

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE FISCAL NOTE

BILL NUMBER: HB 572 <1st Edition>

SHORT TITLE: Tax Citizens Like Business/White Goods

SPONSOR(S): Rep. Leubke

FISCAL IMPACT					
	Yes (X)	No ()	No Estimate Available ()		
	(\$ Millions)				
	<u>FY 2001-02</u>	<u>FY 2002-03</u>	<u>FY 2003-04</u>	<u>FY 2004-05</u>	<u>FY 2005-06</u>
REVENUES					
General Fund	\$(29.1)	\$(30.8)	\$(32.7)	\$(34.7)	\$(36.8)
Local Government	\$(19.4)	\$(20.5)	\$(21.8)	\$(23.1)	\$(24.5)
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: NC Department of Revenue.					
EFFECTIVE DATE: July 1, 2001 and applies to sales made on or after that date.					

BILL SUMMARY: Currently white goods are subject to both the standard sales tax rate of 6% (4% state, 2% local) and a special white goods tax. The bill reduced the sales tax rate on these items to 1% with an \$80 maximum tax cap.

ASSUMPTIONS AND METHODOLOGY: North Carolina levies a flat \$3.00 tax on the sale of “white goods”. The standard sales tax rate of 4% state and 2% local (6% combined) also applies to white goods. White goods are defined by statute as refrigerators, ranges, water heaters, freezers, unit air conditioners, washing machines, dishwashers, clothes dryers, and other similar domestic and commercial large appliances. In the industry these are generally referred to as major appliances. In the most recent four quarters for which data is available (October 1999 to September 2000) North Carolina collected \$4.516 million in white goods taxes. This suggests that the tax was levied on approximately 1.505 million items (\$4.516 million/ \$3.00).

The Association of Home Appliance Manufacturers estimates that the following number of white goods units were sold in North Carolina in 1996:

Industry Statistics	Units Sold
	1996
Refrigerators	228,800

Ranges	
Free Standing Elec.	137,200
Built In Elec.	23,300
Surface Cooking Elec.	14,100
Free Standing Gas	27,300
Built In Gas	700
Surface Cooking Gas	4,000
Water Heaters	n/a
Freezers	
Chest	42,800
Upright	21,900
Unit AC	163,300
Washing Machines	197,200
Clothes Dryers	
Electric	156,200
Gas	8,000
Dishwashers	
Portable	4,000
Built In	129,700
Compactors	2,400
TOTAL	1,160,900

The same association provides national growth rates in the number of units sold for each type of appliance. The total growth in units sold between 1996 and 2001 (projected) is then used to inflate North Carolina sales of each type of appliance. The results are found in the chart below.

Industry Statistics	Units Sold		
	1996	% Change to 2001	2001
Refrigerators	228,800	19.1%	272,501
Ranges			
Free Standing Elec.	137,200	26.2%	173,146
Built In Elec.	23,300	16.9%	27,238
Surface Cooking Elec.	14,100	21.5%	17,132
Free Standing Gas	27,300	15.5%	31,532
Built In Gas	700	-6.9%	652
Surface Cooking Gas	4,000	39.0%	5,560
Water Heaters*			75,981
Freezers			
Chest	42,800	43.1%	61,247
Upright	21,900	47.7%	32,346
Unit AC	163,300	15.9%	189,265
Washing Machines	197,200	20.5%	237,626

Clothes Dryers			
Electric	156,200	26.7%	197,905
Gas	8,000	25.7%	10,056
Dishwashers			
Portable	4,000	-13.2%	3,472
Built In	129,700	28.6%	166,794
Compactors	2,400	24.7%	2,993
TOTAL	1,160,900		1,505,444

Data from the 2001 Consumer Reports Buying Guide is used to create an estimate of the total value of appliances sold. This suggests total white goods sales of \$970.45 million in 2001. Applying a 6% sales tax rate to that amount result in approximately \$58.23 million in revenue. Moving that tax rate to 1% creates a new revenue level of \$9.70 million, a total revenue loss of \$48.53 million.

The state and local governments share the revenue loss. Local Governments lose all of the sales tax revenue they currently receive from white goods sales. The state revenue is reduced from 4% to 1%. Using the general sales tax growth rates for future years (5.7%, 6.4%, 5.9%. 6.0%) creates the following revenue losses for the state and local governments.

Year	Total Sales	Tax at 6%	Tax at 1%	State Loss	Local Loss
2001-02	970,454,907	58,227,294	9,704,549	29,113,647	19,409,098
2002-03	1,025,770,837	61,546,250	10,257,708	30,773,125	20,515,417
2003-04	1,091,420,171	65,485,210	10,914,202	32,742,605	21,828,403
2004-05	1,155,813,961	69,348,838	11,558,140	34,674,419	23,116,279
2005-06	1,225,162,798	73,509,768	12,251,628	36,754,884	24,503,256

* The estimated number of water heaters is drawn from other industry information and the white goods tax information.

FISCAL RESEARCH DIVISION 733-4910

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