

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2019

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HOUSE BILL 667

Short Title: Local Option Sales Tax Flexibility. (Public)

Sponsors: Representatives Howard, Saine, Szoka, and Hunter (Primary Sponsors).  
*For a complete list of sponsors, refer to the North Carolina General Assembly web site.*

Referred to: Finance, if favorable, Rules, Calendar, and Operations of the House

April 10, 2019

1 A BILL TO BE ENTITLED  
2 AN ACT TO GIVE COUNTIES ADDITIONAL FLEXIBILITY WITH REGARD TO THE  
3 LOCAL OPTION SALES AND USE TAX WITHOUT INCREASING THE EXISTING  
4 MAXIMUM TAX RATE.

5 The General Assembly of North Carolina enacts:

6 **SECTION 1.** Subchapter VIII of Chapter 105 of the General Statutes is amended by  
7 adding a new Article to read:

8 "Article 43A.

9 "County Sales and Use Tax for Public Education.

10 "**§ 105-513.1. Short title; purpose.**

11 This Article is the County Sales and Use Tax for Public Education. Article 43 of this Chapter,  
12 Article 46 of this Chapter, and this Article give the counties of this State an opportunity to obtain  
13 additional sources of revenue with which to meet their needs. A county may choose to use these  
14 sources of revenue to finance local public transportation systems, as provided in Article 43 of  
15 this Chapter, for public education needs, as provided in this Article, or for general purposes, as  
16 provided in Article 46 of this Chapter.

17 "**§ 105-513.2. Levy.**

18 (a) Referendum. – A tax levied under this Article must be approved in a referendum. The  
19 board of commissioners of a county may direct the county board of elections to conduct an  
20 advisory referendum on the question of whether to levy a local sales and use tax in the county at  
21 a rate of up to one-half percent (1/2%). The applicable rate must meet all of the conditions listed  
22 in this subsection. The election shall be held in accordance with the procedures of G.S. 163-287.  
23 The conditions are:

24 (1) It must be in an increment of one-quarter percent (1/4%).

25 (2) It must be at a rate that, if levied, would not result in a total local sales and use  
26 tax rate in the county in excess of the following:

27 a. Two and one-half percent (2 1/2%) if the county is authorized to levy  
28 a local sales and use tax under Part 6 of Article 43 of this Chapter.

29 b. Two and three-quarters percent (2 3/4%) if the county is authorized to  
30 levy, or is located in a special district authorized to levy, a local sales  
31 and use tax under Part 2, Part 4, or Part 5 of Article 43 of this Chapter.

32 (b) Ballot Question. – The form of the question to be presented on a ballot for a special  
33 election concerning the levy of the tax authorized by this Article shall be:

34 " FOR  AGAINST



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1 Local sales and use tax at [the applicable rate stated in both words and as a percentage] in  
2 addition to the current local sales and use taxes, to be used only for public education."

3 (c) Authority. – If the majority of those voting in a referendum held pursuant to this  
4 Article vote for the levy of the tax, the board of commissioners of the county may, by resolution  
5 and after 10 days' public notice, levy a local sales and use tax at the rate specified in the ballot.

6 **"§ 105-513.3. Administration.**

7 Except as provided in this Article, the adoption, levy, collection, administration, and repeal  
8 of these additional taxes must be in accordance with Article 39 of this Chapter. In applying the  
9 provisions of Article 39 of this Chapter to this Article, references to "this Article" mean "Article  
10 43A of Chapter 105 of the General Statutes." G.S. 105-468.1 is an administrative provision that  
11 applies to this Article. A tax levied under this Article does not apply to the sales price of food  
12 that is exempt from tax pursuant to G.S. 105-164.13B or to the sales price of a bundled  
13 transaction taxable pursuant to G.S. 105-467(a)(5a). The Secretary shall not divide the amount  
14 allocated to a county between the county and the municipalities within the county.

15 **"§ 105-513.4. Use.**

16 A county may use the proceeds of a tax levied under this Article only for the following  
17 purposes:

- 18 (1) Public school capital outlay purposes, as defined in G.S. 115C-426(f), or to  
19 retire any indebtedness incurred by the county for these purposes.
- 20 (2) Supplements of classroom teacher salaries. For the purposes of this section, a  
21 classroom teacher is an employee of a local board of education employed as a  
22 teacher who spends at least seventy percent (70%) of his or her work time in  
23 classroom instruction.
- 24 (3) Financial support of community colleges, including funds to supplement State  
25 financial support of community colleges."

26 **SECTION 2.(a)** G.S. 105-506 reads as rewritten:

27 **"§ 105-506. Short title; purpose.**

28 This Article is the Local Government Public Transportation Sales Tax Act and may be cited  
29 by that name. This Article gives Article, Article 43A of this Chapter, and Article 46 of this  
30 Chapter give the counties and transportation authorities of this State an opportunity to obtain an  
31 additional source of revenue with which to meet their needs for financing needs. Counties and  
32 transportation authorities may choose to use this source of revenue to finance local public  
33 transportation systems. It provides them with authority to levy sales and use taxes. All such taxes  
34 systems, as provided in this Article, counties may choose to use this source of revenue to finance  
35 public education needs, as provided in Article 43A of this Chapter, or counties may choose to  
36 use this source of revenue for general purposes, as provided in Article 46 of this Chapter. A tax  
37 levied under this Article must be approved in a referendum."

