

TABLE 16. FRANCHISE TAX COLLECTIONS

[G.S. 105 ARTICLE 3.]

Fiscal year	Franchise Tax Gross Collections						Refunds	Franchise Tax Net Collections Before & After Deductions					Year-over-year % change				
	Taxpayer Type							Net collections before transfers/deductions	(-) Municipal share	(-) Administrative costs	(-) Collection fees on overdue tax debts	(-) Inter-governmental/inter-fund transfers	(-) Net collections to General Fund	Gross collections	Refunds	Net collections	Amount to General Fund
	Utilities				Other [Business Corporations, Burial Assns.]	Total gross collections											
	Power	Gas	Water & Sewer	Telephone													
Power	Gas	Water & Sewer	Telephone	Other [Business Corporations, Burial Assns.]	Total gross collections	Refunds	Net collections before transfers/deductions	(-) Municipal share	(-) Administrative costs	(-) Collection fees on overdue tax debts	(-) Inter-governmental/inter-fund transfers	(-) Net collections to General Fund	Gross collections	Refunds	Net collections	Amount to General Fund	
1990-91.	172,786,454	17,494,849	1,133,837	30,260,685	155,530,740	377,206,564	4,318,150	372,888,415	see note	-	-	-	372,888,415	-2.40%	22.23%	-2.63%	41.91%
1991-92.	195,157,983	18,782,705	1,232,625	32,582,842	164,487,282	412,243,436	5,290,787	406,952,650	-	-	-	406,952,650	9.29%	22.52%	9.14%	9.14%	
1992-93.	193,644,557	24,710,868	1,383,770	37,209,545	167,829,797	424,778,536	4,792,042	419,986,494	-	-	-	419,986,494	3.04%	-9.43%	3.20%	3.20%	
1993-94.	210,609,831	25,351,146	1,688,822	41,479,336	166,259,650	445,388,783	6,101,752	439,287,031	-	-	-	439,287,031	4.85%	27.33%	4.60%	4.60%	
1994-95.	205,495,676	22,895,854	1,778,328	46,823,558	187,677,761	464,671,177	6,612,189	458,058,989	-	-	-	458,058,989	4.33%	8.37%	4.27%	4.27%	
1995-96.	215,875,371	27,862,388	1,680,722	53,305,344	199,691,684	498,415,509	5,797,974	492,617,535	136,699,500	-	-	355,918,036	7.26%	-12.31%	7.54%	-22.30%	
1996-97.	213,817,850	32,117,604	1,772,439	63,520,237	229,227,144	540,455,275	3,710,620	536,744,655	148,932,981	-	-	387,811,674	8.43%	-36.00%	8.96%	8.96%	
1997-98.	222,140,457	30,588,059	1,698,843	71,263,563	236,665,442	562,356,363	2,875,187	559,481,176	152,224,621	-	-	407,256,555	4.05%	-22.51%	4.24%	5.01%	
1998-99.	209,140,488	24,963,783	2,118,785	79,658,102	256,178,503	572,059,661	1,384,056	570,675,605	161,117,265	-	-	409,558,340	1.73%	-51.86%	2.00%	0.57%	
1999-00.	219,729,256	1,432,790	2,105,502	90,331,696	247,558,483	561,157,726	5,064,362	556,093,364	157,114,167	-	92,000,000	306,979,197	-1.91%	265.91%	-2.56%	-25.05%	
2000-01.	259,592,835	see note	2,178,005	94,249,223	304,505,649	660,525,713	6,006,591	654,519,122	166,087,272	-	(92,000,000)	580,431,850	17.71%	18.61%	17.70%	89.08%	
2001-02.	281,575,454	-	2,084,385	58,159,018	266,909,430	608,728,287	8,337,902	600,390,385	88,962,299	87,500	83,376	64,986,530	446,270,680	-7.84%	38.81%	-8.27%	-23.11%
2002-03.	255,511,612	-	2,286,030	322,145	301,503,663	559,623,448	6,748,194	552,875,255	123,528,913	43,772	174,565	-	429,128,005	-8.07%	-19.07%	-7.91%	-3.84%
2003-04.	251,948,379	-	2,088,287	372,744	327,828,064	582,237,474	9,460,029	572,777,445	127,251,328	77,594	154,037	-	445,294,486	4.04%	40.19%	3.60%	3.77%
2004-05.	264,720,551	-	2,167,437	-	370,157,694	637,045,682	7,255,355	629,790,327	130,939,863	76,314	92,760	-	498,681,391	9.41%	-23.31%	9.95%	11.99%

