

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE FISCAL NOTE

BILL NUMBER: HB 1303 (HCS)

SHORT TITLE: Nonprofits Exempt from Admissions Tax

SPONSOR(S): Rep. Starnes

FISCAL IMPACT

Yes (X) No () No Estimate Available ()

FY 2003-04 FY 2004-05 FY 2005-06 FY 2006-07 FY 2007-08

REVENUES

General Fund

*** See Assumptions and Methodology ***

PRINCIPAL DEPARTMENT(S) &

PROGRAM(S) AFFECTED: NC Department of Revenue.

EFFECTIVE DATE: July 1, 2003.

BILL SUMMARY: The bill exempts from the 3% gross receipts tax on amusements the gross receipts from youth athletic contests that meet all of the following criteria: 1) the athletes participating are all less than 19 years old; 2) the admission price is \$5.00 or less; and 3) the sponsor of the contest is exempt from North Carolina income tax.

ASSUMPTIONS AND METHODOLOGY: Currently state high school championships and the national high school track events are exempt pursuant to GS 105-40(5). The legislation does not affect these events. However, Fiscal Research and the Department of Revenue believe the following list of events which are currently taxable would be exempted under the legislation, if either an admission fee in excess of 50 cents is charged (GS 105-37.1) or the sponsoring organization meets the exception requirements in GS 105-40(6). (GS 105-40(6) exempts the first \$1,000 of gross receipts if the events are promoted and managed by a civic organization and the entire proceeds are used for civic and charitable purposes and not to defray the organization's expenses.)

American Legion Baseball
PONY softball tournaments
Pop Warner football championships
Babe Ruth League championships

AAU events
Junior Olympics
Special Olympics
CASL special tournaments

The Department of Revenue indicates that in 2001-02 approximately \$9.6 million was collected, in total, from the gross receipts tax on amusements. To date, approximately \$7.8 million has been collected in 2002-03, which excludes at least one month of ticket sales. The data also indicates that in the most recent filing period, approximately 450 different organizations paid the gross receipts tax. However, the Department is unable to determine how many of those 450 organizations would be exempt under the legislation, although the number is expected to be relatively small. In addition, the Department of Revenue is not certain that all the potentially impacted organizations are currently paying the tax owed. Therefore, no exact fiscal estimate is possible.

It should be noted if 1,000,000 tickets sold at the maximum rate were sold, the total revenue to the state would be \$150,000 under current law. That same amount would be lost under the legislation.

SOURCES OF DATA: NC Department of Revenue

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