

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2005

Legislative Fiscal Note

BILL NUMBER: House Bill 143 (First Edition)

SHORT TITLE: Exempt Agri-Tourism From Privilege Tax.

SPONSOR(S): Representative Coates

	FISCAL IMPACT				
	Yes (X)	No ()	No Estimate Available ()		
	<u>FY 2005-06</u>	<u>FY 2006-07</u>	<u>FY 2007-08</u>	<u>FY 2008-09</u>	<u>FY 2009-10</u>
REVENUES:	(\$655,600)	(\$124,624)	(\$127,366)	(\$129,913)	(\$132,512)
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: NC Department of Revenue					
EFFECTIVE DATE: January 1, 2001					

BILL SUMMARY:

This bill would exempt the following activities from the 3% gross receipts privilege tax: all farm-related exhibitions, shows, attractions, or amusements offered on land used for farm purposes, including hayrides, animal exhibitions, and farm pond fishing.

ASSUMPTIONS AND METHODOLOGY:

According to the NC Department of Revenue, the privilege tax is not collected for activities such as hayrides and farm pond fishing because of the participatory nature of the entertainment. Animal exhibitions are considered to be taxable under current law, however, the Department is aware of only two instances in which current taxpayers would be affected by the proposed bill. Because it is unclear whether additional businesses may qualify, this estimate assumes a total of four businesses would be exempted under the bill.

The first step of the fiscal impact analysis is to calculate the annual privilege tax that would be lost from the exemption. For the purposes of this estimate, an average privilege tax revenue per business is calculated based on the average for the two businesses cited by the Department of Revenue. The average is then multiplied by four businesses for a total annual revenue loss of \$119,200. Because the effective date for this bill is January 1, 2001, the annual revenue loss is multiplied by 5.5 to calculate the total first-year impact. The impact of each subsequent year is calculated based on the annual privilege tax revenue plus an inflation factor of 2-2.3%.

SOURCES OF DATA: NC Department of Revenue

TECHNICAL CONSIDERATIONS: None

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