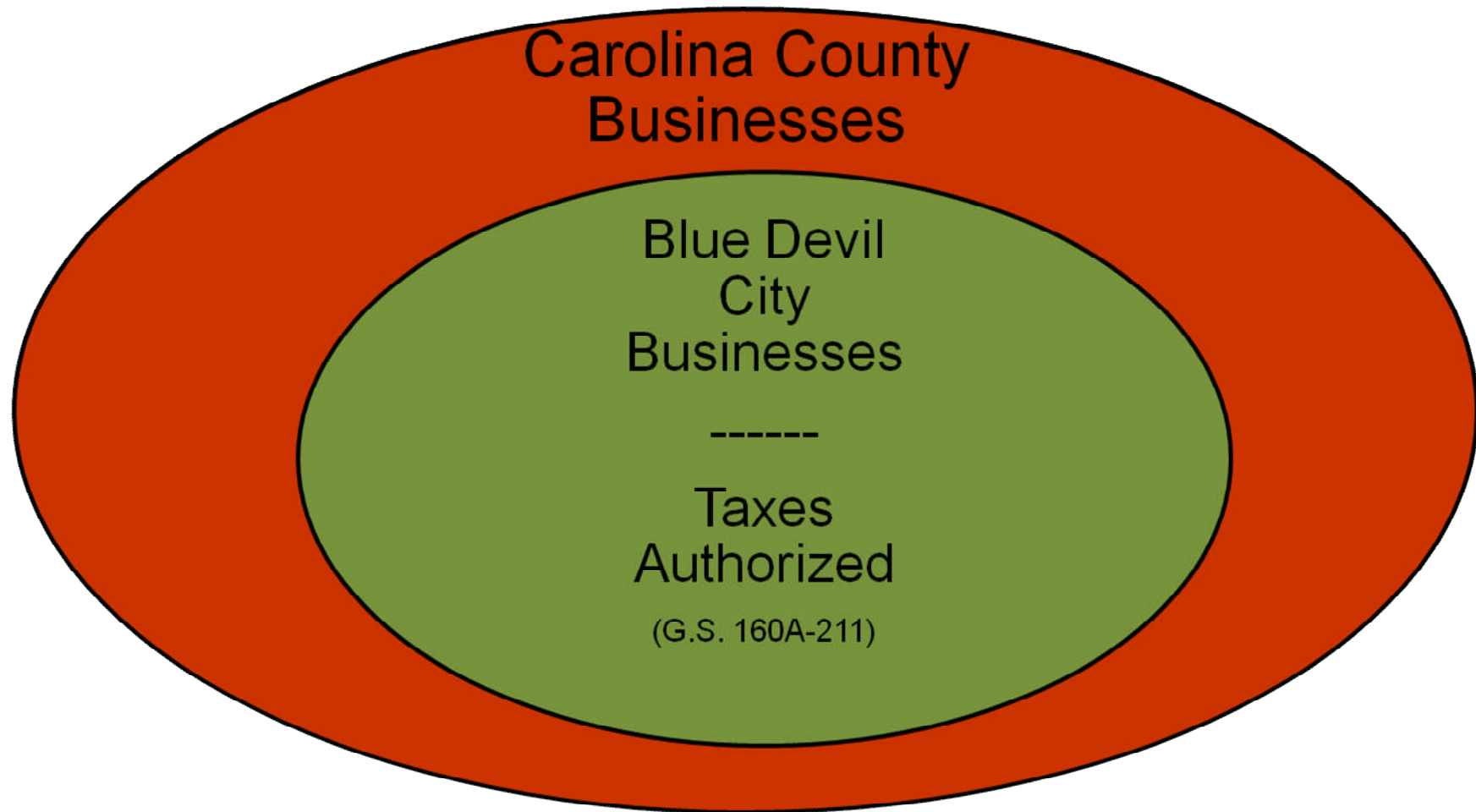
Carolina County  
Businesses

General Rule:

