

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 | |
| | | | | | | | | | | | | | |
| 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% | |
| 2006-07..... | 570,672,943 | 34,374,413 | 49,250,929 | 654,298,286 | 605,047,356 | 57,486,602 | 547,560,754 | 106,737,531 | 4.06% | 19.19% | -1.15% | 4.34% | |
| 2007-08..... | 534,878,642 | 30,750,234 | 53,016,394 | 618,645,270 | 565,628,876 | 172,543,306 | 393,085,570 | 225,559,700 | -6.27% | -10.54% | 7.65% | -5.45% | |
| 2008-09..... | 413,752,308 | 27,597,594 | 47,714,293 | 489,064,195 | 441,349,902 | 147,531,245 | 293,818,657 | 195,245,538 | -22.65% | -10.25% | -10.00% | -20.95% | |

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 not subject to the \$1,000 maximum 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.