

**NORTH CAROLINA GENERAL ASSEMBLY
LEGISLATIVE FISCAL NOTE**

BILL NUMBER: SB 388
SHORT TITLE: NO BACK INTANGIBLES TAX ASSESSMENT
SPONSOR(S): SEN. HOYLE AND KERR

FISCAL IMPACT

Yes (X) No () No Estimate Available (X)

FY 1997-98 FY 1998-99 FY 1999-00 FY 2000-01 FY 2001-02

REVENUES

(See Assumptions and Methodology section)

EXPENDITURES

POSITIONS:

PRINCIPAL DEPARTMENT(S) &

PROGRAM(S) AFFECTED: Department of Revenue.

EFFECTIVE DATE: When the bill becomes law.

BILL SUMMARY: Directs the Secretary of Revenue to not assess or collect intangibles tax from any taxpayer for liability arising solely from the taxpayer's use of the exemption for North Carolina shares of stock during the 1990-94 tax years.

ASSUMPTIONS AND METHODOLOGY:

The potential for the Department to assess and collect the tax resulted from the NC Supreme Court decision in the recent **Fulton** case. A couple of years ago the Department of Revenue estimated that eliminating the exemption for N.C. shares of stock would generate \$55-75 million annually, assuming that the Department could collect all of the tax. The 1995 General Assembly repealed the tax, so the issue was moot until the **Fulton** decision. As a practical matter it would be difficult for the Department of Revenue to discover and value taxable shares in closely-held corporations because there is no public information on these holdings, since shareholders were not required to file. Therefore, we are unable to develop a reliable estimate of the fiscal impact of this bill.

FISCAL RESEARCH DIVISION (733-4910)

PREPARED BY: Dave Crotts

APPROVED BY: Tom Covington TomC

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