

**NORTH CAROLINA GENERAL ASSEMBLY**

**LEGISLATIVE FISCAL NOTE**

**BILL NUMBER:** HB 170 (First Edition)

**SHORT TITLE:** No Sales Tax on Funerals

**SPONSOR(S):** Rep. Berry

<b>FISCAL IMPACT</b>					
	<b>Yes (X)</b>	<b>No ( )</b>	<b>No Estimate Available ( )</b>		
	<b>(\$Million)</b>				
	<b><u>FY 1997-98</u></b>	<b><u>FY 1998-99</u></b>	<b><u>FY 1999-00</u></b>	<b><u>FY 2000-01</u></b>	<b><u>FY 2001-02</u></b>
<b>REVENUES</b>					
General Fund	(6.74)	(7.22)	(7.70)	(8.24)	(8.82)
Local Govt.	(3.37)	(3.61)	(3.85)	(4.12)	(4.41)
All Funds	(10.11)	(10.83)	(11.55)	(12.36)	(13.23)
<b>PRINCIPAL DEPARTMENT(S) &amp; PROGRAM(S) AFFECTED:</b>	Department of Revenue, Sales Tax Division				
<b>EFFECTIVE DATE:</b>	July 1, 1997				

**BILL SUMMARY:** The act exempts all funeral expenses from sales tax. The law currently exempts funeral expenses up to \$1,500.

**ASSUMPTIONS AND METHODOLOGY:** In FY 1995-96, gross retail sales reported by funeral homes was \$226.9 million. The actual sales tax paid on funeral goods and services last fiscal year was \$5.98 million state and \$2.99 million local. This note projects gross sales will increase 5.5% each year based on the following factors. First, the National Funeral Directors Association reports that funeral costs have increased 3% a year in recent years. As funeral costs increase and the excludable costs remain at \$1500, then the percent of goods and services taxed will increase. This year the state sales tax on funeral goods and services is equal to 2.65%, but as cost rise 3% a year this effective tax rate will increase to 2.82% in 2001. Second, the State Center for Health and Environmental Statistics has documented that the number of deaths since 1990 has increased 2.55% a year. This rate of deaths might be attributed to the aging of the overall population and to in-migration to the state that includes retirees.

**FISCAL RESEARCH DIVISION**

**733-4910**

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**Official**



**Fiscal Research Division**

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