

TABLE 17. PUBLIC UTILITY FRANCHISE TAX AND SALES TAX NET COLLECTIONS AND DISTRIBUTABLE PROCEEDS FOR 2004-2005
[G.S. 105 ARTICLE 3.;ARTICLE 5.]

Collections source	Rate [%]	Base/ tax structure	Net collections and municipal shares [based on July-June collections]																	
			Franchise tax		Sales tax		Excise tax													
			Net collections++ [\$]	Municipal share [\$]	Net collections [\$]	Municipal share [\$]	Net collections [\$]	Municipal share [\$]												
Power	3.22	Gross receipts derived from furnishing power, electricity, electric lights, or current are subject to a 3.22% tax. [An amount equal to 3.09% of such receipts from sales within municipal boundaries, adjusted for certain statutory formula modifications, are shared with the municipalities.]	264,720,551	129,986,694	-----	-----	-----	-----												
Power	3	Gross receipts derived from sales of electricity to consumers other than to farmers and commercial laundries and dry cleaners (taxed at 2.83%) and to manufacturers (taxed at 2.83% or .17% depending on previous year's megawatt-hour usage)* are subject to a 3% rate. *Effective until October 1, 2004: <u>Effective October 1, 2004:</u> sales of <u>Previous year's megawatt-hours received</u> <u>Rate</u> <u>2.83%</u> <u>0.17%</u> aluminum smelting facilities) are subject to a 2.83% rate; sales of electricity to an aluminum smelting facility are subject to a 0.17% rate. [Quantity not a factor] Special rates only apply to electricity used in <i>manufacturing</i> operations.	-----	-----	244,034,570 [reflects 3%,2.83%, .17% rates]	[State retains proceeds]	-----	-----												
Piped natural gas	*	The piped natural gas excise tax is in lieu of a sales and use tax and a percentage gross receipts tax. *Tax rate is based on monthly therm volumes received by the enduser of the gas: <table border="0"> <tr> <td><u>Therm volume</u></td> <td><u>Rate</u></td> </tr> <tr> <td>first 200</td> <td>\$.047</td> </tr> <tr> <td>201-15,000</td> <td>.035</td> </tr> <tr> <td>15,001-60,000</td> <td>.024</td> </tr> <tr> <td>60,001-500,000</td> <td>.015</td> </tr> <tr> <td>over 500,000</td> <td>.003</td> </tr> </table> [A municipality receives an amount equal to 1/2 of the tax attributable to the municipality.]	<u>Therm volume</u>	<u>Rate</u>	first 200	\$.047	201-15,000	.035	15,001-60,000	.024	60,001-500,000	.015	over 500,000	.003	-----	-----	-----	-----	60,558,013	25,760,237
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Telecommunications + [effective 1/1/02]	6	Gross receipts from providing telephone service are subject to a 6% State sales and use tax. Services include local, interstate, intrastate, toll, private telecommunications, and mobile telecommunications services. [An amount equal to 18.26% of net collections less a "freeze deduction" adjustment is allocated to eligible municipalities based on a formula.]	-----	-----	364,322,054 [computed]	56,041,415	-----	-----												
Water	4	Gross receipts from owning or operating a water system regulated by the NC Utilities Commission.	2,167,437	[State retains proceeds]	-----	-----	-----	-----												
Sewerage	6	Gross receipts from owning or operating a public sewerage system.	[included in water]	[State retains proceeds]	-----	-----	-----	-----												
General business franchise tax assessed on domestic and foreign corporations	*	*Rate is \$1.50 per \$1,000 of the largest of three alternate bases: (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. [minimum tax, \$35]	362,809,579	[State retains proceeds]	-----	-----	-----	-----												
Mutual burial associations	**	** \$25 to \$50 flat tax based on membership	[included in business]	[State retains proceeds]	-----	-----	-----	-----												
Totals			629,697,567	129,986,694	608,356,624	56,041,415	60,558,013	25,760,237												

Note: General business franchise tax collection amount excludes collection fees of \$92,760 on overdue tax debts (G.S. 105-243.1).

+Effective **October 1, 2005**, the sales and use tax imposed on the gross receipts of providing telecommunications will increase from 6% to the combined general rate of 7%; voice mail services will become taxable as part of telecommunications services. The percentage of net collections allocated to eligible municipalities will be reduced from 18.26% to 18.06% effective for the net proceeds of the sales tax imposed on telecommunications service collected during calendar quarters that begin on or after January 1, 2006; the distribution made in June 2006 will be the first distribution to reflect the 18.06 percentage.

++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 the Voluntary Compliance Program.