

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	(-) OSBM Civil Penalty & Forfeiture Fund	(-) Collection cost of fines/ forfeitures	(-) 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	(-) OSBM Civil Penalty & Forfeiture Fund	(-) Collection cost of fines/ forfeitures	(-) Inter-governmental/ inter-fund transfers	(-) Net collections to General Fund	Gross collections	Refunds	Net collections	Amount to General Fund		
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%	
2005-06	291,633,056	-	2,841,294	-	348,762,264	643,236,615	24,698,444	618,538,171	138,492,509	89,261	118,318	2,782,974	-	-	477,055,108	0.97%	240.42%	-1.79%	-4.34%	
2006-07	307,698,448	-	2,502,510	-	376,923,993	687,124,951	15,043,431	672,081,519	137,257,731	71,153	192,209	3,135,221	13,065	-	531,412,140	6.82%	-39.09%	8.66%	11.39%	
2007-08	325,129,273	-	3,610,522	-	417,715,525	746,455,320	7,045,995	739,409,325	160,484,424	102,335	163,570	4,181,105	17,087	-	574,460,805	8.63%	-53.16%	10.02%	8.10%	
2008-09	330,828,428	-	3,235,011	-	509,183,231	843,246,670	17,647,835	825,598,834	168,483,698	105,668	76,780	4,973,092	20,925	-	651,938,670	12.97%	150.47%	11.66%	13.49%	

Detail may not add to totals due to rounding.

*Revised to reflect collections reclassification.

Franchise tax rates and bases:

Utility franchise tax:	<u>Rate</u>	<u>Base</u>
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% combined general rate effective <u>October 1, 2005</u>]. [6.75% effective <u>December 1, 2006</u> ; 7% effective <u>April 1, 2008</u>]
Business corporations:	\$1.50 per \$1,000 of the largest of 3 alternate bases; (minimum tax, \$35)	<u>Three alternate bases:</u> (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.
Mutual burial associations:	\$25-\$50 flat tax	Based on membership

Local (municipal) shares were not deducted from General Fund tax collections in fiscal years 1992-93 through 1994-95, 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.

Settlement Initiative

2006-07 A Settlement Initiative launched during 2006 focused on corporate and individual taxpayers who had improperly utilized certain tax strategies which minimized the taxpayer's North Carolina tax burden. Franchise tax collections include \$4,518,477 attributable to this effort.