



NORTH CAROLINA GENERAL ASSEMBLY

2025 Session

Legislative Fiscal Note

Short Title: Guilford County Sales Tax Distribution Mods.
Bill Number: House Bill 305 (Third Edition)
Sponsor(s): Rep. Blust

SUMMARY TABLE

FISCAL IMPACT OF H.B. 305 [V.3]

	<u>FY 2025-26</u>	<u>FY 2026-27</u>	<u>FY 2027-28</u>	<u>FY 2028-29</u>	<u>FY 2029-30</u>
Local Impact					
Local Revenue	-	-	-	-	-
Less Local Expenditures	-	-	-	-	-

NET LOCAL IMPACT

No Net Fiscal Impact-Shifts Funds Between Local Government Units

TECHNICAL CONSIDERATIONS: See Technical Considerations Section

FISCAL IMPACT SUMMARY

The bill would modify Guilford County's sales tax distribution method to allow the town of Stokesdale to receive a share of these distributions. Overall, the bill would be revenue neutral. However, Stokesdale's revenues would increase from \$0 to about \$400,000 annually; the revenues of Guilford County and other municipalities in the county would correspondingly decrease by about \$400,000 in the aggregate each year, with about 90% of the reductions being to the County and City of Greensboro.

FISCAL ANALYSIS

Under current state law, counties using the ad valorem method of distributing sales tax revenues share sales tax distributions from the first two cents of sales tax—Articles 39 (first 1 cent), 40 (1st ½ cent), and 42 (2nd ½ cent)—with municipalities as well as fire districts and special districts that levy a property tax.

The bill would modify Guilford County's method of sharing sales tax revenues by requiring sales tax revenues to be shared with a municipality in the county that does not levy ad valorem property taxes. The only municipality meeting the bill's criteria is the town of Stokesdale. The amount of sales tax Stokesdale would receive under the bill is based on what it would receive if the county used the per capita method of distribution, multiplied by 25%. By allocating a portion of the sales tax revenues to Stokesdale, Guilford County and other municipalities will see a



decrease in their distributions; however, the bill holds harmless fire districts and special districts that levy an ad valorem tax in the county.

Stokesdale Allocation. FRD used data from the Department of Revenue on sales tax distributions to Guilford County and its municipalities, which totaled \$251.3 million in FY 2023-24. FRD computed the amount Stokesdale would have received if the county used the per capita distribution method by multiplying its percentage of the county's total population (0.62%) by the total sales tax distribution amount in FY 2023-24. Since the bill would provide Stokesdale with 25% of what it would receive under the per capita method, FRD then multiplied this number by that percentage. This resulted in approximately \$400,000 that Stokesdale would receive annually in sales tax distributions; Stokesdale currently does not receive any sales tax distributions under existing law.

Reductions to Guilford County and other units in the county. FRD computed the corresponding reductions to Guilford County, its fire districts, and its other municipalities first by subtracting the amount directed to Stokesdale from the total amount of sales tax revenues the county and those municipalities currently receive. Second, FRD multiplied the county's and each remaining municipalities' percentage of total valuations to determine the new ad valorem sales tax distributions they would receive under the bill. FRD then compared each entity's adjusted ad valorem sales tax revenue distribution amount to the amount received in FY 2023-24 to determine each entity's reduction due to the bill.

Hold harmless for fire and special districts. Counties and municipalities that collect ad valorem taxes on behalf of a taxing district (such as a fire district) essentially act as a pass-through entity for fire departments or districts and special districts; they must remit to the taxing districts their proportionate share of net proceeds.

- Fire Districts. Since the ad valorem tax for 25 fire departments or districts ("fire districts," hereafter) applies throughout Guilford County, the County's sales tax distribution includes both the county portion and the portion for the fire districts.¹
- Special Districts. Greensboro's distribution amount includes both the city and three service districts since the city collects for these districts. FRD determined the amount of sales tax revenues special districts would have lost by including Stokesdale as a recipient, absent the bill's hold harmless provision.

The amount the fire districts receive under current law is their percentage of total county and district levies. In FY 2023-24, fire district levies accounted for 5.1% of these total levies. Applying this percentage to Guilford County's reduction results in fire districts receiving about \$12,000 per year to be held harmless. For Greensboro, special district levies were 1% of total city and special district levies, which results in a hold harmless of about \$600 per year.

Final reductions to Guilford County and municipalities. FRD estimates the bill will reduce local government sales tax revenues all together by a total of about \$400,000 during a full fiscal year.

¹ Currently, there are a total of 44 fire departments or districts for which a tax could be levied in Guilford County, but only 25 are levying such tax.



After adjusting for the county and Greensboro as discussed above, specific reductions for each local government entity are shown in the table on the next page:

Local Government Entity	Estimated Sales Tax Revenue Reduction (\$)
Guilford County	(226,000)
Archdale	(100)
Burlington	(600)
Gibsonville	(1,000)
Greensboro	(113,000)
High Point	(34,000)
Jamestown	(1,6000)
Kernersville	(1,000)
Oak Ridge	(500)
Pleasant Garden	(200)
Sedalia	(100)
Summerfield	(300)
Whitsett	(100)

Values do not sum due to \$400,000 due to rounding.

TECHNICAL CONSIDERATIONS

The bill requires a qualifying municipality to adopt a resolution indicating its intent to receive proceeds the bill would provide. It also states that if a resolution is adopted in 2025, it must be adopted by October 1, 2025. The bill further specifies that the resolution is effective for distributions beginning on and after the fiscal year following the succeeding fiscal year after the adoption of the resolution. Therefore, if a qualifying municipality adopts a resolution by October 1, 2025, the earliest the municipality could begin receiving distributions would be July 1, 2028.

DATA SOURCES

N.C. Department of Revenue.

LEGISLATIVE FISCAL NOTE – PURPOSE AND LIMITATIONS

This document is an official fiscal analysis prepared pursuant to Chapter 120 of the General Statutes and rules adopted by the Senate and House of Representatives. The estimates in this analysis are based on the data, assumptions, and methodology described in the Fiscal Analysis section of this document. This document only addresses sections of the bill that have projected direct fiscal impacts on State or local governments and does not address sections that have no projected fiscal impacts.

CONTACT INFORMATION

Questions on this analysis should be directed to the Fiscal Research Division at (919) 733-4910.



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