38 **SECTION 2.(b)** Part 1 of Article 43 of Chapter 105 of the General Statutes is  
39 amended by adding a new section to read:

40 **"§ 105-506.3. Rate limitation.**

41 A local sales and use tax may only be levied under this Article if the total local sales and use  
42 tax rate in the county, including a levy under this Article, is not in excess of the following:

- 43 (1) Two and one-half percent (2 1/2%) if the county is authorized to levy a local  
44 sales and use tax under Part 6 of this Article.
- 45 (2) Two and three-quarters percent (2 3/4%) if the county is authorized to levy,  
46 or is located in a special district authorized to levy, a local sales and use tax  
47 under Part 2, Part 4, or Part 5 of this Article."

48 **SECTION 3.** Article 46 of Chapter 105 of the General Statutes reads as rewritten:

49 "Article 46.

50 "One-Quarter Cent (1/4¢) or One-Half Cent (1/2¢) County Sales and Use Tax.

51 **"§ 105-535. Short title.**

1 This Article is the One-Quarter Cent (1/4¢) or One-Half Cent (1/2¢) County Sales and Use  
2 Tax Act.

3 **"§ 105-536. Limitations.**

4 This Article applies only to counties that levy the first one-cent (1¢) sales and use tax under  
5 Article 39 of this Chapter or under Chapter 1096 of the 1967 Session Laws, the first one-half  
6 cent (1/2¢) local sales and use tax under Article 40 of this Chapter, and the second one-half cent  
7 (1/2¢) local sales and use tax under Article 42 of this Chapter.

8 **"§ 105-537. Levy.**

9 (a) Authority. – A tax levied under this Article must be approved in a referendum. If the  
10 majority of those voting in a referendum held pursuant to this Article vote for the levy of the tax,  
11 the board of county commissioners may, by resolution and after 10 days' public notice, levy a  
12 local sales and use tax at ~~a rate of one quarter percent (0.25%)~~ the applicable rate. The applicable  
13 rate must meet all of the following conditions:

14 (1) It must be in an increment of one-quarter percent (1/4%).

15 (2) It must be at a rate that, if levied, would not result in a total local sales and use  
16 tax rate in the county in excess of the following:

17 a. Two and one-half percent (2 1/2%) if the county is authorized to levy  
18 a local sales and use tax under Part 6 of Article 43 of this Chapter.

19 b. Two and three-quarters percent (2 3/4%) if the county is authorized to  
20 levy, or is located in a special district authorized to levy, a local sales  
21 and use tax under Part 2, Part 4, or Part 5 of Article 43 of this Chapter.

22 (b) Vote. – The board of county commissioners may direct the county board of elections  
23 to conduct an advisory referendum on the question of whether to levy a local sales and use tax in  
24 the county as provided in this Article. The election shall be held in accordance with the  
25 procedures of G.S. 163-287.

26 (c) Ballot Question. – The form of the question to be presented on a ballot for a special  
27 election concerning the levy of the tax authorized by this Article shall be:

28 "[ ] FOR [ ] AGAINST

29 Local sales and use tax at the rate of ~~one quarter percent (0.25%)~~ [The applicable rate stated  
30 in both words and as a percentage] in addition to all other State and local sales and use taxes."

31 ...

32 **"§ 105-538. Administration of taxes.**

33 The Secretary shall, on a monthly basis, allocate to each taxing county the net proceeds of  
34 the tax levied under this Article. If the Secretary collects taxes under this Article in a month and  
35 the taxes cannot be identified as being attributable to a particular taxing county, the Secretary  
36 must allocate the net proceeds of these taxes among the taxing counties in proportion to the  
37 amount of taxes collected in each county under this Article in that month. For purposes of this  
38 Article, the term "net proceeds" has the same meaning as defined in G.S. 105-472.

39 Except as provided in this Article, the adoption, levy, collection, administration, and repeal  
40 of these additional taxes must be in accordance with Article 39 of this Chapter. G.S. 105-468.1  
41 is an administrative provision that applies to this Article. A tax levied under this Article does not  
42 apply to the sales price of food that is exempt from tax pursuant to G.S. 105-164.13B or to the  
43 sales price of a bundled transaction taxable pursuant to G.S. 105-467(a)(5a). The Secretary shall  
44 not divide the amount allocated to a county between the county and the municipalities within the  
45 county."

46 **SECTION 4.** G.S. 105-164.3(4a) reads as rewritten:

47 "(4a) Combined general rate. – The sum of all of the following:

48 a. The State's general rate of tax set in ~~G.S. 105-164.4(a)~~  
49 G.S. 105-164.4(a).

50 b. ~~plus the~~ The sum of the rates of the local sales and use taxes authorized  
51 for every county in this State by ~~Subchapter VIII~~ Article 39 of this

1                                    Chapter or Chapter 1096 of the 1967 Session Laws, Article 40 of this  
2                                    Chapter, and Article 42 of this Chapter for every county in this  
3                                    State Chapter.  
4                                    c. One-half of the maximum rate of tax authorized by Article 46 of this  
5                                    Chapter."

6                                    **SECTION 5.** This act is effective when it becomes law.