

# GENERAL ASSEMBLY OF NORTH CAROLINA



Session 2009

## Legislative Fiscal Note

**BILL NUMBER:** House Bill 511 (First Edition)

**SHORT TITLE:** EMS/Fire Dept. Sales Tax Refund.

**SPONSOR(S):** Representatives Williams, Goforth, Lucas, and E. Warren

<b>FISCAL IMPACT (\$ In Millions)</b>					
	<b>Yes (X)</b>	<b>No ( )</b>	<b>No Estimate Available ( )</b>		
	<b><u>FY 2009-10</u></b>	<b><u>FY 2010-11</u></b>	<b><u>FY 2011-12</u></b>	<b><u>FY 2012-13</u></b>	<b><u>FY 2013-14</u></b>
<b>REVENUES</b>					
<b>General Fund Impact</b>	\$ (2.44)	\$ (2.51)	\$ (2.56)	\$ (2.60)	\$ (2.65)
<b>Local Impact</b>	\$ (1.07)	\$ (1.06)	\$ (1.08)	\$ (1.10)	\$ (1.12)
<b>EXPENDITURES</b>					
<b>POSITIONS (cumulative):</b>					
<b>PRINCIPAL DEPARTMENT(S) &amp; PROGRAM(S) AFFECTED:</b> North Carolina Department of Revenue					
<b>EFFECTIVE DATE:</b> Effective for purchases made on or after July 1, 2008.					

**BILL SUMMARY:** HB 511 amends GS 105-164.14(b) adding (1) volunteer fire departments and (2) volunteer emergency medical services squads, which are also exempt from income tax under the Internal Revenue Code, to the list of nonprofit entities allowed a semiannual refund of sales and use taxes on direct purchases of tangible personal property and services, other than electricity, telecommunications service, and ancillary service, for use in carrying on the work of the nonprofit entity. Effective for purchases made on or after July 1, 2008.

Under current law, GS 105-164.14(b), non-profit hospitals, certain qualified retirement facilities, and certain 501 c (3) organizations receive a semi-annual refund of sales and use taxes. The refund applies to direct purchases of tangible personal property and services used in carrying on the work of the nonprofit entity. The indirect purchases of materials used in carrying on the work of the nonprofit such as, building materials, supplies, fixtures, and equipment that become a part of a building or structure are also considered purchases eligible for the sales and use tax refund.

Refund requests must be in writing and requests for purchases made in the first six months of a calendar year are due by the following October 15<sup>th</sup>; requests for purchases made in the second six months of a calendar year are due the following April 15<sup>th</sup>.

By extending the nonprofit sales and use tax refund to (1) volunteer fire departments and (2) volunteer emergency medical services squads, HB 511 expands the definition of organizations eligible for state and local sales and use tax refunds to certain 501c (4)s as defined by the Internal Revenue Service (IRS).

**ASSUMPTIONS AND METHODOLOGY:** Based on the methodology described below, Fiscal Research expects that HB 511 will reduce General Fund availability by \$2.4 million in FY 09-10 and \$2.5 million in FY 10-11. Expanding the sales and use tax refund will also lower county and municipal sales and use tax revenue by \$1.0 million in FY 09-10 and FY 10-11. This amount represents the refund that volunteer fire departments and emergency medical services squads will receive on non-salary, -facility, or -utility related operating expenditures.

Operating expenditures represent 48% of a 501 c (4)'s annual expenses according to 2004 Statistics of Income data from the IRS. Tax information on North Carolina's emergency and disaster preparedness 501 c (4)s suggests that these organizations will expend \$107 million annually, during the 2008-09 and 2009-10 fiscal years, \$51 million of which will be subject to sales tax. Under HB 511, these organizations will be eligible for refunds of approximately \$3.4 million in state and local taxes each fiscal year.

**SOURCES OF DATA:**

National Center for Charitable Statistics

Internal Revenue Service, Statistics of Income Division. Table 2: Form 990 Returns of 501c (3)-(9) Organizations: Total Functional Expenditures, by Code Section, Tax Year 2004. Published August 2007.

**TECHNICAL CONSIDERATIONS:** None

**FISCAL RESEARCH DIVISION: (919) 733-4910**

**PREPARED BY:** Sandra Johnson, Fiscal Analyst

**APPROVED BY:** Marilyn Chism, Director  
Fiscal Research Division

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