

TABLE 28. STATE SALES AND USE TAX COLLECTIONS
[G.S. 105 ARTICLE 5]

Fiscal year	State sales and use tax gross collections [\$]	Refunds [\$]	Net collections before reimbursements/transfers [\$]	Sales and Use Tax Reimbursements, Distributions, and Transfers								Net collections to General Fund [\$]	Year-over-year % change			
				Local government distributions/state aid reimbursements+ [\$]	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 [\$]	Transfer: State Public School Fund [\$]	OSBM Civil Penalty & Forfeiture Fund [\$]	Collection cost of fines/forfeitures [\$]		Gross collections [\$]	Refunds [\$]	Net collections before transfers [\$]	Amount to General Fund [\$]
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%
2006-07....	5,530,314,297	321,722,290	5,208,592,006	100,925,884	4,124,281	17,373,938	29,900,058	2,044,586	45,741,278	12,857,559	53,581	4,995,570,841	2.50%	-12.88%	3.63%	2.08%
2007-08....	5,596,250,552	321,463,358	5,274,787,194	172,474,452	3,303,137	17,397,117	31,412,624	1,555,489	46,860,032	20,029,341	81,853	4,981,673,149	1.19%	-0.08%	1.27%	-0.28%
2008-09....	5,349,888,689	383,328,220	4,966,560,469	175,662,743	1,906,144	16,790,014	32,320,547	1,219,993	47,427,474	13,230,510	55,669	4,677,947,376	-4.40%	19.24%	-5.84%	-6.10%

Detail may not add to totals due to rounding. See chart below for additional detail of sales and use tax reimbursements, distributions, and transfers.

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 2007 General Assembly enacted legislation to extend the 4.25% rate through September 30, 2008. Effective October 1, 2008, the rate increased to 4.5%.

[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 *Transfer: State Public School Fund* column reflects the quarterly transfer of State sales and use tax net collections that replaces the provision of annual State sales tax refunds to local school administrative units and joint agencies created by interlocal agreements among local school administrative units.

Fiscal year	Distributions/State Aid Reimbursements+			Inter-fund Transfers++		Reserves/Transfers: Administrative Costs+++			
	Telecommunications tax distribution [municipal shares]* [\$]	Video programming distribution [local shares]* [\$]	Hold harmless payments [local shares]** [\$]	Wildlife Resources Fund [\$]	Dry-Cleaning Solvent Cleanup Fund [\$]	Local sales and use tax administration			
						General Fund: Non-tax revenue		Public Transit tax	Other
				General Statute Reference					105-472
105-164.44B	105-164.44E								
1994-95....	-	-	-	5,759,177	-	6,061,601	607,387	-	-
1995-96....	-	-	-	6,561,649	-	6,254,425	2,406,887	-	-
1996-97....	-	-	-	7,649,271	-	6,625,670	2,552,681	-	-
1997-98....	-	-	-	8,835,214	-	6,919,412	3,140,093	-	-
1998-99....	-	-	-	9,978,875	-	7,248,220	3,044,639	-	-
1999-00....	-	-	-	11,042,953	-	7,637,855	3,334,780	287,959	700,000
2000-01....	-	-	-	12,206,053	-	8,013,613	3,554,231	300,606	-
2001-02....	9,704,764	-	-	12,900,455	-	8,100,089	3,674,225	336,394	230,000
2002-03....	55,183,726	-	-	13,914,099	-	8,666,410	3,828,599	434,056	275,000
2003-04....	52,922,447	-	38,832,483	15,038,583	8,326,854	9,530,473	4,458,343	486,300	25,000
2004-05....	56,290,836	-	29,013,405	16,920,820	8,295,769	10,063,139	3,868,984	470,144	-
2005-06....	53,898,653	-	20,400,519	18,573,229	8,263,629	10,300,784	4,055,035	427,447	40,009
2006-07....	73,297,054	13,537,031	14,091,799	21,932,726	7,967,332	11,928,057	5,050,856	395,026	-
2007-08....	68,922,872	73,965,036	29,586,545	23,710,672	7,701,952	11,745,139	5,237,105	414,873	-
2008-09....	77,674,637	81,223,016	16,765,090	24,747,445	7,573,102	9,927,712	5,684,948	477,353	700,000

*Telecommunications: Due to enactment of the tax on January 1, 2002, the 2001-02 amount is for less than a full year.
 *Video programming: Due to enactment of the distribution provision for revenues collected on/after January 1, 2007 the 2006-07 amount is for less than a full year.
 **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 2007 General Assembly enacted G.S. 105-523 to hold harmless any county that does not benefit by \$500,000 annually from the exchange of a portion of the local sales and use taxes for the State's agreement to assume the nonfederal, nonadministrative costs of Medicaid. 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. 105-164.4(a)(4) during the previous fiscal year is to be transferred quarterly to the Dry-Cleaning Solvent Cleanup Fund.

