

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE FISCAL NOTE

BILL NUMBER: H.B. 708 (2nd Edition)

SHORT TITLE: Sanford-Lee Airport Authority Refunds

SPONSOR(S): Rep. Cox

FISCAL IMPACT					
	Yes (X)	No ()	No Estimate Available ()		
	<u>FY 1999-00</u>	<u>FY 2000-01</u>	<u>FY 2001-02</u>	<u>FY 2002-03</u>	<u>FY 2003-04</u>
REVENUES					
General Fund	(\$1500)	(\$1500)	(\$1500)	(\$1500)	(\$1500)
Local Governments	(\$750)	(\$750)	(\$750)	(\$750)	(\$750)
Sanford-Lee Airport Auth.	\$900	\$900	\$900	\$900	\$900
Brunswick County A.A.	\$1350	\$1350	\$1350	\$1350	\$1350
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: Department of Revenue, Sales Tax Division, and Sanford-Lee Airport Authority, Brunswick County Airport Authority.					
EFFECTIVE DATE: When it becomes law.					

BILL SUMMARY: Under G.S. 105-164.14(c), certain government entities are eligible for refund of the sales taxes they paid on purchases in the previous fiscal year. This refund is issued annually. The types of government organizations that are currently eligible for the refund include city and county governments, municipal sewer districts, water and sewer authorities, public health authorities, a council of government, schools, and regional public transportation authorities. The law also states that local airport authorities, created by the General Assembly, may be eligible for the refund if the authority meets at least one of the following criteria: it has all the rights of a municipality, a local act of the General Assembly declares it to be a municipality, or a local act of the General Assembly specifically authorizes it to receive the refund. This bill is a local act that would specifically authorize the Sanford – Lee Airport Authority and the Brunswick Airport Authority to receive the sales tax refund.

ASSUMPTIONS AND METHODOLOGY: The bill impacts two airport authorities: Sanford-Lee and Brunswick County.

Sanford-Lee: Prior to FY 1995-96 the Sanford – Lee Airport Authority has been receiving a sales tax refund. Airport officials estimate that this refund was approximately \$500 - \$700 per year. In 1996 the Sales Tax Division of the Department of Revenue notified the Sanford – Lee Airport Authority that they were ineligible to receive the refund. The Airport Authority has not received a refund since that time.

According to the Sanford Director of Finance, who maintains the authority’s financial records, in FY 1997-98 the Authority made taxable purchases of \$12,185. As such, the total sales tax charged was \$731 ($\$12,185 \times 6\%$). While the Authority has only paid \$578 in sales taxes this year, this number is expected to return to near \$750. (The airport authority is in the process of closing their existing facility, and opening a new airport;. it appears many of taxable purchases are being delayed until the new facility is open. The construction costs are being funded primarily through federal grants and are handled as a federal government purchase. As such, a change in the status of the airport authority will have no impact on construction-related purchases).

Assuming the authority continues to make approximately \$12,500 to \$15,000 in taxable purchases each year, total lost tax revenue would be approximately \$750 to \$900 per year. Two-thirds of this revenue loss (\$500 to \$600) will be to the State and one-third (\$250 to \$300) will be to local governments. The larger number in the range is used for estimate purposes.

Brunswick County: According to the Brunswick County Finance Office, because of the structure of state and federal airport grants, all major construction dollars for the airport are handled by the county. Therefore, the purchases for major construction projects will also be handled by the county, which already receives a sales tax refund. Day to day purchases are made directly by the Airport Authority. The Authority estimates their sales tax refund for the past fiscal year would have been \$1308.51, if they had been able to claim a refund. They do not anticipate any significant change in this number in the next five years. The fiscal note assumes an annual tax refund of \$1350.00. Two-thirds of this amount will be a loss to the state. The balance is a local loss.

FISCAL RESEARCH DIVISION 733-4910

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