

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE FISCAL NOTE

BILL NUMBER: House Bill 677 (First Edition)

SHORT TITLE: Reduce Sales Tax on Funerals

SPONSOR(S): Representative Rayfield

| FISCAL IMPACT | | | | | |
|---|--------------------------|--------------------------|----------------------------------|--------------------------|--------------------------|
| | Yes (X) | No () | No Estimate Available () | | |
| | <u>FY 2003-04</u> | <u>FY 2004-05</u> | <u>FY 2005-06</u> | <u>FY 2006-07</u> | <u>FY 2007-08</u> |
| REVENUES | | | | | |
| General fund | (\$2,950,186) | (\$3,262,799) | (\$3,307,826) | (\$3,353,474) | (\$3,399,752) |
| Local Governments | (\$1,638,992) | (\$1,812,666) | (\$1,837,681) | (\$1,863,041) | (\$1,888,751) |
| PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: North Carolina Department of Revenue and Local Governments. | | | | | |
| EFFECTIVE DATE: This act becomes effective July 1, 2003 and applies to sales made on or after that date. | | | | | |

BILL SUMMARY: The proposed bill changes the G.S. 105-164.13 (18) by increasing tax-exempt expenses on funeral to \$2,500.

ASSUMPTIONS AND METHODOLOGY: Under current law the first \$1,500 of funeral expenses are exempt, while the balance is taxed at the general rate of 7%. The National Funeral Directors Association (NFDA) reports that in 2000, the average cost for a burial was \$2,832, which is a 3.19% increase from the year 1999. According to the NFDA, this reflects the general trend of annual estimated 3% increase of funeral costs.

The Board of Mortuary Science indicated that in 2001 there were 69,109 burials in North Carolina. At the same time, based on the North Carolina Center for Health Statistics, the absolute number of deaths in North Carolina from 1998 to 2001 had been increasing, on average, by 1.38% annually.

Assuming these rates remain the same, future state sales tax receipts for funerals are expected to be:

| | 2003-04 | 2004-05 | 2005-06 | 2006-07 | 2007-08 |
|--------------------------------------|---------------|---------------|---------------|---------------|---------------|
| Status Quo | | | | | |
| General Fund | \$5,033,527 | \$5,421,900 | \$5,830,347 | \$6,259,824 | \$6,711,332 |
| Local Governments | | | | | |
| | \$2,796,404 | \$3,012,166 | \$3,239,082 | \$3,477,680 | \$3,728,518 |
| Revenue Under Proposed Change | | | | | |
| General Fund | \$1,815,141 | \$2,159,101 | \$2,522,521 | \$2,906,350 | \$3,311,580 |
| Local Governments | \$1,008,412 | \$1,199,500 | \$1,401,401 | \$1,614,639 | \$1,839,767 |
| Revenue Gain (Loss) | | | | | |
| General Fund | (\$3,218,385) | (\$3,262,799) | (\$3,307,826) | (\$3,353,474) | (\$3,399,752) |

Because the bill does not become effective until July 1, 2003, there is no revenue impact until FY 2003-04. The first year estimates are adjusted to account for the July 1, 2003 effective date.

SOURCES OF DATA: National Funeral Directors Association, Board of Mortuary Science, North Carolina Center for Health Statistics.

TECHNICAL CONSIDERATIONS: None

FISCAL RESEARCH DIVISION: (919) 733-4910

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