TABLE 28. -Continued

Changes in State sales tax rates by year

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*).

2006-07

Effective July 1, 2006, sales of certain commercial logging machinery and related attachments, repair parts, lubricants, and fuel used to operate logging machinery were exempted from taxation (items are also exempt from the privilege tax under Article 5F). (Items were previously subject to the 1% sales or use tax or 1% privilege tax as appropriate.)

Effective October 1, 2006, sales to an eligible internet data center of electricity and eligible business property to be located and used at the center were exempted from taxation. (\$250 million investment required)

Effective December 1, 2006, the combined general rate was reduced from 7% to 6.75% to coincide with the 0.25% State general rate reduction. The combined general rate is the State's general rate plus the rate of local tax authorized for every county in the State (2.5%). The combined general rate is imposed on the gross receipts of providing telecommunications service and ancillary service, video programming services (direct-to-home satellite and cable), and to sales of spirituous liquor other than mixed beverages.

Effective January 1, 2007, the credit allowed against the sales tax imposed for locally paid cable television franchise taxes was repealed as cable service providers no longer pay franchise taxes on cable services to local governments; legislation authorized a quarterly payment from the State to local governments as replacement for the taxing authority.

TABLE 28. -Continued

2007-08

Effective **July 1, 2007**, the tax rate applicable to sales of electricity sold to a manufacturing industry or plant for use in connection with the operation of the industry or plant was reduced from 2.83% to 2.6%; the purchase by a research and development company of certain equipment, attachments, or repair parts used in the physical, engineering, and life sciences was exempted from the State and local sales or use tax and instead was made subject to the 1% privilege tax with a maximum tax of \$80 under Article 5F, Manufacturing Fuel and Certain Machinery and Equipment Tax. Effective **October 1, 2007**, the tax rate applicable to sales of electricity sold to a manufacturing industry or plant for use in connection with the operation of the industry or plant was further reduced from 2.6% to 1.8%; the tax rate applicable to sales of electricity sold to farmers to be used for any farming purposes other than preparing food, heating dwellings, and other household purposes was reduced from 2.83% to 1.8%; definition of "bundled transaction" set out specific taxation rules applicable for bundles of products that include both taxable and exempt products; baler twine was added to the exemption list of specific items sold to a farmer to be used for qualifying purposes; bakery thrift store sales of bread, rolls, and buns became exempt from State taxation; and the purchase by a software publishing company of certain equipment, attachments, or repair parts that meet certain requirements and the purchase by an eligible datacenter of certain machinery or equipment to be located and used at the datacenter were exempted from the State and local sales or use tax and instead made subject to the 1% privilege tax with a maximum tax of \$80 under Article 5F. The State began assuming the financial nonfederal, nonadministrative Medicaid responsibilities for the counties over a three-year period that includes provisions for a 1/2% sales tax rate exchange between local and state governments as well as various measures to insure the locals are held harmless (protected from revenue loss) as result of the Medicaid swap legislation. Effective **April 1, 2008**, the combined general rate of sales and use tax increased from 6.75% to 7% to incorporate the additional 1/4% levy authorized for county governments by the 2007 General Assembly. The combined general rate is the State's general rate (4.25%) plus the rate of local tax authorized for every county in the State (2.75%). The combined general rate is imposed on the gross receipts of providing telecommunications service and ancillary service, video programming services (direct-to-home satellite and cable), and to sales of spirituous liquor other than mixed beverages.

2008-09

Effective **July 1, 2008**, the tax rate applicable to sales of electricity sold to a manufacturing industry or plant for use in connection with the operation of the industry or plant and to farmers to be used for any farming purposes other than preparing food, heating dwellings, and other household purposes was further reduced from 1.8% to 1.4%. Effective **July 16, 2008**, tangible personal property purchased with a client assistance debit card issued for disaster assistance relief by qualified entities became exempt; also, an exemption provision allowable for interior design services provided in conjunction with the sale of tangible personal property became effective. Effective **October 1, 2008**, the State general rate increased from 4.25% to 4.5%. Effective **January 1, 2009**, bakery items sold without eating utensils by an artisan bakery were exempted from the State sales tax.

