

TABLE 40. NORTH CAROLINA HIGHWAY USE TAX NET COLLECTIONS

[G.S. 105 ARTICLE 5A.]

[Tax Revenue Generated from Motor Vehicle Retail Sales and Leases]

Fiscal year	Highway Use Tax Collections								Year-over-year % change			
	(+) Revenue generated from retail sales at 3% rate [\$]	(+) Revenue generated from long-term leases at 3% rate [\$]	(+) Revenue generated from short-term leases at 8% rate [\$]	(=) Total revenue generated from all rates [\$]	Collections to Highway Trust Fund [3% rate proceeds] [\$]	Annual appropriation to General Fund from Highway Trust Fund [\$]	Net Highway Trust Fund receipts after appropriation [\$]	Collections to General Fund [8% lease proceeds + appropriation] [\$]	Revenue generated from retail sales at 3% rate	Revenue generated from long-term leases at 3% rate	Revenue generated from short-term leases at 8% rate	Total revenue generated from all rates
	1991-92.....	238,480,817	3,858,547	17,813,886	260,153,250	242,339,364	170,000,000	72,339,364	187,813,886	4.22%	70.59%	-3.22%
1992-93.....	267,719,306	5,532,557	20,189,023	293,440,886	273,251,863	170,000,000	103,251,863	190,189,023	12.26%	43.38%	13.33%	12.80%
1993-94.....	320,422,038	10,051,672	22,070,026	352,543,736	330,473,710	170,000,000	160,473,710	192,070,026	19.69%	81.68%	9.32%	20.14%
1994-95.....	350,367,158	14,281,460	25,272,634	389,921,252	364,648,618	170,000,000	194,648,618	195,272,634	9.35%	42.08%	14.51%	10.60%
1995-96.....	376,244,090	21,029,007	29,737,767	427,010,863	397,273,096	170,000,000	227,273,096	199,737,767	7.39%	47.25%	17.67%	9.51%
1996-97.....	377,645,699	29,931,635	32,388,443	439,965,777	407,577,334	170,000,000	237,577,334	202,388,443	0.37%	42.33%	8.91%	3.03%
1997-98.....	411,025,029	42,201,628	31,112,642	484,339,299	453,226,657	170,000,000	283,226,657	201,112,642	8.84%	40.99%	-3.94%	10.09%
1998-99.....	448,056,636	41,456,795	35,398,039	524,911,470	489,513,431	170,000,000	319,513,431	205,398,039	9.01%	-1.76%	13.77%	8.38%
1999-00.....	496,775,934	48,492,419	31,320,520	576,588,873	545,268,353	170,000,000	375,268,353	201,320,520	10.87%	16.97%	-11.52%	9.84%
2000-01.....	492,373,134	52,793,621	25,710,847	570,877,602	545,166,755	170,000,000	375,166,755	195,710,847	-0.89%	8.87%	-17.91%	-0.99%
2001-02.....	511,111,396	44,209,144	26,196,182	581,516,722	555,320,540	171,700,000	383,620,540	197,896,182	3.81%	-16.26%	1.89%	1.86%
2002-03.....	517,449,803	35,308,776	29,768,723	582,527,302	552,758,579	377,400,000	175,358,579	407,168,723	1.24%	-20.13%	13.64%	0.17%
2003-04.....	547,705,783	30,640,458	40,780,642	619,126,883	578,346,241	252,422,125	325,924,116	293,202,767	5.85%	-13.22%	36.99%	6.28%
2004-05.....	551,432,079	28,682,062	43,909,573	624,023,714	580,114,141	242,520,317	337,593,824	286,429,890	0.68%	-6.39%	7.67%	0.79%
2005-06.....	548,395,734	28,840,970	49,821,633	627,058,337	577,236,704	252,558,117	324,678,587	302,379,750	-0.55%	0.55%	13.46%	0.49%

Detail may not add to totals due to rounding.

Effective **October 1, 1989**, retail sales of motor vehicles became exempt from the 2% rate (\$300 limit) sales and use tax and became subject to the 3% rate of highway use tax with a minimum tax of \$40 and a maximum tax of \$1,000 on any one motor vehicle. The maximum tax per vehicle increased from \$1,000 to \$1,500 effective for transactions made on or after **July 1, 1993**. Effective **October 1, 2001**, the \$1,500 limit was repealed for most vehicles. [A \$1,000 maximum applies to Class A and Class B commercial motor vehicles; recreational vehicles that are not Class A or Class B commercial vehicles retained the \$1,500 cap.]

Under the new law, lessors of motor vehicles were given the option of either paying the 3% highway use tax on the purchase price of the vehicle at acquisition or an 8% tax on the gross receipts generated from leasing the vehicle. The irrevocable election of paying the 3% highway use tax or the 8% gross receipts tax was to be made by the retailer when applying for a certificate of title for a vehicle. [The 2003 General Assembly enacted an exception to the one-time rental vehicle tax election allowing a retailer who had paid the 3% use tax to also pay the 8% gross receipts tax provided the decision to pay the additional tax be made by **July 1, 2003**.] The 8% rate applies to short-term leases (less than 365 days); the 3% rate applies to long-term leases.

The North Carolina Highway Trust Fund was established during the 1989 General Assembly to subsidize transportation improvements. The legislation directed the taxes collected during 1990-91 to be deposited in the General Fund. Thereafter, taxes generated from the 3% rate were to be deposited in the Highway Trust Fund, and beginning in 1991-92, a specified allocation would be transferred from the Highway Trust Fund to the General Fund. Proceeds from the 8% levy applicable to short-term leases were to be deposited in the General Fund.