

# GENERAL ASSEMBLY OF NORTH CAROLINA



Session 2007

## Legislative Fiscal Note

**BILL NUMBER:** Senate Bill 610 (First Edition)

**SHORT TITLE:** Wake County Revenue Options.

**SPONSOR(S):** Senators Cowell and Malone

<b>FISCAL IMPACT (\$millions)</b>					
	<b>Yes (x)</b>	<b>No ( )</b>	<b>No Estimate Available ( )</b>		
	<b><u>FY 2007-08</u></b>	<b><u>FY 2008-09</u></b>	<b><u>FY 2009-10</u></b>	<b><u>FY 2010-11</u></b>	<b><u>FY 2011-12</u></b>
<b>REVENUES:</b>					
<b>Wake County</b>					
<b>1% Sales Tax</b>	<b>\$57.1</b>	<b>\$119.3</b>	<b>\$125.9</b>	<b>\$132.8</b>	<b>\$139.7</b>
<b>1% Land Transfer Tax</b>	<b>\$43.5</b>	<b>\$87.7</b>	<b>\$91.1</b>	<b>\$93.5</b>	<b>\$95.6</b>
<b>Impact Fees</b>	<b>* See Assumptions and Methodology*</b>				
<b>PRINCIPAL DEPARTMENT(S) &amp; PROGRAM(S) AFFECTED:</b> NC Department of Revenue, Wake County					
<b>EFFECTIVE DATE:</b> Becomes effective when law.					

**BILL SUMMARY:** SB 610 Authorizes Wake County to levy the following taxes: (1) an additional one-cent sales and use tax, (2) a land transfer tax up to 1%, and (3) a county impact fee. If an advisory referendum is held on any of these issues, the county must hold referenda on all three of these issues at the same time.

The sales and use tax is in addition to the existing 2½ cents of local sales tax under GS Chapter 105, Articles 39, 40, 42, and 44. The county board of commissioners may levy the tax by resolution only if approved by a majority of voters in a referendum. Levy, collection, and administration of the tax are governed by GS Chapter 105, Article 39, except that the tax does not apply to food. The county is not required to share the tax proceeds with municipalities. One-half of the tax proceeds may be used only for public school capital outlay and to retire indebtedness incurred for these purposes in 2003 or later; the other half of the proceeds may be used only for transportation purposes.

The land transfer tax is 1% tax on the value or consideration of real property conveyed, whichever is greater, on instruments conveying interests in real property located in the county. If the tax is approved by a majority of those voting, the commissioners may levy the tax by resolution after providing 10 days' public notice. Upon adoption, a certified copy of the resolution must be immediately delivered to the county's register of deeds, who administers the tax. A tax levied is payable by the transferor of the interest.

The impact fee is a charge imposed on new construction to help provide the costs of providing new community service facilities, as defined. The amount of each impact fee imposed must be uniform throughout established zones and is based on the capital costs incurred by the county as a result of the new construction. The bill requires the county to prepare a report concerning costs, the new construction, and providing community service facilities before imposing an impact fee.

*Source: Bill Digest S.B. 610 (03/07/0200)*

**ASSUMPTIONS AND METHODOLOGY:**

**Sales and Use Tax**

The sales tax estimate is calculated by adjusting the current collections for Wake County for the 1% Article 39 sales tax by the growth factors used in the statewide forecast. Because the bill excludes food from the base of the additional tax, these sales are excluded from the estimate. The first-year revenue estimate assumes that the required referendum would occur in November and that 6 months of revenue would be realized.

**Land Transfer Tax**

To estimate the projections for the 1% land transfer tax, the actual collections amount for Wake County for FY 05-06 was adjusted for future years based on projections for North Carolina new and existing home sales from Economy.com. The first-year revenue estimate assumes that the required referendum would occur in November and that 6 months of revenue would be realized.

**Impact Fees**

The bill authorizes Wake County to levy impact fees on new construction. According to the U.S. Census Bureau, building permits were issued for approximately 15,000 residential units in Wake County in 2006. Because the bill does not specify the amount of the fee, the amount of revenue cannot be determined. The total revenue for hypothetical fee amounts can be determined by multiplying the fee by the number of units. If the fee averaged \$1,000 per unit, for example, the annual revenue would be approximately \$15 million. An additional amount of revenue would be available from commercial permits; Wake County issued 437 commercial permits in 2006.

**SOURCES OF DATA:** U.S. Census Bureau, NC Department of Revenue, Wake County

**TECHNICAL CONSIDERATIONS:** None

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