

**GENERAL ASSEMBLY OF NORTH CAROLINA**

**SESSION 1999**

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**SENATE BILL 899**

Short Title: Make Fees Tax Deductible.

(Public)

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Sponsors: Senator Shaw of Guilford.

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Referred to: Finance.

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April 14, 1999

**A BILL TO BE ENTITLED**

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2 **AN ACT TO RESTRICT LOCAL GOVERNMENT AUTHORITY TO IMPOSE FEES**  
3 **THAT APPLY TO ALL PROPERTY WITHIN ITS TAXING JURISDICTION**  
4 **WITH THE INTENT THAT LOCAL GOVERNMENTS USE PROPERTY TAX**  
5 **REVENUES BECAUSE PROPERTY TAXES ARE DEDUCTIBLE FOR FEDERAL**  
6 **INCOME TAX PURPOSES AND FEES ARE NOT.**

Whereas, federal tax law allows individuals to take an income tax deduction for local property taxes; and

Whereas, local property taxes have traditionally been imposed to raise revenue to provide local government services such as solid waste services; and

Whereas, in recent years many local governments have begun to substitute fees for property taxes in order to raise revenue for some local government services; and

Whereas, federal tax law does not allow these local government fees to be deducted like local property taxes; and

Whereas, it is the intent of this act to substitute property taxes, which can be deducted under federal tax law, for fees that are imposed on all property within a taxing jurisdiction; Now, therefore,

7 The General Assembly of North Carolina enacts:

8 Section 1. Article 7 of Chapter 153A of the General Statutes is amended by  
9 adding a new section to read:

1 **"§ 153A-156. Restrict imposition of fees.**

2 A county may not establish or impose a fee that applies to all property within its  
3 taxing jurisdiction. The services for which these fees would be assessed must be funded  
4 through the property tax revenues, which are deductible by taxpayers on their federal  
5 income tax returns. This section does not apply to fees levied for water and sewer  
6 services that are based on consumption."

7 Section 2. Article 9 of Chapter 160A of the General Statutes is amended by  
8 adding a new section to read:

9 **"§ 160A-215.1. Restrict imposition of fees.**

10 A city may not establish or impose a fee that applies to all property within its taxing  
11 jurisdiction. The services for which these fees would be assessed must be funded through  
12 the property tax revenues, which are deductible by taxpayers on their federal income tax  
13 returns. This section does not apply to fees levied for water and sewer services that are  
14 based on consumption."

15 Section 3. Any fees levied that conflict with this act are repealed.

16 Section 4. This act becomes effective July 1, 2000. If, before July 1, 1999, a  
17 county or city has pledged a fee that is repealed under this act as security for a debt, then  
18 the repeal of that fee does not become effective until the debt for which it is pledged is  
19 retired. The repeal of a fee under this act does not affect a liability for a fee that attached  
20 before the effective date of the repeal, nor does it affect a right to a refund of a fee that  
21 accrued before the effective date of the repeal.