

Article 46 Sales Tax

LOCAL OPTION SALES TAX FOR COUNTIES

What is it?

- Enacted by state statute in 2007
 - NC GS 105-535
- ¼ cent local option sales tax
 - ¼ cent for every dollar of taxable goods, 25 cents on every \$100 of goods
- Requires approval by the voters via a referendum item
- Only sales tax article NOT shared with Municipalities
- Sales tax does NOT apply to unprepared food or gasoline
- Estimated annual revenue of approximately \$1.6 million (based on 2017 distributable proceeds from NC Dept. of Revenue)

What are the advantages?

- The revenue brought in to the County would continue to grow as the economy grows, but the rate would remain the same forever (always and additional ¼%)
- The Article 46 sales tax is a dependable revenue source for the County
 - While revenues could fluctuate some due to economic factors, once levied it will always be available – it is not a “one time” revenue.
 - The most recent projections from the NCACC estimate that the Article 46 sales tax would bring in revenue equal to approximately 1.5 cents on the property tax rate.
- Sales tax is paid for all eligible transactions in the County, meaning that visitors to Chatham County will also pay.
 - Visitor spending has increased by an average of 3.5% for the most recently available 5 year timeframe (2013-2017 – 2018 data not yet available)

Referendum Requirements

- Counties must contact local and state boards of elections in order to have referendum placed on agenda
- Could not be placed on the ballot until 2020 due to statutory regulations
 - May be held only on the same date as a county or statewide general election, the primary election in even-numbered years, or in any other election during which all precincts in a county are open
- If referendum fails, the County CAN hold a subsequent referendum on the same issue
 - Could be on the ballot in both May 2020 AND November 2020 (if necessary)
- Specific language on how the referendum item must be placed on the ballot
 - Statutorily required – sample of ballot question is below

[] FOR [] AGAINST

Local sales and use tax at the rate of 1-quarter% (0.25%) in addition to all other State and local sales and use taxes.'

Rules & Requirements

- There are no restrictions or earmarks on the revenue, can be used for any allowable use by counties
- County Commissioners can NOT stipulate how funds will be used on the ballot
- County Commissioners MAY adopt a resolution that stipulates how the County intends to use the funds
- County CAN spend funds to educate voters about the referendum (but not advocate for/against)
- Individual commissioners CAN advocate for/against passage, but no expenses incurred are reimbursable by County
- Board of Commissioners NOT required to implement even if approved by voters

Implementation

- Implementation assumes successful passage of a referendum item
- If the Board of Commissioners wishes to levy the tax, it must provide 10 days public notice of its intent to adopt a resolution to levy the tax.
 - After it adopts the resolution, it must send a certified copy of the resolution along with a certified copy of the election results of the referendum to the Department of Revenue.
 - NCACC provides a model resolution that can be used for successful referenda
- Sales tax may become effective on the first day of any calendar quarter following successful referendum, so long as the County gives the Secretary of Revenue 90 days advance notice
 - Example: if a referendum is held in November during the general election and passes, the earliest a county could begin collecting the revenue would be April 1st of the following year, provided it adopts a resolution levying the tax and forwards it to the Department of Revenue prior to December 31st.

Who does it?

- 42 Counties have passed Article 46 sales tax referenda (including those passed in May and November 2018)
- 5 of 8 surrounding counties are currently levying Article 46 sales tax
 - Durham, Harnett, Lee, Orange, Randolph
 - Wake County has not brought item to voters
 - Alamance (2012 and 2018) has had 2 unsuccessful referenda
 - Moore County referendum passed in November 2018
 - Previously had unsuccessful referendum in 2016
 - Not yet levying due to timing requirements, but eligible by April 2019
- 4 Counties passed the referendum in November 2018
 - Graham, Moore, Stanly, Swain
- The Board's of all of Chatham's neighboring counties (except Wake) passed a resolution stating the intended use of the Article 46 sales tax funds

Neighboring County's Resolutions

- Alamance*
 - Education and Debt - including training
- Durham
 - Education - including DPS, DTCC, kindergarten, and DPS debt service
- Harnett
 - School Construction
- Lee
 - Education debt or other capital needs of the schools
- Moore
 - School construction projects
- Orange
 - Half for public schools capital and half for economic development initiatives
- Randolph
 - Community College capital

*Alamance County's Commissioners approved a resolution of intended use, but the Article 46 sales tax referendum failed in November 2018.

Neighboring County Sales Tax Rates

- Alamance
 - 6.75%
- Durham
 - 7.5% - Base plus 0.5% Article 43 and 0.25% Article 46
- Harnett
 - 7% - Base plus 0.25% Article 46
- Lee
 - 7% - Base plus 0.25% Article 46
- Moore
 - 6.75%
 - Moore County has passed the Article 46 sales tax referendum, but not yet met the timing requirements to levy
- Orange
 - 7.5% - Base plus 0.5% Article 43 and 0.25% Article 46
- Randolph
 - 7% - Base plus 0.25% Article 46
- Wake
 - 7.25% – Base plus 0.5% Article 43

*All counties have a minimum/base of 6.75% sales tax rate. 4.75% in state sales tax and 2% in local sales taxes, 1% for Article 39 and ½% each for Articles 40 and 42

Next Steps

- Determine if the Board has the desire to place the referendum question on the ballot in 2020
 - If so, which date (May or November) in 2020 do you prefer?
- If you wish to move forward with a referendum, determine if the Board wants to adopt a resolution stating intended use
 - If so, determine as a Board what resolution of intended use will be
- Staff does not need any decisions made at this time; however, if you wish to move forward with a referendum staff will need significant lead time to work with local and state elections boards and prepare any educational materials.
- To give the Board a timeline for any decisions – County staff will need a lead time of 10-12 months to adequately prepare all materials for a potential referendum