

League of Municipalities To Members: SB 369 Puts Local Revenues In Jeopardy

By Administrator
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RALEIGH, (SGRToday.com) - The North Carolina League of Municipalities has issued an "action alert" for its members regarding Senate Bill 369, which the League says would "put local revenues in jeopardy."

"Please contact your legislators and let them know about your concerns regarding SB 369 Sales Tax Fairness Act," says the alert, posted at www.nclm.org.

The alert is below.

ACTION ALERT: Contact Your Legislators Regarding SB 369 Sales Tax Fairness Act

March 24, 2015

SB 369 Sales Tax Fairness Act, a proposal to rework how sales taxes are distributed in North Carolina, was filed last night, and as anticipated, will create winners and losers when it comes to how much counties and the municipalities in them receive in sales tax revenues. The legislation also would convert the \$2.2 billion in local sales taxes to a state tax over three years, meaning a local allocation would be subject to state control.

League staff is involved in ongoing discussions with the bill sponsor, Sen. Harry Brown of Jacksonville, about the effects of the bill and appreciates his concerns for the financial plight of rural communities.

Nonetheless, the legislation as currently drawn puts local revenue in jeopardy, changes sales tax distributions on a number of fronts with unpredictable results, and has the potential to create particular harmful effects on the state's tourism economy. Please contact your Senators and House members and let them know about your concerns about the bill's effects.

In addition to converting local sales taxes to a state tax and changing the distribution to a pure per-capita basis, the legislation would require that all distributions within counties be made on a per-capita basis, eliminating the option for counties to distribute the tax on ad valorem basis. This shift, in coastal counties that currently use the ad valorem basis for distribution their portion of the sales taxes, will mean a double hit in revenue losses for beach communities including Nags Head, Atlantic Beach, Emerald Isle, Kure Beach and Wrightsville Beach. It could also hurt some municipalities in counties with gains from the statewide per-capita distribution.

The bill also would: provide for no municipal sharing of an additional 1/4 cent general use sales tax that could be adopted by counties, allow voter petitions to repeal previously levied local sales taxes, and by repealing previous local sales taxing authorities, eliminate the basis by which municipal hold-harmless payments from the state-county Medicaid swap are calculated."

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