

**NORTH CAROLINA GENERAL ASSEMBLY
LEGISLATIVE FISCAL NOTE**

BILL NUMBER: House Bill 1231
SHORT TITLE: Local Transit Revenue Options
SPONSOR(S): Proposed Committee Substitute

	FISCAL IMPACT				
	Yes (x)	No ()	No Estimate Available ()		
	(in Millions)				
	<u>FY 1997-98</u>	<u>FY 1998-99</u>	<u>FY 1999-00</u>	<u>FY 2000-01</u>	<u>FY 2001-02</u>
LOCAL REVENUES					
½ Sales Tax	\$15.0	\$31.3	\$ 33.1	\$35.1	\$37.2
Registration \$5.00					
Regional TA	2.1	4.2	4.2	4.3	4.4
License \$5.00					
Triangle TA	1.3	2.6	2.7	2.71	2.8
Regional TA	1.6	3.2	3.3	3.4	3.4
Gross Receipts 5%					
Wake	3.3	6.6	6.7	6.8	7.0
Guilford	1.0	2.0	2.1	2.1	2.1
Forsyth	.2	.4	.4	.4	.4
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED:	Triangle Transportation Authority Regional Transportation Authority Charlotte Transportation System Any municipality having a public transportation system.				
EFFECTIVE DATE:	When it becomes law				

BILL SUMMARY: The proposed act allows for the implementation of several revenue sources for the funding of public transportation services in qualified counties and cities of the State. Each funding option listed in the act is subject to the approval of the county board of commissioners or the city council except for the local option sales tax which is subject to a vote of the qualified voters of the county.

Mecklenburg County is authorized to levy a one half cent sales and use tax. The proceeds from which are to be used for financing the construction and maintenance of a public transportation system as defined in G.S. 105-506(2) of the act.

Counties that organize a transit authority, under Article 27 of Chapter 160A of the General Statutes, are allowed to charge a \$5.00 registration fee on motor vehicles sited in the counties of the authority for property taxation. The counties that could be affected by this act are Randolph, Alamance, Guilford, Forsyth, and Davidson. These counties could form the Regional

Transportation Authority authorized in House Bill 993. However, the act does not limit other counties from organizing a transit authority under this Article and imposing the registration fee.

Counties that form an authority under either Article 26 or 27 of Chapter 160A of the General Statutes are authorized to impose a 5% vehicle rental tax on the short term lease of motor vehicles leased in the region. The Triangle Transit Authority which is comprised of Wake, Orange, and Durham Counties would be eligible under this act. If Alamance, Guilford, Forsyth, Randolph, and Davidson Counties organize under Article 27, the vehicles leased in the region could be subject to the tax. However, the act does not limit other counties from organizing a transit authority under either of these Articles and imposing the tax.

The act authorizes any municipality in the State, that has a public transportation system, to levy a \$5.00 vehicle license tax on motor vehicles sited in the municipality for property tax purposes. The license tax cannot exceed \$30.00 in any municipality.

ASSUMPTIONS AND METHODOLOGY:

The increase in the sales tax for Mecklenburg County is based on the most recent estimate for a 1% increase in the local sales and use tax by county statewide. The expected growth in sales tax collections for Mecklenburg County is 6% a year for fiscal years 1997-98 through 1999-00 and 5.9% for each additional year.

The estimates on the revenue derived from a \$5.00 increase in the registration fee is based on the vehicle registrations by select counties as of January 3, 1997. The estimates on the \$5.00 local vehicle license is based on select municipalities as of January 3, 1997. Both the registration and municipal license revenues are expected to grow at the same growth as the population statewide. The average growth rate used is 1.5% a year over the next five years.

The revenue associated with the 5% vehicle rental tax is based on a percentage of the 8% gross receipts tax on short term rentals. The percentages used are based on the value of vehicles in counties having a major airport. Of the \$374.7 million in value identified throughout the State, it is estimated that Wake has 37% of the revenue, Guilford has 11%, and Forsyth has 2%. If an 8% tax on the gross receipts of the short term lease of motor vehicles produces \$29 million in revenue, a 5% tax on the same revenues would produce \$18.0 million. To derive the tax receipts by individual county, the percentages for Wake, Guilford, and Forsyth Counties were applied to the \$18 million. The expected growth is 1.5% on average over the next five years.

In the first fiscal year the expected revenues are based on a six month collection period.

Sources:

General Fund Financial Model
N.C. Department of Motor Vehicles
Property Tax Administrators for Select Counties

FISCAL RESEARCH DIVISION

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