

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2011

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HOUSE BILL 1186

Short Title: Restore Budget Cuts/Add Temp. Sales Tax. (Public)

Sponsors: Representatives Faison and Hall (Primary Sponsors).
For a complete list of Sponsors, see Bill Information on the NCGA Web Site.

Referred to: Commerce and Job Development, if favorable, Appropriations, if favorable,
Finance.

May 30, 2012

A BILL TO BE ENTITLED

AN ACT TO PROVIDE FOR THE RESTORATION OF PERSONNEL POSITIONS
ELIMINATED IN THE PUBLIC SCHOOLS, THE UNIVERSITY OF NORTH
CAROLINA, THE COMMUNITY COLLEGE SYSTEM, AND STATE GOVERNMENT
EMPLOYMENT PURSUANT TO THE PROVISIONS OF THE 2011
APPROPRIATIONS ACT; TO REDUCE PROGRAM AND SERVICE REDUCTIONS IN
MEDICAID AND HEALTH CHOICE; AND TO PROVIDE ADDITIONAL FUNDING
TO THE HIGHWAY PATROL AND TO THE SAVINGS RESERVE ACCOUNT, ALL
IN THAT ORDER, BY TEMPORARILY INCREASING THE SALES AND USE TAX
BY SEVEN-TENTHS OF ONE PERCENT UNTIL JULY 1, 2015.

The General Assembly of North Carolina enacts:

SECTION 1.(a) The introductory language of G.S. 105-164.4(a) reads as
rewritten:

"(a) A privilege tax is imposed on a retailer at the following percentage rates of the
retailer's net taxable sales or gross receipts, as appropriate. The general rate of tax is ~~four and
three quarters percent (4.75%)~~; five and forty-five hundredths percent (5.45%)."

SECTION 1.(b) G.S. 105-164.44F(a) reads as rewritten:

"(a) Amount. – The Secretary must distribute part of the taxes imposed by
G.S. 105-164.4(a)(4c) on telecommunications service and ancillary service. The Secretary must
make the distribution within 75 days after the end of each calendar quarter. The amount the
Secretary must distribute is the following percentages of the net proceeds of the taxes collected
during the quarter:

- (1) ~~Eighteen and seventy one hundredths percent (18.70%)~~ Seventeen percent (17%) minus two million six hundred twenty thousand nine hundred
forty-eight dollars (\$2,620,948), must be distributed to cities in accordance
with this section. The deduction is one-fourth of the annual amount by which
the distribution to cities of the gross receipts franchise tax on telephone
companies, imposed by former G.S. 105-20, was required to be reduced
beginning in fiscal year 1995-96 as a result of the "freeze deduction."
- (2) ~~Seven and seven tenths percent (7.7%)~~ Seven percent (7%) must be
distributed to counties and cities as provided in G.S. 105-164.44I."

SECTION 1.(c) G.S. 105-164.44I(a) reads as rewritten:



1 "(a) Distribution. – The Secretary must distribute to the counties and cities part of the
2 taxes imposed by G.S. 105-164.4(a)(4c) on telecommunications service and
3 G.S. 105-164.4(a)(6) on video programming service. The Secretary must make the distribution
4 within 75 days after the end of each calendar quarter. The amount the Secretary must distribute
5 is the sum of the revenue listed in this subsection. The Secretary must distribute two million
6 dollars (\$2,000,000) of this amount in accordance with subsection (b) of this section and the
7 remainder in accordance with subsections (c) and (d) of this section. The revenue to be
8 distributed under this section consists of the following:

9 (1) The amount specified in G.S. 105-164.44F(a)(2).

10 (2) ~~Twenty three and six tenths percent (23.6%)~~ Twenty-one and forty-five
11 hundredths percent (21.45%) of the net proceeds of the taxes collected
12 during the quarter on video programming, other than on direct-to-home
13 satellite service.

14 (3) ~~Thirty seven and one tenths percent (37.1%)~~ Thirty-three and seventy-three
15 hundredths percent (33.73%) of the net proceeds of the taxes collected
16 during the quarter on direct-to-home satellite service."

17 **SECTION 1.(d)** This section does not apply to construction materials purchased to
18 fulfill a lump-sum or unit-price contract entered into or awarded before the effective date of the
19 increase or entered into or awarded pursuant to a bid made before the effective date of the
20 increase when the construction materials would otherwise be subject to the increased rate of tax
21 provided in this section.

22 **SECTION 1.(e)** This section becomes effective June 1, 2012. Subsection (a) of this
23 section applies to sales made on or after June 1, 2012, and subsections (b) and (c) of this
24 section apply to distributions for months beginning on or after June 1, 2012. Subsections (a)
25 through (c) of this section expire July 1, 2015. This section does not affect the rights or
26 liabilities of the State, a taxpayer, or another person arising under a statute amended or repealed
27 by this section before the effective date of its amendment or repeal, nor does it affect the right
28 to any refund or credit of a tax that accrued under the amended or repealed statute before the
29 effective date of its amendment or repeal.

30 **SECTION 2.(a)** Effective June 1, 2012, the additional revenues accruing to the
31 State from the temporary additional sales tax enacted in Section 1 of this act are appropriated
32 only for the following purposes, in this order of priority, and notwithstanding the provisions of
33 S.L. 2011-145:

34 (1) First priority. –

35 a. To restore reductions in State funding affecting the constituent
36 institutions of The University of North Carolina, the North Carolina
37 Community College System, and local school administrative units,
38 with the restoration funds to be allocated as follows:

39 1. Public schools. – The sum of ninety-five million eight
40 hundred fourteen thousand nine hundred fifty dollars
41 (\$95,814,950) for the 2012-2013 fiscal year shall be allocated
42 to the State Board of Education to be distributed to local
43 school administrative units on the basis of average daily
44 membership. Expenditures of these funds shall be limited to
45 the salaries and benefits of public school personnel.

46 2. Community colleges. – The sum of nineteen million six
47 hundred ninety-seven thousand seven hundred eighty-eight
48 dollars (\$19,697,788) for the 2012-2013 fiscal year shall be
49 allocated to the North Carolina Community College System.
50 Expenditures of these funds shall be limited to the salaries
51 and benefits of community colleges personnel.

1 additional sales tax enacted in this act shall be credited to the Fund. Monies from the Fund shall
2 not be expended or transferred for any other purpose.

3 Beginning July 1, 2012, and quarterly thereafter, the Office of State Budget and
4 Management shall report to the Joint Legislative Commission on Governmental Operations and
5 to the Fiscal Research Division on disbursements from the Fund and on the progress made in
6 accomplishing the purposes of this act.

7 **SECTION 2.(g)** This section becomes effective June 1, 2012.

8 **SECTION 3.** Except as otherwise provided, this act is effective when it becomes
9 law.