

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2025

H

3

HOUSE BILL 305
Committee Substitute Favorable 4/29/25
Third Edition Engrossed 6/17/25

Short Title: Guilford County Sales Tax Distribution Mods.

(Local)

Sponsors:

Referred to:

March 6, 2025

A BILL TO BE ENTITLED
AN ACT TO PROMOTE FAIRNESS IN SALES TAX DISTRIBUTIONS FOR
MUNICIPALITIES IN GUILFORD COUNTY BY ALLOWING MUNICIPALITIES
THAT DO NOT LEVY AD VALOREM TAXES TO RECEIVE A PERCENTAGE OF
LOCAL GOVERNMENT SALES AND USE TAX DISTRIBUTIONS.

The General Assembly of North Carolina enacts:

SECTION 1.(a) Definitions. – The definitions in G.S. 105-472 apply to this section to the extent they are not inconsistent with the provisions of this section. In addition, the following definitions apply in this act:

- (1) Allocated share. – The product of a qualifying municipality's per capita distribution multiplied by twenty-five percent (25%).
- (2) Council. – Defined in G.S. 160A-1.
- (3) Per capita distribution. – The net proceeds of the tax collected under Articles 39, 40, and 42 of Chapter 105 of the General Statutes and distributable to a qualifying municipality as calculated using the per capita distribution method under G.S. 105-472(b)(1).
- (4) Qualifying municipality. – A municipality that meets all of the following requirements:
 - a. Is in Guilford County.
 - b. Does not levy ad valorem taxes.
 - c. Does not receive distributions under G.S. 105-472(b)(2).

SECTION 1.(b) Authorization. – Notwithstanding G.S. 105-472(b)(2), 105-486(c), and 105-501(a), a qualifying municipality may receive an allocated share of the net proceeds of the tax collected under Articles 39, 40, and 42 of Chapter 105 of the General Statutes in accordance with this section during any year in which the ad valorem method of distribution under G.S. 105-472 is in effect for Guilford County.

SECTION 1.(c) Resolution Required. – The council of a qualifying municipality shall adopt a resolution indicating its intent to receive an allocated share in accordance with this section. A resolution adopted in 2025 must be adopted no later than October 1, 2025. For a resolution adopted in any other year, the resolution must be adopted during the month of April. For a resolution under this subsection to be effective, a certified copy of it must be delivered to the Secretary in Raleigh. If the council of a qualifying municipality fails to adopt a resolution under this subsection, or if a certified copy of the resolution is not delivered to the Secretary, that qualifying municipality is prohibited from receiving an allocated share. A resolution under this subsection is effective for net proceeds distributed beginning on and after the fiscal year



1 following the succeeding fiscal year after the adoption of the resolution and is effective until
2 either (i) the municipality no longer meets the criteria of a "qualifying municipality" or (ii) a
3 resolution by the Guilford County Board of Commissioners choosing the per capita distribution
4 method becomes effective in accordance with G.S. 105-472.

5 **SECTION 1.(d) Discontinuation.** – If either of the conditions listed in (i) or (ii) of
6 subsection (c) of this section are met, the distributions shall be discontinued in accordance with
7 this subsection. If the condition in (i) of subsection (c) of this section is met because the
8 municipality levies an ad valorem tax, then the distribution under this act shall be discontinued
9 effective for net proceeds distributed beginning on and after the fiscal year for which ad valorem
10 taxes are levied by the municipality. If the condition in (ii) of subsection (c) of this section is
11 met, then the distribution under this act shall be discontinued effective for net proceeds
12 distributed beginning on and after the fiscal year following the succeeding fiscal year after the
13 adoption of the resolution by the Guilford County Board of Commissioners choosing the per
14 capita distribution method of distribution. The council of the qualifying municipality shall adopt
15 and submit a new resolution consistent with this subsection indicating the condition resulting in
16 the discontinuance of distributions under this act. A certified copy of a resolution under this
17 subsection must be delivered to the Secretary in Raleigh.

18 **SECTION 1.(e) Distribution Method.** – The Secretary of Revenue shall calculate
19 and distribute the net proceeds of the tax collected under Articles 39, 40, and 42 of Chapter 105
20 of the General Statutes under this act and provide certain information to assist with distributions
21 made by the county and its municipalities to taxing districts as follows:

- 22 (1) Determine Guilford County's allocation in accordance with G.S. 105-472(a).
- 23 (2) Deduct a qualifying municipality's allocated share from the county allocation
24 and distribute the allocated share to a qualifying municipality.
- 25 (3) Divide the remaining funds among the county and its other municipalities in
26 accordance with G.S. 105-472(b)(2).
- 27 (4) Provide Guilford County and any municipality that levies an ad valorem tax
28 on behalf of a taxing district or otherwise distributes a taxing district's share
29 of net proceeds under G.S. 105-472(b)(2), the amount of what the taxing
30 district's distribution would have been but for the allocated share to a
31 qualifying municipality.

32 **SECTION 1.(f) Hold Harmless.** – A taxing district in Guilford County or the City
33 of Greensboro for which ad valorem taxes are collected by the county in behalf of the taxing
34 district shall receive their funds from the county or the City of Greensboro, as applicable, under
35 G.S. 105-472(b)(2) as if the allocated share had not been paid to a qualifying municipality under
36 subsection (b) of this section.

37 **SECTION 1.(g) Service/Fire Districts Inapplicable.** – Ad valorem taxes levied by
38 any service or fire district located in whole or in part within a qualifying municipality shall not
39 prohibit that municipality from receiving net proceeds under this section.

40 **SECTION 2.** This act is effective when it becomes law.