

# NORTH CAROLINA GENERAL ASSEMBLY

## LEGISLATIVE FISCAL NOTE

**BILL NUMBER:** House Bill 36 (First Edition)

**SHORT TITLE:** Make Use Tax User-Friendly

**SPONSOR(S):** Representative Russell Capps

### FISCAL IMPACT

Yes ( )      No (x)      No Estimate Available ( )

**PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED:** Department of Revenue

**EFFECTIVE DATE:** Effective upon ratification and applies to purchases made on or after January 1, 1997.

**BILL SUMMARY:** The proposed bill relieves consumers from filing monthly use tax returns. It will bring into compliance those taxpayers who fill out Form E-554 and pay use tax when they do their annual income tax returns.

#### ASSUMPTIONS AND METHODOLOGY:

Since this change is not accompanied by increased auditing manpower or a large public relations budget, increased compliance and thus increased revenues are not anticipated. In catalog purchases alone, there is an estimated \$47.4 million in state use tax and \$23.7 million in local use tax that goes uncollected annually because the buyer may not be aware the tax is due the state and the seller is not obligated to collect the tax.

Note: In 1996, the General Assembly granted the Secretary of Revenue the authority to “enter into agreements with sellers pursuant to which the seller agrees to collect and remit on behalf of its customers State and local use taxes due on items of tangible personal property the seller sells.” (SB6, Chapter 14, 1996 Second Extra Session). It is hoped that an use tax collection agreement will be hammered out between the Direct Marketers Association, the Federation of Tax Administrators, and the Multi-state Tax Commission.

#### FISCAL RESEARCH DIVISION 733-4910

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