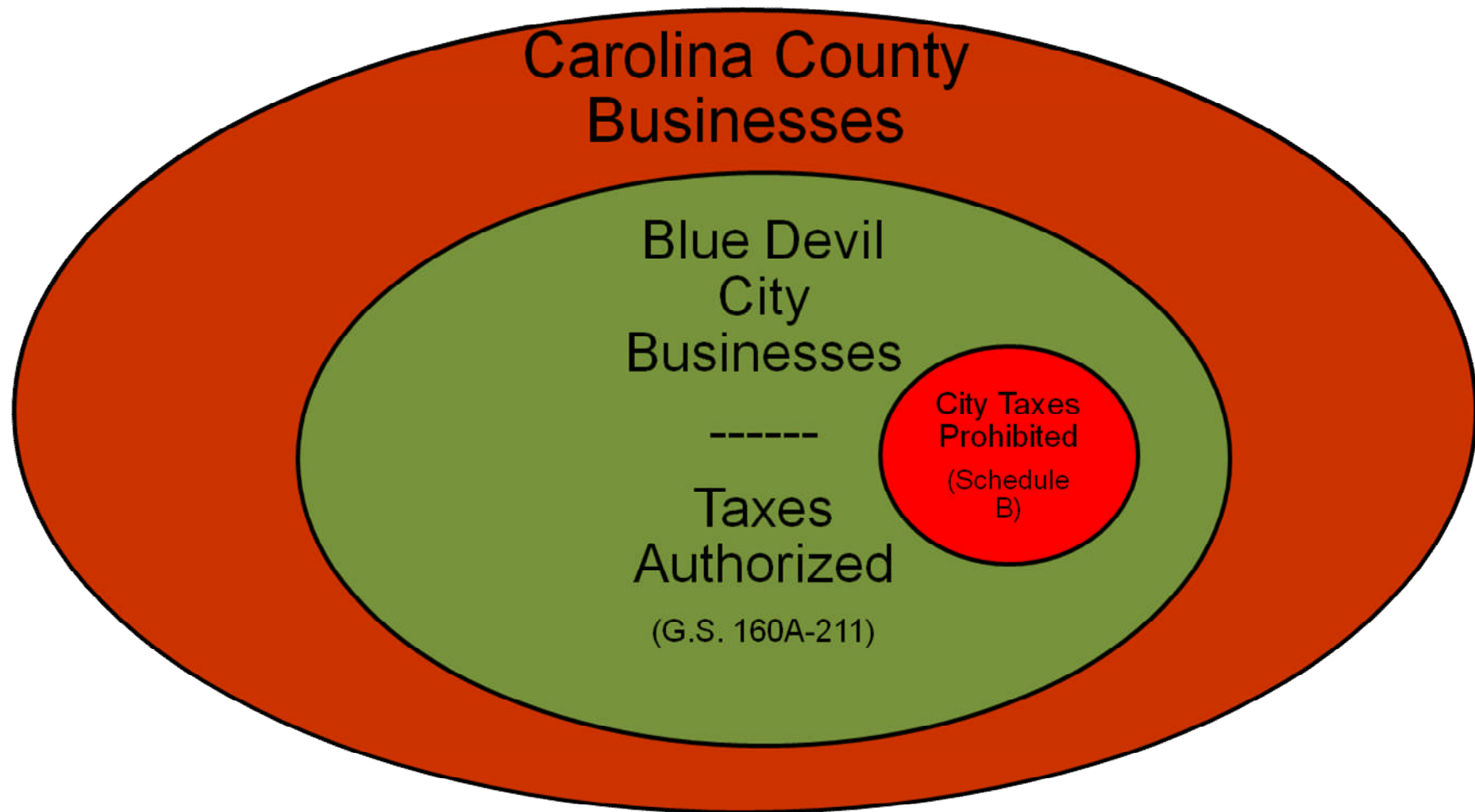
No Privilege  
Taxes Without  
Specific  
Authorization

