

TABLE 29. 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 [\$]		Gross collections	Refunds	Net collections before transfers	Amount to General Fund
1989-90.....	1,849,170,386	75,197,481	1,773,972,905	-	-	5,424,636	5,830,282	-	1,762,717,987	4.49%	11.32%	4.22%	4.82%
1990-91.....	1,772,243,326	81,083,038	1,691,160,288	-	-	5,813,635	3,005,771	-	1,682,340,881	-4.16%	7.83%	-4.67%	-4.56%
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%

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 and is scheduled to revert to 4% effective **July 1, 2007**.

All telecommunications services, including interstate, are taxed at 6%. Effective **January 1, 2002**, prepaid telephone calling arrangements were made subject to the general rate of 4.5%.

Sales of aircraft, boats, railway cars, locomotives, mobile classrooms, and mobile offices are taxable at a 3% rate with a maximum tax per article of \$1,500.

Manufactured (mobile) homes are taxed at a 2% rate with a maximum tax of \$300 per section. Modular homes are taxed at a 2.5% rate effective **January 1, 2004**.

Direct-to-home satellite service in this State is taxed at a rate of 5%. The sale of spirituous liquor other than mixed beverages is subject to a State rate of 6%.

Sales of electricity for residential use are taxed at 3%; sales of electricity to manufacturers, farmers, and commercial laundries and dry cleaners for business purposes are subject to a 2.83% rate. [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 will increase to the combined general rate of 7%; voice mail services will become taxable as part of telecommunications services.]

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.

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.

*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. 105-164.4B):

1989-90	\$	3,005,253	1994-95	\$	5,759,177	1999-00	\$	11,042,953
1990-91	\$	2,839,934	1995-96	\$	6,561,649	2000-01	\$	12,206,053
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

2003-04

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, at the end of each quarter, to the Dry-Cleaning Solvent Cleanup Fund established under G.S. 143-215.104C.

The amount of the transfer for fiscal year 2003-04, \$8,326,854, is included in the *Inter-governmental inter-fund transfers* column.

TABLE 29 . -Continued

Changes in State sales tax rates by year

1989-90 Effective August 1, 1989, the maximum tax per article applicable to aircraft, railway, boats, etc. increased from \$300 to \$1,500; the \$300 limit remained for motor vehicles.

Effective October 1, 1989, retail sales of motor vehicles became exempt from sales tax and, instead, became subject to the 3% rate of highway use tax under Article 5A of G.S. Chapter 105, with a minimum tax of \$40, with certain exceptions, and a maximum tax of \$1,000 on any one motor vehicle. Prior to the law change, motor vehicles were subject to a 2% State sales and use tax rate with a maximum tax of \$300. Collections of the 2% sales tax on motor vehicles are included in collections for 1988-89; collections for 1989-90 include less than a full year's collections due to the law change. Concurrently, lessors of motor vehicles were given the option of either paying the highway use tax on the purchase price of the vehicles to be leased or collecting and remitting sales tax on the lease receipts at a rate of 8% for the first 90 continuous days of vehicle rental to the same person; after 90 days the rate would revert to 3%. Proceeds from the 8% levy are included in collections beginning with fiscal year 1989-90; proceeds from the 3% levy are not included.

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 are 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 are taxable and subject to both the State and local rates under G.S. 105-164.13(50).]

Effective January 1, 2004, candy is exempt 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).]