

**NORTH CAROLINA GENERAL ASSEMBLY
LEGISLATIVE FISCAL NOTE**

BILL NUMBER: HOUSE BILL 272 Comm Sub (2nd ed.)
SHORT TITLE: PUBLIC COLLEGE SALES TAX REFUNDS
SPONSOR(S):

FISCAL IMPACT					
	Yes (X)	No ()	No Estimate Available ()		
	<u>FY 1997-98</u>	<u>FY 1998-99</u>	<u>FY 1999-00</u>	<u>FY 2000-01</u>	<u>FY 2001-02</u>
REVENUES (\$MILL.)					
State General Fund	-6.77	-14.22	-14.93	-15.67	-16.46
Local	-.65	-1.36	-1.43	-1.50	-1.57
EXPENDITURES					
POSITIONS:					
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: The tax refunds will be administered by the Department of Revenue.					
EFFECTIVE DATE: Taxes paid on or after January 1, 1997.					

BILL SUMMARY: Sales tax law allow an annual refund of the state and local sales tax for counties, cities, specifically-named local authorities and some university purchases (N.C. Memorial Hospital, contract and grant funded purchases. In addition, the 1991 General Assembly allowed a refund of the local tax for state agencies. This has been interpreted to include the university system.

The bill adds constituent institutions of the University of North Carolina and institutions of the community college system to the list of local government units and state institutions that are allowed an annual refund of state and local sales taxes.

ASSUMPTIONS AND METHODOLOGY: Data on the sales tax paid on university purchases for 1995-96 was provided by the various institutions at the request of Fiscal Research. The data included an estimate of 1996-97 purchases as well as numbers for the sales tax refunded on contracts and grants. In addition, the Department of Revenue reviewed refund application for the 1995-96 fiscal year for 14 of the largest campuses of the university system. A match-up of this data and the sales tax paid data indicates that the institutions are essentially applying for all of the eligible refunds. An estimate of taxable purchases by community college

institutions was provided by the Community College System in Raleigh. Refunds are normally granted annually in February based on taxes paid the prior fiscal year. Thus, the first-year loss would be 50% of the annualized amount. The estimate assumes 5% growth in taxable purchases.

FISCAL RESEARCH DIVISION (733-4910)

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DATE: March 10, 1997



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