

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE FISCAL NOTE

BILL NUMBER: SB 46 Second Edition

SHORT TITLE: Monroe Prepared Food Tax

SPONSOR(S):

FISCAL IMPACT					
	Yes (X)	No ()	No Estimate Available ()		
	<u>FY 2001-02</u>	<u>FY 2002-03</u>	<u>FY 2003-04</u>	<u>FY 2004-05</u>	<u>FY 2005-06</u>
REVENUES					
General Fund	* No General Fund Impact*				
City of Monroe	324,257	680,938	714,985	750,735	788,271
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: City of Monroe.					
EFFECTIVE DATE: When it becomes law.					

BILL SUMMARY: The bill authorizes the Monroe City Council to levy a prepared food tax of up to 1% of the sales price of these items sold within the city limits. The bill exempts sales through vending machines, meals provided without charge to employees, items sold together with the rental of a sleeping room or lodging. Sales by retailers who collect an occupancy tax and do not separate the meal from the room are also exempt, as are grocery store sales that are not through the deli or similar department of the store. The legislation stipulates that the city shall administer the tax. Refunds will be given to non-profits that are offered a sales tax refund. The penalties are identical to those associated with the sales tax. The city can put the issue to a referendum, and then approve the tax if the voters approve it, or approve the issue directly without a referendum. The City of Monroe must use the proceeds of the tax for the construction, operation, and maintenance of a civic center, for Downtown Monroe Development, and for economic development.

ASSUMPTIONS AND METHODOLOGY: Because the bill impacts only local revenues there is no General Fund impact.

According to the 1997 Economic Census, during that year Monroe foodservice and drinking place establishments reported \$52,052,000 in sales. Assuming this number is a reasonable proxy for prepared meals sales, a 1% tax would have generated approximately \$520,520 in

revenue. Using a 5% growth rate since that time suggests the following revenue stream associated with this bill.

Fiscal Year	Revenue
2001-02	648,513
2002-03	680,938
2003-04	714,985
2004-05	750,735
2005-06	788,271

The estimate in the fiscal impact box assumes a December 1, 2001 implementation date.

TECHNICAL CONSIDERATIONS:

FISCAL RESEARCH DIVISION 733-4910

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DATE: October 22, 2001



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