

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE FISCAL NOTE

BILL NUMBER: Senate Bill 1331 (First Edition)

SHORT TITLE: White Goods Sunset Repeal

SPONSOR(S): Senator Odom

FISCAL IMPACT

	Yes (X)	No ()	No Estimate Available ()		
	<u>FY 2000-01</u>	<u>FY 2001-02</u>	<u>FY 2002-03</u>	<u>FY 2003-04</u>	<u>FY 2004-05</u>
REVENUES:	\$0	\$4,179,020	\$4,421,403	\$4,677,844	\$4,949,159
SWMTF	\$0	\$ 334,320	\$ 353,710	\$ 374,225	\$ 395,930
WGMA	\$0	\$ 835,803	\$ 884,280	\$ 935,568	\$ 989,831
Counties	\$0	\$3,008,897	\$3,183,413	\$3,368,051	\$3,563,398

EXPENDITURES:

POSITIONS:

PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: Department of Environment and Natural Resources
Solid Waste Management Trust Fund (SWMTF)
White Goods Management Account (WGMA)
County Governments

EFFECTIVE DATE: The act is effective when it becomes law.

BILL SUMMARY: This bill repeals the sunset of the white goods tax and directs the Department of Natural Resources to study issues related to the scrap tire disposal tax and the white goods environmental and disposal tax, as recommended by the Environmental Review Commission.

BACKGROUND INFORMATION: White goods as defined in G.S. 130A-290 (a) are residential and commercial appliances including refrigerators, ranges, water heaters, freezers, unit air conditioners, washing machines, clothes dryers, dishwashers, and other similar large appliances. In 1993, G.S. 105-87.21 was amended to establish a privilege tax on white goods at a flat rate for each new white good that is sold. This white goods disposal tax is a point of origin tax imposed on retailers of white goods in addition to state sales tax. From 1993 to 1996, the rate of the privilege tax was \$5 for new white goods that did not contain chlorofluorocarbon

(CFC) refrigerants and \$10 for those containing CFCs. Each quarter, 5% of the tax proceeds were credited to the Solid Waste Management Trust Fund (SWMTF), 20% credited to the White Goods Management Account (WGMA), and 75% distributed to counties on a per capita basis.

In 1996, the EPA banned the use of CFCs in any new appliances. In the same year, the General Assembly amended the white goods legislation by implementing a flat \$3 fee regardless of the refrigerant within the appliance for a period of three years. Additionally, the redistribution schedule of tax proceeds was altered. It directed 8%, rather than 5%, be directed to the Solid Waste Management Trust Fund, and 72%, rather than 75%, be directed to the counties. The White Goods Management Account continued to receive 20% of the tax proceeds. The 1998 General Assembly extended the sunset on the white goods tax program from July 1, 1998 until July 1, 2001.

The most current estimate of the balance of the White Goods Management Account is approximately \$5,062,000. The balance of the Solid Waste Management Trust Fund is approximately \$1,601,786.

ASSUMPTIONS AND METHODOLOGY: Currently, a \$3 point of origin disposal tax is placed on white goods upon sale, regardless of whether the good contains CFCs. The legislation authorizing a flat rate of \$3 per white good expires July 1, 2001. Upon the sunset of the current legislation, the white goods disposal tax would be lifted, and the White Goods Management Account closed on July 1 of the following year. As the current legislation does not expire until July 1, 2001, upon the passing of the bill there would be no fiscal impact during FY 2000-01. It would, however, result in tax revenues for subsequent years.

Revenues from the White Goods Disposal Tax were \$1,023,300 for the first quarter of 2000. Of this \$1.02 million, approximately \$987,500 was available for distribution after collection and administration costs. Assuming similar patterns in the collection of this tax for subsequent quarters, the yearly distribution of these revenues is as follows:

Current Distribution of White Goods Tax Proceeds

Solid Waste Management Trust Fund (8%)	\$ 315,992
White Goods Management Account (20%)	\$ 789,984
Available for Distribution to Counties (72%)	\$2,843,948
Total	\$3,949,924

The annual growth in appliance sales is estimated at 5.8% nationally, and is a growth trend that is generally applicable to North Carolina appliance sales. Therefore, the White Goods Disposal Tax revenue will increase at the same yearly rate.

Future Distribution of White Goods Tax Proceeds

	<u>2000-01</u>	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>
SWMTF	\$ 315,992	\$ 334,320	\$ 353,710	\$ 374,225	\$ 395,930
WGMA	\$ 789,984	\$ 835,803	\$ 884,280	\$ 935,568	\$ 989,831
Counties	\$2,843,948	\$3,008,897	\$3,183,413	\$3,368,051	\$3,563,398

Total \$3,949,924 \$4,179,020 \$4,421,403 \$4,677,844 \$4,949,159

TECHNICAL CONSIDERATIONS: Tax data used in this fiscal note is provided by the Department of Revenue Sales and Use Tax Division, the Budget Development Department, and the Division of Pollution Prevention of the Department of Environment and Natural Resources. State product and sales information are provided by the Association of Home Appliance Manufacturers.

FISCAL RESEARCH DIVISION 733-4910

PREPARED BY: Richard Bostic and Eugene Son (Research Assistant)

APPROVED BY: James D. Johnson

DATE: June 15, 2000



Signed Copy Located in the NCGA Principal Clerk's Offices