

TABLE 28. STATE SALES AND USE TAX COLLECTIONS

[G.S. 105 ARTICLE 5]

Fiscal year	State sales and use tax gross collections [\$]	Refunds [\$]	Sales and Use Tax Reimbursements, Distributions, and Transfers							Net collections to General Fund [\$]	Year-over-year % change			
			Net collections before reimbursements/transfers [\$]	(-) State aid/local government distributions [\$]	(-) Refund of local sales & use tax paid by state agencies [\$]	(-) Reserves/transfers for administrative fees/costs [\$]	(-) Inter-governmental inter-fund transfers [\$]	(-) Collection fees on overdue tax debts [\$]	(-) OSBM Civil Penalty & Forfeiture Fund [\$]		Gross collections	Refunds	Net collections before transfers	Amount to General Fund
1991-92.....	2,275,072,533	95,191,915	2,179,880,618	-	8,839,546	6,940,320	2,738,207	-	-	2,161,362,545	28.37%	17.40%	28.90%	28.47%
1992-93.....	2,482,826,074	120,533,449	2,362,292,625	-	8,570,512	5,917,665	3,731,117	-	-	2,344,073,330	9.13%	26.62%	8.37%	8.45%
1993-94.....	2,728,741,000	130,608,384	2,598,132,616	-	9,127,648	5,622,676	4,536,053	-	-	2,578,846,239	9.90%	8.36%	9.98%	10.02%
1994-95.....	2,942,188,758	136,985,792	2,805,202,966	-	11,091,410	6,668,989	5,759,177	-	-	2,781,683,390	7.82%	4.88%	7.97%	7.87%
1995-96.....	3,128,746,877	146,931,141	2,981,815,736	-	8,459,963	8,661,312	6,561,649	-	-	2,958,132,813	6.34%	7.26%	6.30%	6.34%
1996-97.....	3,320,848,414	163,026,308	3,157,822,106	-	13,321,040	9,178,351	7,649,271	-	-	3,127,673,443	6.14%	10.95%	5.90%	5.73%
1997-98.....	3,465,824,631	180,716,290	3,285,108,341	-	10,841,574	10,059,505	8,835,214	-	-	3,255,372,048	4.37%	10.85%	4.03%	4.08%
1998-99.....	3,617,449,828	210,049,552	3,407,400,276	-	10,921,878	10,292,859	9,978,875	-	-	3,376,206,664	4.37%	16.23%	3.72%	3.71%
1999-00.....	3,634,324,711	242,244,229	3,392,080,483	-	14,179,227	11,960,594	11,042,953	-	-	3,354,897,708	0.47%	15.33%	-0.45%	-0.63%
2000-01.....	3,715,078,723	242,973,809	3,472,104,914	-	12,471,836	11,868,450	12,206,053	-	-	3,435,558,577	2.22%	0.30%	2.36%	2.40%
2001-02.....	4,017,194,236	264,566,631	3,752,627,605	9,704,764	11,055,005	12,340,709	12,900,455	856,840	-	3,705,769,832	8.13%	8.89%	8.08%	7.87%
2002-03.....	4,300,424,840	282,959,217	4,017,465,623	55,183,726	11,013,787	13,204,065	13,914,099	1,328,067	-	3,922,821,877	7.05%	6.95%	7.06%	5.86%
2003-04.....	4,656,199,353	288,688,759	4,367,510,594	91,754,930	14,456,215	14,500,116	23,365,437	1,232,054	-	4,222,201,842	8.27%	2.02%	8.71%	7.63%
2004-05.....	4,923,391,473	309,935,699	4,613,455,774	85,304,241	10,241,254	14,402,267	25,216,590	1,132,245	-	4,477,159,178	5.74%	7.36%	5.63%	6.04%
2005-06.....	5,395,492,363	369,284,334	5,026,208,029	74,299,172	3,013,584	14,823,275	26,836,858	1,546,129	11,777,792	4,893,911,220	9.59%	19.15%	8.95%	9.31%

Detail may not add to totals due to rounding.

