A BILL TO BE ENTITLED
AN ACT TO MAINTAIN NORTH CAROLINA'S LOW PROPERTY TAXES BY PROVIDING MUNICIPALITIES WITH A LOCALLY CONTROLLED SALES TAX OPTION TO PRODUCE REVENUE THAT CAN BE INVESTED IN INFRASTRUCTURE AND ECONOMIC DEVELOPMENT PROJECTS.
Whereas, North Carolina cities and towns must continually invest in infrastructure in order for local economies to thrive and businesses to grow; and
Whereas, North Carolina cities and towns are the primary local providers of such core services as police, fire, and transportation that benefit citizens and businesses and require infrastructure investments in order to remain responsive to taxpayer needs; and
Whereas, North Carolina cities and towns are also primary providers of amenities, including parks, recreation facilities, museums, and other facilities that enhance North Carolinians' quality of life and make the State an attractive place for business and residents; and
Whereas, North Carolina cities and towns continually expend resources to work cooperatively with public- and private-sector partners to recruit businesses, provide business incubators, and enhance job training; and
Whereas, 80% of all jobs within the State are found within municipal boundaries; and
Whereas, 79% of all taxable property in the State lies within municipalities; and
Whereas, 75% of all retail sales in North Carolina occur within municipal boundaries; and
Whereas, many North Carolina cities and towns suffered property tax base losses as textile mills and other manufacturing plants closed over the last half century; and
Whereas, many North Carolina cities and towns are experiencing further property tax base losses due to consolidation within the health care industry and as not-for-profit hospitals acquire private medical practices whose property tax values are then taken off the books; and
Whereas, property taxes are the only tax revenue source over which municipalities have complete control and are the biggest source of revenue for a majority of municipalities; and
Whereas, while three-quarters of retail sales occur within municipalities, just 36% of local sales tax revenue is returned to those municipalities; and
Whereas, a local tax structure that relies too heavily on one form of taxation can place an unfair burden on some residents, creating an inequitable tax system; Now, therefore, The General Assembly of North Carolina enacts:
SECTION 1. The Revenue Laws Study Committee is directed to study, in conjunction with municipal governing entities and county boards of commissioners, the existing property tax exemptions, exclusions, deferrals, and other benefits for the purpose of determining whether those benefits are needed or no longer serve the intended function and are, therefore, suitable for repeal. The Committee shall report its findings, along with any legislative recommendations, to the 2018 Regular Session of the 2017 General Assembly on or before its convening.

SECTION 2. Chapter 105 of the General Statutes is amended by adding the following new subchapter to read:

"SUBCHAPTER XI. LOCAL OPTION MUNICIPAL TAXES.

"Article 70.

"Municipal Sales Tax Option.

"§ 105-605. Local option sales tax.

(a) Tax. – If the majority of those voting in a referendum held pursuant to this section vote for the levy of the tax, the governing body of a municipality may, by resolution and after 10 days' public notice, levy a local sales and use tax at a rate of one-quarter percent (1/4%).

(b) Vote. – The governing body of a municipality may direct the county board of elections to conduct an advisory referendum on the question of whether to levy a local sales and use tax in the county as provided in this section. The election shall be held in accordance with the procedures of G.S. 163-287.

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

"[ ] FOR [ ] AGAINST

Local sales and use tax at the rate of one-quarter percent (1/4%) in addition to the current local sales and use taxes to be used only for construction and improvement of public infrastructure and facilities or for economic development."

(d) Administration. – Except as provided in this section, the adoption, levy, collection, administration, and repeal of the additional taxes authorized by this section shall be in accordance with Article 39 of this Chapter. References to "county," "counties," or "board of county commissioners" within Article 39 of this Chapter shall be interpreted as referring to "municipality," "municipalities," or "governing body of the municipality," respectively, for purposes of the tax authorized by this Article. G.S. 105-468.1 is an administrative provision that applies to this section. A tax levied under this section does not apply to the sales price of food that is exempt from tax pursuant to G.S. 105-164.13B or to the sales price of a bundled transaction taxable pursuant to G.S. 105-467(a)(5a).

(e) Distribution. – The Secretary shall, on a monthly basis, distribute to each taxing municipality for which the Secretary collects the tax the net proceeds of the tax collected in that municipality under this section. If the Secretary collects local sales or use taxes in a month and the taxes cannot be identified as being attributable to a particular taxing municipality, the Secretary shall allocate the taxes among the taxing municipalities in proportion to the amount of taxes collected in each municipality under this section during that month and shall include them in the monthly distribution. Amounts collected by electronic funds transfer payments are included in the distribution for the month in which the return that applies to the payment is received.

(f) Use. – A municipality may use the net proceeds of a tax levied under this section to construct and improve public infrastructure and facilities or for economic development or both."

SECTION 3. This act is effective when it becomes law.