

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE FISCAL NOTE

BILL NUMBER: SB 1304

SHORT TITLE: Repeal State Food Tax/Freeze Hiring - 2

SPONSOR(S): Senator Cochrane

FISCAL IMPACT:

Expenditures:	Increase ()	Decrease ()
Revenues:	Increase ()	Decrease (x)
No Impact ()		
No Estimate Available ()		

FUND AFFECTED: **General Fund (x)** **Highway Fund ()** **Local Govt. ()**
 Other Funds ()

BILL SUMMARY:

Phases-in a state sales tax exemption for food and for home consumption according to the following schedule:

4%	current rate
3%	1/1/97
2%	1/1/98
1%	1/1/99
Exempt	1/1/00

The definition of exempt items has been tied to food items that may be purchased with Food Stamps.

2) Provides language that authorizes Governor to institute a moratorium on filling vacant positions in state government. Exempt from the moratorium are state-funded public school positions, law enforcement and other positions directly related to public safety, positions directly related to public health, and other appropriate positions designated by the Governor. The moratorium language also provides that vacant positions subject to a moratorium may be deleted from future budgets.

Finally, Section 11 of the bill indicates that if the budget savings from the moratorium (and presumably the conversion of the vacant positions to permanent position elimination) do not offset the full impact of the tax change, the Governor must submit permanent positions reductions in future-year budgets to make up the difference for approval by the General Assembly.

EFFECTIVE DATE: The tax changes affect sales occurring on or after January 1, 1997.

PRINCIPAL DEPARTMENT(S)/PROGRAM(S) AFFECTED:

The sales tax is collected by the Department of Revenue. The Department has not indicated that there will be any additional cost requirements for administering the change.

FISCAL IMPACT

(\$ MILLIONS)

	<u>FY-97</u>	<u>FY -98</u>	<u>FY -99</u>	<u>FY -0</u>
REVENUES:				
GENERAL FUND	-36.7	-124.8	-218.2	-317.0
HIGHWAY FUND				
HIGHWAY TRUST FUND				
LOCAL				
EXPENDITURES				

POSITIONS:

ASSUMPTIONS AND METHODOLOGY:

The primary method used in the past to develop a consensus between executive and legislative branch estimators has been an annual update of a 1961 tabulation of the impact eliminating the exemption. This estimate was based on a field survey by field auditors of the Department of Revenue. The earlier numbers have been updated for growth by data from the monthly "type of business establishment" reports of the Department of Revenue.

As a check on the data, estimates of food tax exemptions from other states were reviewed. Finally, the estimates are consistent with nationwide food consumption data compiled by the U. S. Department of Commerce. (and allocated to North Carolina)

The future year estimates are based on 3% annual growth in food tax purchases.

The cost for the first fiscal year is a partial-year number based on methodology developed by the Department of Revenue.

SOURCES OF DATA:

TECHNICAL CONSIDERATIONS:

FISCAL RESEARCH DIVISION

733-4910

PREPARED BY: Richard Bostic, Dave Crotts

APPROVED BY: Tom L. Covington

DATE: June 10, 1996

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