G.S. 153A-152

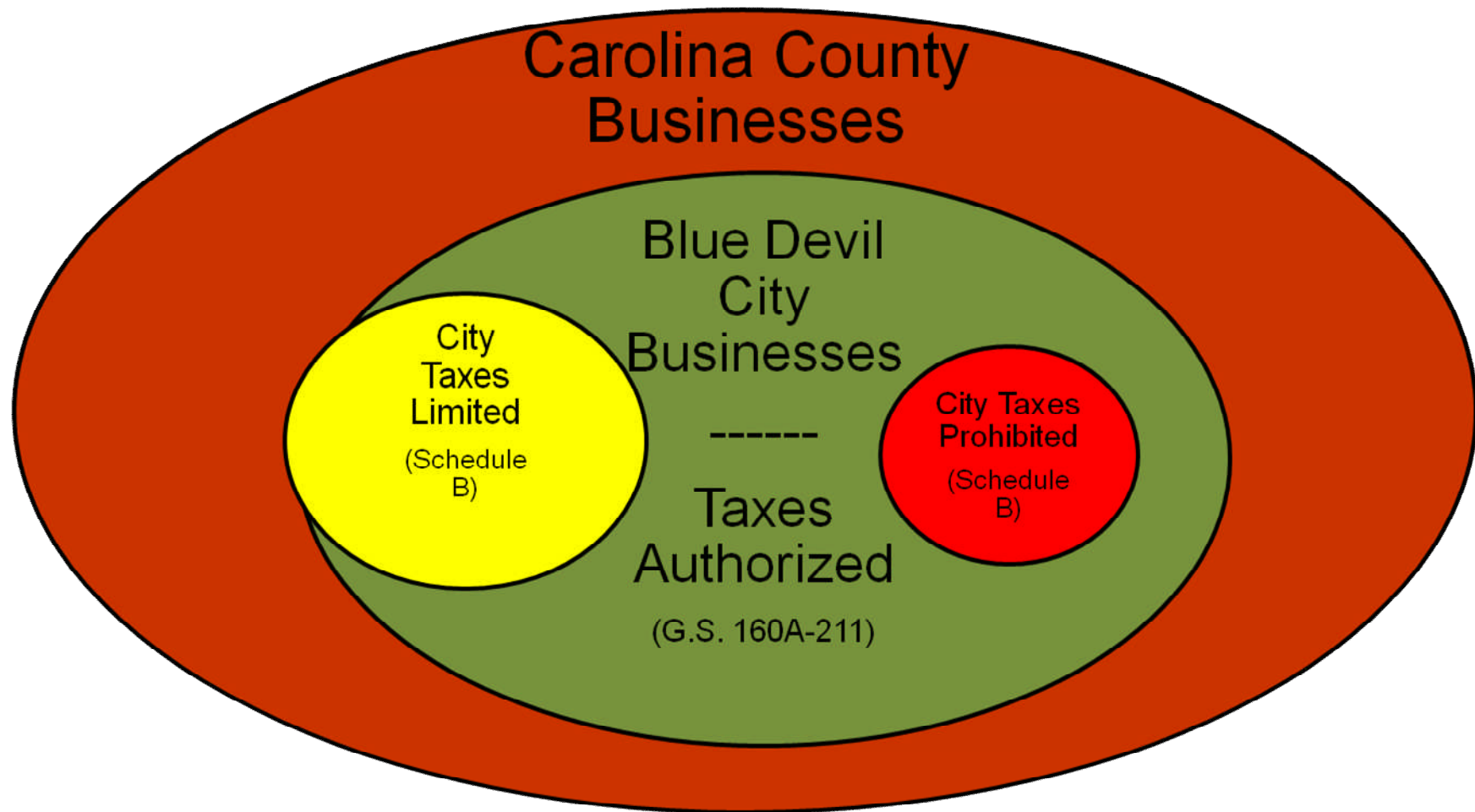
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