

**NORTH CAROLINA GENERAL ASSEMBLY**

**LEGISLATIVE FISCAL NOTE**

**BILL NUMBER:** HB 1326 (House Finance Committee Substitute)

**SHORT TITLE:** Dry-Cleaning Solvent Cleanup Amends.

**SPONSOR(S):** Representatives Pryor Gibson & Larry Justus

**FISCAL IMPACT**

	<b>Yes (X)</b>	<b>No ( )</b>	<b>No Estimate Available ( )</b>		
	<b><u>FY 1999-00</u></b>	<b><u>FY 2000-01</u></b>	<b><u>FY 2001-02</u></b>	<b><u>FY 2002-03</u></b>	<b><u>FY 2003-04</u></b>
<b>REVENUES</b>					
General Fund					
- Sales Tax Transfer			(\$2,300,000)	(\$4,600,000)	(\$6,900,000)
Dry-Cleaning Solvent Cleanup Fund			\$2,300,000	\$4,600,000	\$6,900,000

**PRINCIPAL DEPARTMENT(S) &**

**PROGRAM(S) AFFECTED:** Department of Revenue (DOR);  
Environmental Management Commission

**EFFECTIVE DATE:** Sections 1 (sales tax transfer) and 2 (revenue to Dry Cleaning Solvent Fund) are effective July 1, 2001 and sunset on July 1, 2010. Sections 3 and 4 (financial responsibility for dry-cleaning contamination) are retroactive to April 1, 1998. Sections 5 through 21 are effective when the act becomes law.

**BILL SUMMARY:**

The bill repeals all provisions in the Dry-Cleaning Solvent Cleanup Act of 1997, retroactive to April 1, 1998, that required owners or operators of dry-cleaning facilities to maintain financial responsibility for dry-cleaning solvent contamination. Also retroactive to April 1, 1998, deductibles for cleanup of dry-cleaning solvent releases are raised by \$5,000 for each category of facility other than abandoned facilities. The act transfers a percentage of the sales tax on dry cleaning and laundry services to the Dry-Cleaning Solvent Cleanup Fund. The bill makes other technical and clarifying changes.

**BACKGROUND:**

A state sales tax of 4% and local sales tax of 2% is imposed on the gross receipts of businesses “operating a dry-cleaning, pressing, or hat blocking establishment, a laundry, or any similar business, engaged in the business of renting clean linen or towels or wearing apparel, or any similar business, or engaged in the business of soliciting cleaning, pressing, hat blocking, laundering or linen rental business for any of these businesses.” A 1% sales tax with a \$80 maximum is applied to sales of dry-cleaning and laundering machinery. Items used in the dry-cleaning and laundering process such as starch, soap, cleaning fluids, hangers, and bags are exempted from sales and use tax.

**ASSUMPTIONS AND METHODOLOGY:**

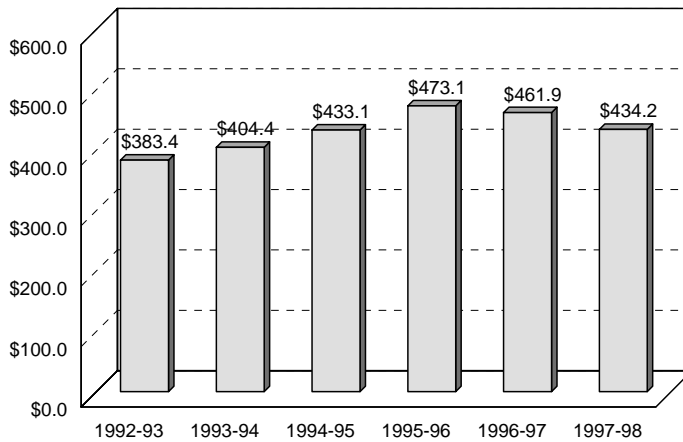
**REVENUE**

The gross retail sales for laundries and dry cleaners have declined in recent years from a high of \$473.1 million in 1995-96 to \$434.3 million in 1997-98. Gross retail sales in the current fiscal year are on pace to finish at \$431 million. This fiscal note will assume gross retail sales of \$435 million a year with no growth.

**GROSS RETAIL SALES FOR LAUNDRIES AND DRY CLEANERS**

\$ Millions

Gross retail sales taxable and reported on semimonthly sales. To estimate the nontaxable sales from the equation. collection by 4%, result by gross the percentage of 1993 to 1999, the



includes both nontaxable sales monthly and use tax returns. impact of HB 1326, must be removed Dividing sales tax then dividing that retail sales provides taxable sales. From percentage of

taxable sales ranged from 81.6% in FY 1996-97 to 90.3% in the first seven months of 1998-99 (see chart below). This fiscal note will assume the midpoint of this range or 87.9%. If \$435 million in gross retail sales of laundry and dry-cleaning services each year, then 87.9% or \$382,365,000 in sales are taxable.

	<u>Sales Tax Collected</u>	<u>Gross Retail Sales</u>	<u>Percent (%) Taxable</u>
FY 1998-99	\$ 9,075,796	\$251,316,232	90.3%
FY 1997-98	\$15,225,715	\$434,290,844	87.6%
FY 1996-97	\$15,085,579	\$461,954,623	81.6%
FY 1995-96	\$16,091,521	\$473,132,389	85.0%
FY 1994-95	\$15,234,188	\$433,121,056	87.9%
FY 1993-94	\$14,426,870	\$404,433,777	89.2%
FY 1992-93	\$13,689,558	\$383,399,394	89.3%

A 4% state sales tax on \$383.4 million in dry-cleaning, laundry and linen rental services is equal to \$15.34 million. HB 1326 transfers a portion of these state sales tax receipts from dry cleaning and laundry services to the Dry-Cleaning Solvent Cleanup Fund as follows:

	<u>% of Tax Transferred</u>	<u>Amount Transferred</u>	-
FY 1999-00			
FY 2000-01			
FY 2001-02	15%	\$2.3 million	
FY 2002-03	30%	\$4.6 million	
FY 2003-04	45%	\$6.9 million	
FY 2004-05	60%	\$9.2 million	
FY 2005-06	60%	\$9.2 million	

**FISCAL RESEARCH DIVISION: 733-4910**

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**APPROVED BY:** Tom Covington

**DATE:** Tuesday, July 06, 1999



**Signed Copy Located in the NCGA Principal Clerk's Offices**