

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2005

Legislative Fiscal Note

BILL NUMBER: House Bill 689 (Second Edition)

SHORT TITLE: Monroe Meals Tax

SPONSOR(S): Representative Gibson

FISCAL IMPACT					
	Yes (X)	No ()	No Estimate Available ()		
	<u>FY 2005-06</u>	<u>FY 2006-07</u>	<u>FY 2007-08</u>	<u>FY 2008-09</u>	<u>FY 2009-10</u>
REVENUES:					
General Fund					
City of Monroe	\$370,431	\$770,497	\$801,317	\$833,369	\$866,704
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: City of Monroe					
EFFECTIVE DATE: When it becomes law.					

BILL SUMMARY:

The bill authorizes the Monroe City Council to levy a prepared food tax of up to 1% of the sales price of these items sold within the city limits. The bill exempts sales through vending machines, meals provided without charge to employees, items sold together with the rental of a sleeping room or lodging; and sales exempt from the State sales tax. Sales by retailers who collect an occupancy tax and do not separate the meal from the room are also exempt, as are grocery store sales that are not through the deli or similar department of the store. The legislation stipulates that the city shall administer the tax. Refunds will be given to non-profits that are offered a sales tax refund. The City of Monroe is authorized to levy the tax if the voters approve the tax in a referendum in 2006. The City of Monroe must use the proceeds of the tax for the construction, operation, and maintenance of a civic center. The second edition requires that the tax sunset when the Civic Center project is constructed and the debt service has been paid.

ASSUMPTIONS AND METHODOLOGY:

Because the bill impacts only local revenues there is no General Fund impact.

According to the 1997 Economic Census, during that year Monroe foodservice and drinking place establishments reported \$52,052,000 in sales. Assuming this number is a reasonable proxy for prepared meals sales, a 1% tax would have generated approximately \$520,520 in revenue. Using a 4% growth rate since that time suggests the following revenue stream associated with this bill.

Fiscal Year	Revenue
2005-06	370,431
2006-07	770,497
2007-08	801,317
2008-09	833,369
2009-10	866,704

The estimate in the fiscal impact box assumes a January 1, 2006 implementation date.

SOURCES OF DATA: U.S. Census

TECHNICAL CONSIDERATIONS: None

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DATE: August 10, 2005



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