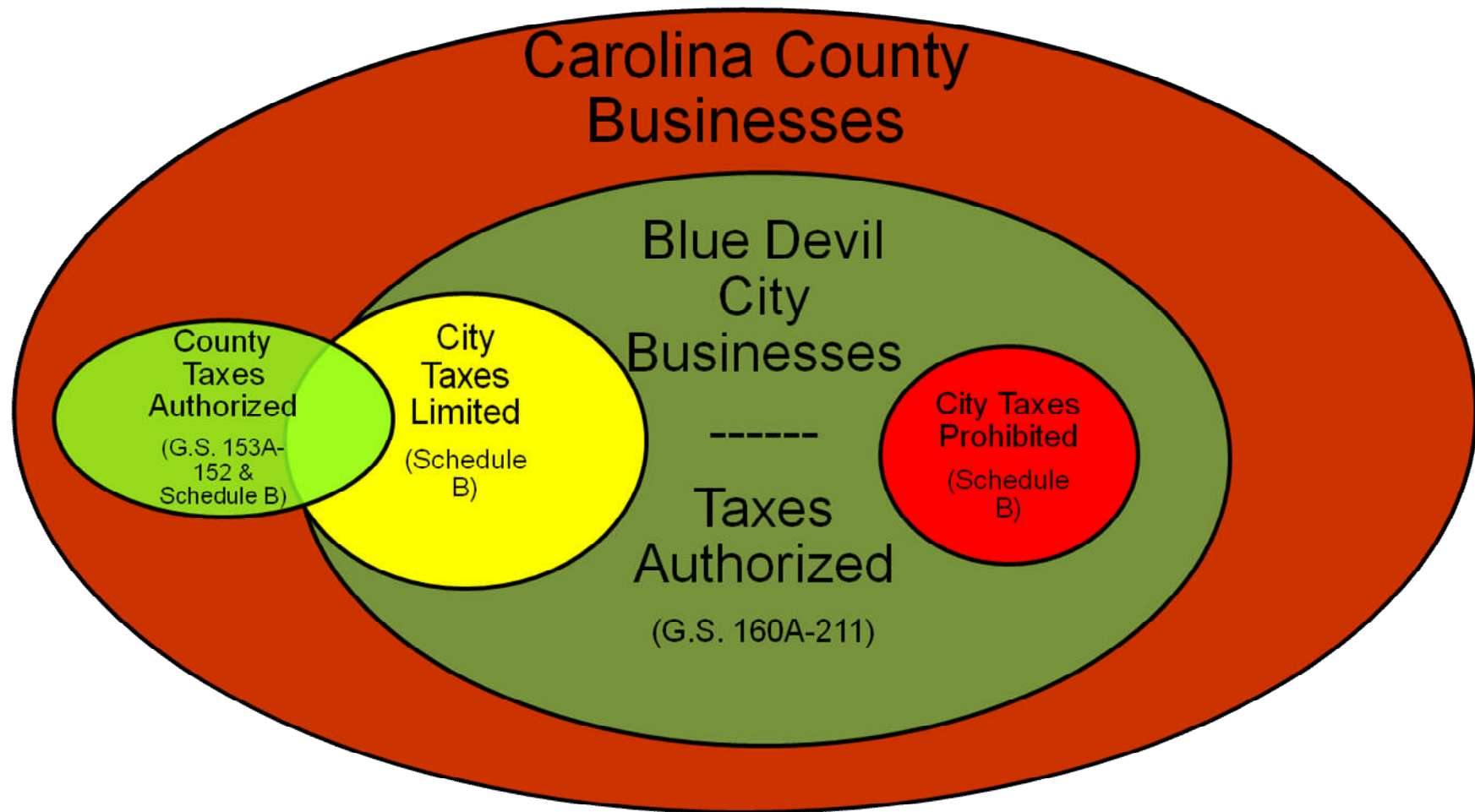
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# Oddities from Schedule B

