

Article 46 Sales Tax

LOCAL OPTION SALES TAX FOR COUNTIES

General Information

- 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)

Additional Information

- 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
- 20 Counties had referendum on ballot in November 2018, 4 were successful
 - Graham, Moore, Stanly, Swain

Referendum Requirements

- 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
 - 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.

Decisions

- What staff needs to know at this time:
 - Do you want to move forward with placing the referendum question on the ballot?
 - If so, which date in 2020 do you prefer?
- Items that will need to be addressed soon:
 - Do you want to adopt a resolution stating intended use?
 - If so, what would you like to put forward in that resolution as the intended use?

While we do not need to know if you would like to do a resolution of intended use at this point, we will need to know before producing any educational materials.