Detail may not add to totals due to rounding.

**Franchise tax rates and bases:**

<b>Utility franchise tax:</b>	<b>Rate</b>	<b>Base</b>
Power	3.22%	Gross receipts derived from furnishing power, electricity, electric lights, or current.
Gas	-----	Effective <u>July 1, 1999</u> , sales of piped natural gas became exempt from the franchise tax, and instead, became subject to the piped natural gas excise tax.
Water	4%	Gross receipts from owning or operating a water system subject to regulation by the NC Utilities Commission.
Sewer	6%	Gross receipts from owning or operating a public sewerage company.
Telephone	-----	Effective <u>January 1, 2002</u> , telecommunications reform legislation repealed the telephone franchise tax and concurrently enacted legislation that consolidated all taxes on telecommunications services into a single State sales tax rate of 6% (7% effective <u>October 1, 2005</u> ).
<b>Business corporations:</b>	<b>\$1.50 per \$1,000 of the largest of 3 alternate bases; (minimum tax, \$35)</b>	<b>Three alternate bases:</b> (1) capital stock, surplus & undivided profits apportioned to NC. (2) 55% of the appraised value of real & tangible property in NC. (3) investment in tangible property in NC.
<b>Mutual burial associations:</b>	<b>\$25-\$50 flat tax</b>	<b>Based on membership</b>

**1990-91**

The railroad franchise tax was repealed effective for taxable years beginning on or after January 1, 1990, and railroads became subject to the general business franchise tax.

Net collections of utility gross receipts taxes were significantly lower in 1990-91 compared to 1989-90 due to a law change which accelerated about \$32 million into 1989-90 from 1990-91.

Effective October 1, 1990, payments of most utility companies were accelerated from quarterly to monthly; however, a "reverse windfall" did not result.

In fiscal years 1990-91 through 1994-95, local (municipal) shares were not deducted from General Fund tax collections, but were instead, appropriated from the Local Government Tax Reimbursement Fund.

Municipal share amounts reflect actual payments to municipalities during the fiscal year indicated.

**Intergovernmental, inter-fund transfers**

In fiscal year 1999-00, a \$92 million tax payment intended to satisfy a franchise tax liability was misassigned to the corporate income tax account because the payment was unaccompanied by a tax return identifying the tax type. Upon receipt of the tax return in 2000-01, a \$92 million correcting adjustment transferred the funds from the corporate income tax account into the intended franchise tax account. Gross collection amounts in the above table do not reflect this misassignment so as not to alter taxpayer remittance levels. The *Intergovernmental, inter-fund transfers* and *Net collections to General Fund* columns do reflect the misassignment of the \$92 million payment, reporting the payment in 2000-01 franchise tax net collections deposited into the General Fund instead of in 1999-00.

In fiscal year 2001-02, the State retained \$64,986,530 in allocated municipal utility franchise tax distribution monies to partially offset the budgetary shortfall.

**2004-05 Voluntary Compliance Program**

Limited amnesty was granted as result of a court case to corporate and individual taxpayers who had engaged either in tax strategies causing income that would otherwise be taxable in North Carolina to be shifted out-of-state, or in other tax shelters eliminating or minimizing their tax burden. Franchise tax collections include \$22,859,455 attributable to this program.