

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1997

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SENATE BILL 1225

Short Title: Readjust Cities Receipts Tax Share.

(Public)

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Sponsors: Senators Cochrane, Dalton, Kerr, Hartsell, Hoyle, Webster; Carpenter and Forrester.

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Referred to: Finance.

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May 21, 1998

1 A BILL TO BE ENTITLED  
2 AN ACT TO FURTHER ADJUST THE SHARE CERTAIN CITIES RECEIVE FROM  
3 THE STATE GROSS RECEIPTS TAX.

4 The General Assembly of North Carolina enacts:

5 Section 1. G.S. 105-116.1 reads as rewritten:

6 "**§ 105-116.1. Distribution of gross receipts taxes to cities.**

7 (a) Definitions. – The following definitions apply in this section:

8 (1) Freeze deduction. – The amount by which the percentage distribution  
9 amount of a city was required to be reduced in fiscal year 1995-96 in  
10 determining the amount to distribute to the city.

11 (2) Percentage distribution amount. – Three and nine hundredths percent  
12 (3.09%) of the gross receipts derived by an electric power company, a  
13 natural gas company, a regional natural gas district, and a telephone  
14 company from sales within a city that are taxable under G.S. 105-116 or  
15 G.S. 105-120.

16 (b) Distribution. – The Secretary must distribute to the cities part of the taxes  
17 collected under this Article on electric power companies, natural gas companies, regional  
18 natural gas districts, and telephone companies. Each city's share for a calendar quarter is  
19 the percentage distribution amount for that city for that quarter minus one-fourth of the

1 city's hold-back amount and one-fourth of the city's proportionate share of the annual cost  
2 to the Department of administering the distribution. The Secretary must make the  
3 distribution within 75 days after the end of each calendar quarter.

4 (c) Limited Hold-Harmless Adjustment. – The hold-back amount for a city that,  
5 in the 1995-96 fiscal year, received from gross receipts taxes less than ninety-five percent  
6 (95%) of the amount it received in the 1990-91 fiscal year but at least sixty percent (60%)  
7 of the amount it received in the 1990-91 fiscal year is the amount determined by the  
8 following calculation:

- 9 (1) Adjust the city's 1995-96 distribution by adding the city's freeze  
10 deduction to the amount distributed to the city for that year.
- 11 (2) Compare the adjusted 1995-96 amount with the city's 1990-91  
12 distribution.
- 13 (3) If the adjusted 1995-96 amount is less than or equal to the city's 1990-  
14 91 distribution, the hold-back amount for the city is zero.
- 15 (4) If the adjusted 1995-96 amount is more than the city's 1990-91  
16 distribution, the hold-back amount for the city is the city's freeze  
17 deduction minus the difference between the city's 1990-91 distribution  
18 and the city's 1995-96 distribution.

19 (c1) Additional Limited Hold-Harmless Adjustment. – The hold-back amount for a  
20 city that, in the 1995-96 fiscal year, received from gross receipts taxes less than sixty  
21 percent (60%) of the amount it received in the 1990-91 fiscal year is the amount  
22 determined by the following calculation:

- 23 (1) Adjust the city's 1997-98 distribution by adding the city's freeze  
24 deduction to the amount distributed to the city for that year.
- 25 (2) Compare the adjusted 1997-98 amount with the city's 1990-91  
26 distribution.
- 27 (3) If the adjusted 1997-98 amount is less than or equal to the city's 1990-  
28 91 distribution, the hold-back amount for the city is zero.
- 29 (4) If the adjusted 1997-98 amount is more than the city's 1990-91  
30 distribution, the hold-back amount for the city is the city's freeze  
31 deduction minus the difference between the city's 1990-91 distribution  
32 and the city's 1997-98 distribution.

33 (d) Allocation of Hold-Harmless Adjustment. – The hold-back amount for a city  
34 that, in the 1995-96 fiscal year, received from gross receipts taxes at least ninety-five  
35 percent (95%) of the amount it received in the 1990-91 fiscal year is the amount  
36 determined by the following calculation:

- 37 (1) Determine the amount by which the freeze deduction is reduced for all  
38 cities whose hold-back amount is determined under ~~subsection (e)~~  
39 subsections (c) and (d) of this section. This amount is the total hold-  
40 harmless adjustment.
- 41 (2) Determine the amount of gross receipts taxes that would be distributed  
42 for the quarter to cities whose hold-back amount is determined under

1                   this subsection if these cities received their percentage distribution  
2                   amount minus one-fourth of their freeze deduction.

3           (3)       For each city included in the calculation in subdivision (2) of this  
4                   subsection, determine that city's percentage share of the amount  
5                   determined under that subdivision.

6           (4)       Add to the city's freeze deduction an amount equal to the city's  
7                   percentage share under subdivision (3) of this subsection multiplied by  
8                   the total hold-harmless adjustment."

9           Section 2. If a city's hold-back amount calculated under G.S. 105-116.1(d), as  
10           enacted by this act, is less than the amount deducted from the city's 1995-96 franchise tax  
11           distribution, the Secretary must distribute three times the amount of the difference, less  
12           any distributions made to the city under Section 5 of S.L. 1997-118, to the city by July  
13           15, 1998. This distribution is made to adjust retroactively the city's 1995-96, 1996-97,  
14           and 1997-98 franchise tax distributions. The amount needed to make the distribution  
15           required by this section shall be drawn from the amount of gross receipts taxes distributed  
16           to the cities that do not receive a distribution under this section in proportion to the  
17           amount received.

18           Section 3. This act is effective when it becomes law.