

Article 46 Sales Tax Discussion

Agenda

- Basics of Article 46
- Board of Commissioner's Resolution of Intended Uses
- Review of Article 46 Collections and Trends
- Discussion of current funding model and planning for the future
- Questions

What is Article 46?

- 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

What are the advantages?

- The revenue brought into the County will continue to grow as the economy grows, but the rate will remain the same forever (always an additional ¼%)
- The Article 46 sales tax is a dependable revenue source for the County
 - While revenues can fluctuate some due to economic factors, it will always be available – it is not a “one time” revenue.
 - Annual collections of Article 46 sales tax revenue equals to approximately 2-2.25 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.

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

Resolution of Intent

- Board of Commissioners approved a Resolution of Intended Uses on November 18, 2019.
- Intended Uses of Article 46 funds were included in informational materials developed by the County.
- Intended Uses are not legally binding; however, the BOC has maintained all funding for those uses to date.
- The intended uses, as stated by the Board of Commissioners in 2019 are:
 - Affordable Housing
 - Agricultural Preservation & Enhancement
 - Education
 - Parks & Recreation

Lifetime Article 46 Collections

	FY2021	FY2022	FY2023	FY2024	LTD Totals	FY2025*
Agricultural Preservation & Enhancement	286,801	668,112	789,859	591,939	2,336,711	400,000
Affordable Housing	286,801	668,112	789,859	591,939	2,336,711	400,000
Education	1,000,000	1,000,000	1,000,000	2,000,000	5,000,000	2,000,000
Parks & Recreation	286,801	668,112	789,859	591,939	2,336,711	400,000
Total	1,860,403	3,004,337	3,369,576	3,775,816	12,010,132	3,200,000

*FY2025 Budgeted Amounts

Current Funding Model

Since the initial passage of the Article 46 Sales Tax, the County has used the same basic model with one adjustment (detailed below) in FY2024.

Education – first \$1 million (increased to first \$2 million in FY2024)

Affordable Housing – 1/3 of all remaining revenue

Agricultural Preservation & Enhancement – 1/3 of all remaining revenue

Parks & Recreation – 1/3 of all remaining revenue

Benefits of Current Model

- Consistent, annual allocations to all intended use areas
- Gives departments the ability to plan for both the present as well as future needs/growth plans
- Evenly distributes “extra” collections (revenue greater than budget) to 3 functional areas that have identified long-term high-cost needs
 - Affordable Housing
 - Agricultural Preservation & Enhancement
 - Parks & Recreation
- Budgeted revenues for those 3 intended uses has been conservative (and sales tax collection has been extremely robust) – ensuring (attempting to ensure) that those functional areas do not have to worry about revenue failing to meet initial targets
- Equity/Parity among the 3 County led intended uses

Staff Recommendation

- Staff recommends that we continue to use the current funding model for Article 46 Sales Tax collections.
- Staff further recommends that we review this model every 5 years to ensure that it continues to meet the funding goals of the Board of Commissioners.
- In the event of significant changes in either revenue collection or funding need, the funding model can be discussed in advance of the planned update/review date.

Discussion/Questions?
