

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2007

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HOUSE BILL 1565

Short Title: Local Fiscal Modernization. (Public)

Sponsors: Representatives Carney and Barnhart (Primary Sponsors).

Referred to: Rules, Calendar, and Operations of the House.

April 18, 2007

1 A BILL TO BE ENTITLED
2 AN ACT TO PROVIDE FOR ADDITIONAL LOCAL REVENUE OPTIONS AND
3 TO MAKE OTHER CHANGES THAT PROMOTE FISCAL MODERNIZATION.

4 The General Assembly of North Carolina enacts:

5 SECTION 1. Chapter 105 of the General Statutes is amended by adding a
6 new Subchapter to read:

7 **"SUBCHAPTER X. LOCAL OPTION COUNTY TAXES.**

8 "Article 60.

9 "Local Government Occupancy Tax.

10 **"§ 105-600. Short title.**

11 This Article is the Local Government Occupancy Tax Act.

12 **"§ 105-601. Definitions.**

13 The following definitions apply in this Article:

14 (1) City. – Defined in G.S. 153A-1.

15 (2) Taxing unit. – A city or a county.

16 **"§ 105-602. Levy.**

17 (a) Authority. – If the majority of those voting in a referendum held pursuant to
18 this Article vote for the levy of the tax, the governing body of a taxing unit may, by
19 resolution, levy a local occupancy tax up to the rate approved in the referendum. The
20 tax applies to the gross receipts derived from the rental of any room, lodging, or
21 accommodation furnished by a hotel, motel, inn, tourist camp, or similar place within
22 the taxing unit that is subject to sales tax imposed by the State under
23 G.S. 105-164.4(a)(3). The tax is in addition to any State or local sales tax.

24 (b) Vote. – The governing body of a taxing unit may direct the county board of
25 elections to conduct an advisory referendum on the question of whether to levy a local
26 occupancy tax in the taxing unit as provided in this Article. The election shall be held
27 on a date jointly agreed upon by the governing body and the board of elections and shall
28 be held in accordance with the procedures of G.S. 163-287.

1 (c) Ballot Question. – The form of the question to be presented on a ballot for a
2 special election concerning the levy of the tax authorized by this Article shall be:

3 [] FOR [] AGAINST

4 [X] percent (X%) local occupancy tax, in addition to the current local sales
5 and use taxes.'

6 (d) Effect on Local Act. – If a taxing unit levies an occupancy tax under this
7 Article, that taxing unit may not also levy an occupancy tax under a local act. This
8 section does not repeal any local act authorizing a taxing unit to levy an occupancy tax.
9 However, a taxing unit's levy of an occupancy tax under this Article automatically
10 removes the taxing unit's authority to levy an occupancy tax under a local act. Repeal of
11 a taxing unit's occupancy tax levied under this Article does not revive the taxing unit's
12 authority to levy an occupancy tax under a local act.

13 **"§ 105-603. Administration.**

14 A tax levied under this Article shall be levied, administered, collected, and repealed
15 as provided in G.S. 160A-215 in the case of a city and as provided in G.S. 153A-155 in
16 the case of a county. The penalties provided in G.S. 160A-215 and G.S. 153A-155
17 apply to a tax levied under this Article."

18 **SECTION 2.** Article 44 of Chapter 105 of the General Statutes, and any tax
19 levied under that Article, is repealed.

20 **SECTION 3.** G.S. 105-269.14(b) reads as rewritten:

21 "(b) Distribution. – The Secretary must distribute a portion of the net use tax
22 proceeds collected under this section to counties and cities. The portion to be distributed
23 to all counties and cities is the total net use tax proceeds collected under this section
24 multiplied by a fraction. The numerator of the fraction is the local use tax proceeds
25 collected under this section. The denominator of the fraction is the total use tax
26 proceeds collected under this section. The Secretary must distribute this portion to the
27 counties and cities in proportion to their total distributions under Articles 39, 40, 42, 43,
28 and-44 46 of this Chapter and Chapter 1096 of the 1967 Session Laws for the most
29 recent period for which data are available. The provisions of G.S. 105-472, 105-486,
30 ~~and 105-501~~105-501, 105-510, and 105-531 do not apply to tax proceeds distributed
31 under this section."

32 **SECTION 4.** G.S. 105-164.4(a) reads as rewritten:

33 "(a) A privilege tax is imposed on a retailer at the following percentage rates of
34 the retailer's net taxable sales or gross receipts, as appropriate. The general rate of tax is
35 four ~~and one-half~~ percent ~~(4%)-(4.5%)~~.

36 "...."

37 **SECTION 5.** G.S. 108A-54 reads as rewritten:

38 **"§ 108A-54. Authorization of Medical Assistance Program.**

39 The Department ~~is authorized and empowered to~~may establish a Medical Assistance
40 Program from ~~federal, State and county~~federal and State appropriations and ~~to~~ adopt
41 rules and regulations under which payments are to be made in accordance with the
42 provisions of this Part. ~~The nonfederal share may be divided between the State and the~~
43 ~~counties, in a manner consistent with the provisions of the federal Social Security Act,~~
44 ~~except that the share required from the counties may not exceed the share required from~~

1 the state. If a portion of the nonfederal share is required from the counties, the boards of
2 county commissioners of the several counties shall levy, impose and collect the taxes
3 required for the special purpose of medical assistance as provided in this Part, in an
4 amount sufficient to cover each county's share of such assistance."

5 **SECTION 6.** G.S. 105-113.5 reads as rewritten:

6 "**§ 105-113.5. Tax on cigarettes.**

7 A tax is levied on the sale or possession for sale in this State, by a distributor, of all
8 cigarettes at the rate of ~~one~~three and three-fourths cents (~~1.75¢~~)(3.75¢) per individual
9 cigarette."

10 **SECTION 7.(a)** G.S. 20-97 reads as rewritten:

11 "(b) General Municipal Vehicle Tax. – Cities and towns may levy a tax of not
12 more than ~~five dollars (\$5.00)~~twenty dollars (\$20.00) per year upon any vehicle resident
13 in the city or town. The proceeds of the tax may be used for any lawful purpose."

14 **SECTION 7.(b)** This section does not affect the validity of any local act that
15 authorizes a city or town to levy the tax authorized under G.S. 20-97 at a rate higher
16 than twenty dollars (\$20.00).

17 **SECTION 8.** Section 1 of this act is effective when it becomes law;
18 however, a tax levied under Article 60 of Chapter 105 of the General Statutes, as
19 enacted by Section 1 of this act, may not become effective before July 1, 2007. Section
20 3 of this act is effective for taxable years beginning on or after January 1, 2008. The
21 remainder of this act becomes effective July 1, 2007.