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ORTH CAROLINA GENERAL ASSEMBLY LEGISLATIVE FISCAL NOTE

BILL NUMBER: SB 8 (2nd. ed. engrossed 2/9/95)
SHORT TITLE: INTANGIBLES TAX REPEAL/HOLD HARMLESS

SPONSOR(S): SENATOR JOHN H. KERR

FISCAL IMPACT: Expenditures: Increase () Decrease (x)

Revenues: Increase () Decrease (x)

FUND AFFECTED: General Fund (x) Highway Fund () Local Govt. (x)

Other Funds ()

BILL SUMMARY: Repeals intangibles tax and provides for an annual reimbursement to counties and cities based on the amount distributed to each local unit in August, 1994 (\$95 million).

EFFECTIVE DATE: Tax years beginning on or after January 1, 1995.

PRINCIPAL DEPARTMENT(S)/PROGRAM(S) AFFECTED: The tax is collected by the Department of Revenue.

	FISCAL IMPACT (\$ MILLION)				
	FY95	FY96	FY97	FY98	FY99
REVENUES:					
GENERAL FUND		-\$124.4	-\$124.5	-\$124.6	-\$124.7
LOCAL		\$_ +.6	-\$_ 9.0	-\$ 18.9	-\$ 27.8
TOTAL		$-$1\overline{23.8}$	$-$1\overline{33.5}$	- \$143.5	-\$152.5
EXPENDITURES:		*	*	*	*

*The annual cost of collecting the current tax is around \$1.7 million. The impact of tax repeal on the budget of the Department of Revenue is being handled in the appropriations process.

ASSUMPTIONS AND METHODOLOGY: The impact is equal to the estimated tax that would have been collected had the tax not been repealed. This estimate is based on a forecast of year-end stock prices and bond yields made by Data Resources, Inc. (a large nationwide economic consulting firm). The estimate of collections for the current year was made by Fiscal Research based on December 31, 1994 indices of stock and bond prices.

SOURCES OF DATA: The data on historical intangibles tax collections is compiled by the Department of Revenue.

TECHNICAL CONSIDERATIONS: The actual distribution to cities and counties in August, 1994 was \$93.2 million. The \$95.3 million amount shown in the bill reflects the \$2.1 million shift in the funding of certain state-funded local tax assistance functions from an earmarking of the intangibles tax to the local sales tax.

FISCAL RESEARCH DIVISION

733-4910

PREPARED BY: Dave Crotts

APPROVED BY: Tom Covington Tom C

DATE: April 12, 1995

[FRD#001]

Official

Fiscal Research Division

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