**State sales and use tax rates and bases:**

The general State sales and use tax rate of 4.5% applies to purchases of tangible commodities, room and cottage rentals, and laundry and dry cleaning services. [The rate was reduced to 4.25% effective December 1, 2006; the sunset of the remaining 0.25% (reducing the rate from 4.25% to 4.0%) is scheduled for July 1, 2007.]  
[See *Changes in State sales tax rate by year* section for information pertaining to various taxable items and applicable tax rates.]

The *Reserves/transfers for administrative fees/costs* column includes the State retained portion of the local government sales tax collections for defraying the cost of administering the tax. The monies are deposited into the General Fund as non-tax revenue along with the amounts recorded in the *Refund of local sales & use tax paid by state agencies* column. Effective July 1, 2004, State agencies became exempt from tax paid on direct purchases of tangible personal property that were previously eligible for refund. [The exemption replaced the refund provision.]

The *State aid/local government distributions* column includes:

- 2001-02 \$9,704,764 municipal shares of the telecommunications tax. [Due to enactment of the tax on January 1, 2002, the 2001-02 amount is for less than a full year.]
- 2002-03 \$55,183,726 municipal shares of the telecommunications tax.
- 2003-04 \$52,922,447 municipal shares of the telecommunications tax; \$38,832,483 hold harmless payments\* to local governments due to repeal of certain local government distributions.
- 2004-05 \$56,290,836 municipal shares of the telecommunications tax; \$29,013,405 hold harmless payments\* to local governments due to repeal of certain local government distributions.
- 2005-06 \$53,898,653 municipal shares of the telecommunications tax; \$20,400,519 hold harmless payments\* to local governments due to repeal of certain local government distributions.

**\*Hold Harmless Payments-Repeal of local reimbursements and revenue replacement option:**

The 2001 General Assembly repealed local reimbursements effective July 1, 2003; the 2002 General Assembly advanced the date of the scheduled repeal to July 1, 2002.

A new Article 44 of Subchapter VIII, Chapter 105 granted counties the authority to impose an additional 1/2% local sales and use tax to replace revenue lost due to repeal of the reimbursements, and provided for a transitional local government hold harmless distribution, G.S. 105-521 (scheduled to sunset in 2012).

The *Inter-governmental inter-fund transfers* column includes the following amounts transferred to the Wildlife Resources Fund (G.S. 105-164.44B):

1991-92	\$ 2,738,207	1996-97	\$ 7,649,271	2001-02	\$ 12,900,455
1992-93	\$ 3,731,117	1997-98	\$ 8,835,214	2002-03	\$ 13,914,099
1993-94	\$ 4,536,053	1998-99	\$ 10,921,878	2003-04	\$ 15,038,583
1994-95	\$ 5,759,177	1999-00	\$ 11,042,953	2004-05	\$ 16,920,820
1995-96	\$ 6,561,649	2000-01	\$ 12,206,053	2005-06	\$ 18,573,229

**Dry-Cleaning Solvent Cleanup Fund**

Effective April 1, 2003, until June 30, 2010, an amount equal to fifteen percent (15%) of the net State sales and use taxes collected under G.S. 105-164.1(a)(4) during the previous fiscal year is to be transferred, at the end of each quarter, to the Dry-Cleaning Solvent Cleanup Fund established under G.S. 143-215.104C.

Amounts of the transfers included in the *Inter-governmental inter-fund transfers* column are as follows: 2003-04 \$8,326,854 2004-05 \$8,292,105 2005-06 \$8,263,629

TABLE 28. -Continued

Changes in State sales tax rates by year

1991-92

Effective July 16, 1991, the general State rate increased from 3% to 4%.

Effective July 16, 1991, the rate applicable to purchases of aircraft, boats, railway cars, and locomotives increased from 2% to 3%; the \$1,500 maximum tax per article remained unchanged.

1996-97

Effective August 1, 1996, sales of electricity and piped natural gas to farmers, manufacturers, and commercial laundries and dry cleaners for prescribed purposes were made subject to a 2.83% rate rather than 3%.

