

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE FISCAL NOTE

BILL NUMBER: HB 2 (First Edition)

SHORT TITLE: Lower Food Tax Two Cents More

SPONSOR(S): Representative Luebke

FISCAL IMPACT					
	Yes (X)	No ()	No Estimate Available ()		
	(\$ Millions)				
	<u>FY 97-98</u>	<u>FY 98-99</u>	<u>FY 99-00</u>	<u>FY 00-01</u>	<u>FY 01-02</u>
REVENUES					
GENERAL FUND	(162.6)	(179.2)	(184.5)	(190.1)	(195.8)
PRINCIPAL DEPARTMENT(S)/PROGRAM(S) AFFECTED: Department of Revenue, Sales Tax Division					
EFFECTIVE DATE: July 1, 1997					

BILL SUMMARY: The bill reduces the state sales tax on food by an additional two cents. Food is defined in this bill as those items eligible for purchase with Food Stamps and intended for at-home consumption.

ASSUMPTIONS AND METHODOLOGY: The original source of data for this estimate is a 1961 field survey conducted by field auditors of the Department of Revenue assigned to tabulate the impact of eliminating the tax exemption on food. Over the years these numbers have been updated for growth with data from the monthly "type of business establishment" reports of the Department of Revenue. As a check on the data, estimates of food tax exemptions from other states have been reviewed. Furthermore, the estimates are consistent with nationwide food consumption data compiled by the U. S. Department of Commerce (and allocated to North Carolina).

Future year estimates are based on 3% annual growth in food tax purchases. The revenue loss for the first fiscal year is a partial-year number based on methodology developed by the Department of Revenue.

REDUCE STATE FOOD TAX TO 1%

(\$MILLIONS)

	STATE FISCAL YEAR				
	<u>97-98</u>	<u>98-99</u>	<u>99-00</u>	<u>00-01</u>	<u>01-02</u>
BACKGROUND INFORMATION (1) :					
CURRENT TAX YIELD (3% effective 1/1/97)	\$260.9	\$268.7	\$276.8	\$285.1	\$293.6
1 CENT	\$87.0	\$89.6	\$92.3	\$95.0	\$97.9
REDUCE TO 1.0% (7/1/97) (2)	(\$162.6)	(\$179.2)	(\$184.5)	(\$190.1)	(\$195.8)

NOTES:

(1) Assumes annual growth of 3%

(2) The effect is less than 100% in the first year due to a lag between the retail sale and the remittance.

FISCAL RESEARCH DIVISION

733-4910

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