- Seasonal Christmas tree sales: \$100 max
- Seasonal Christmas tree sales by grower: unlimited
- Vending Machines (< 5): \$5 max
- Vending Machines ( $\geq 5$ ): NO city PLT
- Vending Machines ( $\geq 5$  at one location): Unlimited
- Vending Machines (milk): Unlimited
- Vending Machines (juice,  $\geq 5$ ): Unlimited
- Selling Computers: NO city PLT
- Repairing Computers: Unlimited
- Selling/Repairing Record Players: NO city PLT
- Selling/Repairing DVD/CD Players: Unlimited

# How to Tax **Target?**

- **Gross Receipts on all sales . . . except**
  - Bicycles (\$25 max)
  - DVDs (\$25)
  - Computers, calculators (No tax)
  - Ice Cream (\$2.50 max)
  - Motor Oil/Auto Accessories (\$12.50 max)
- **Plus...**
  - Chain Store (\$50)
  - Restaurant (\$42.50)
  - Barber Shop/Beauty Salon (\$2.50 per stylist)
  - Check Cashing (\$100)
  - Vending Machines (????)



# Sample City PLT Provisions For Retailers

- **Gross Receipts**
  - Durham: \$50 up to \$15,000, then 50¢ per \$,1000; no max
  - Charlotte: 60¢ per \$1,000; \$10,000 max tax
- **Flat Fee**
  - Dunn: \$30 per retailer, \$35 per grocery store
- **Example:** SuperTarget store with \$50M receipts
  - Durham: \$25,000
  - Charlotte: \$10,000
  - Dunn: \$250

# Internet Sweepstakes



# Different Questions for Counties and Municipalities

- *Counties:*
  - Is there a statute that authorizes us to tax internet sweepstakes?
- *Municipalities:*
  - Is there a statute that prohibits or restricts our taxation of internet sweepstakes?

# Electronic Video Games

## *(Repealed GS 105-66.1)*

- “owning or operating machines that play electronic video games when a coin or other thing of value is deposited into the machine”
- Password = “thing of value”?
- \$5 per machine for both counties/cities

# Telecommunications Providers

- No privilege license taxes
  - GS 160A-211(d) (cities)
  - GS 153A-152(b) (counties)
- No PLTs on sale of cell phone minutes
- Excludes “internet access service”
  - GS 105-164.3(48)

# Constitutional Concerns

- NC Constitution: taxes must be “*just and equitable*”
- Cannot use taxes to eliminate legal businesses
  - Flat Rate:
    - \$1 million per machine?      \$10,000?
  - Gross Receipts:
    - 90%?      15%?

# 3 PLT Options for Cities

1. Existing “service” category  
*(assuming telephones not involved)*
2. Existing (or new) “internet service provider” category
3. New category aimed *only* at internet sweepstakes businesses

# Lumberton

## “Cyber-Gambling Establishments”

- Any for-profit business . . . where persons utilize electronic machines, including but not limited to computers and gaming terminals, to conduct games of chance, including but not limited to sweepstakes, and where cash, merchandise or other items of value are redeemed or otherwise distributed, whether or not the value of such distribution is determined by electronic games played or by predetermined odds.
- Involving “payment, directly or as an intended addition to the purchase of a product, whereby the customer receives one or more electronic sweepstakes tickets, cards, tokens or similar items entitling or empowering the customer to enter a sweepstakes, and without which item the customer would be unable to enter the sweepstakes”

# Sample City PLTs for Internet Sweepstakes

- *Hendersonville:*
  - **\$2,600 flat fee**
- *Kannapolis & Oxford:*
  - **Gross receipts plus \$500 per machine**
- *Laurinburg & Aberdeen:*
  - **\$2,000 flat fee plus \$2,500 per machine**
- *Lumberton:*
  - **\$5,000 flat fee plus \$2,500 per machine**