Effective January 1, 1997, the State rate applicable to food purchased for home consumption was reduced from 4% to 3%.

1998-99

Effective July 1, 1998, the State rate applicable to food purchased for home consumption was reduced from 3% to 2%.

Effective May 1, 1999, the 2% State rate applicable to food purchased for home consumption was repealed.

1999-00

Effective July 1, 1999, sales of piped natural gas became exempt from sales tax and, instead, became subject to the piped natural gas excise tax.

2001-02

Effective October 1, 2001, the \$1,500 tax limit applicable to the sale or continuous lease or rental of noncommercial vehicles was repealed.

Effective October 16, 2001, the general State rate increased from 4% to 4.5%.

Effective December 1, 2001, sales of spirituous liquor, other than mixed beverages, became subject to a 6% State sales and use tax. Mixed beverages were already subject to State and local sales and use taxes and were unaffected by the law change.

Effective January 1, 2002, gross receipts of direct-to-home satellite service to subscribers in this State became subject to a 5% State sales tax.

Effective January 1, 2002, gross receipts derived from providing telecommunications services became subject to a 6% State sales and use tax. Prior to the law change, local telecommunications services were subject to a 3% State sales tax rate and a 3.22% utility franchise tax rate; intrastate long distance calls were taxed at 6.5% and interstate long distance calls were exempt. Telecommunications services include local, interstate, intrastate, toll, private telecommunications, and mobile telecommunications services.

2003-04

Effective for sales made on or after January 1, 2004, modular homes are subject to a 2.5% State sales and use tax rate under G.S. 105-164.4(a)(8). Twenty percent (20%) of the taxes collected under this statute is distributed to counties. G.S. 105-164.44G [Prior to the law change, modular homes were taxed at the 2% State sales and use tax rate under G.S. 105-164.4(a)(1a).]

Effective July 1, 2003, all sales of soft drinks (fountain, those sold for home consumption, and vending) were made subject to both the State and local rates.

[Prior to this date, soft drinks sold for home consumption were not taxable at the State level.][Effective January 1, 2004, sales of closed container soft drinks sold through vending machines were made subject to a partial exemption; only fifty percent (50%) of the sales price of closed container soft drinks sold through vending machines is taxable and subject to both the State and local rates under G.S. 105-164.13(50).]

Effective January 1, 2004, candy was exempted from the State tax and subject to only the 2% local tax. [Candy sold through vending machines is taxed at fifty percent (50%) of the sales price and is subject to both State and local rates under G.S. 105-164.13(50).]

2005-06

Effective October 1, 2005, all sales of candy are subject to the combined general State and county tax rate (taxation of candy sold through vending machines remains unchanged).

Effective October 1, 2005, the sales and use tax imposed on the gross receipts of providing telecommunications and direct-to-home satellite services and on the sales of spirituous liquor other than mixed beverages increased to the combined general rate of 7%; voice mail services became taxable as part of telecommunications services.

Effective January 1, 2006, the combined general rate of 7% sales and use tax was imposed on the gross receipts of providing cable services; gross receipts derived from providing satellite digital audio radio service is taxable being subject to both the State general rate of tax and local rates.

Effective January 1, 2006, sales of railway cars, locomotives, and mobile classrooms and offices became taxable at the general State rate and applicable local rates (previously taxed at the State 3% rate with a \$1,500 maximum tax per article).

Various farm items and fuel used for farming and commercial laundry operations were exempted from taxation (previously taxed at the 1% State sales tax rate).

Additionally, various types of machinery (farm, telephone company property, laundry, freezer plant, and broadcasting) and various types of equipment (tobacco, air courier, and flight training) along with farm storage facilities and farm containers were exempted from the 1% State rate with an \$80 maximum tax per article. Concurrently, manufacturing machinery and fuel and qualifying recycling facility equipment were exempted from the State sales tax and made subject to the new privilege tax levied under Article 5F (refer to *Table 45*).