

HB305 Policy Analysis



Legal Analysis

Andrea Leslie-Fite
County Attorney



Authorization

A qualifying municipality may *now* receive an allocated share of the net proceeds of taxes collected pursuant to Articles 39, 40, 42, and Chapter 105 during any year in which the ad valorem distribution is in effect for Guilford County provided certain criteria is met

A qualifying municipality is one that is : (a) in Guilford County; (b) Does not levy ad valorem taxes; and (c) does not receive distributions pursuant to the ad valorem distribution method

Session Law 2025-87

- Session Law 2025-87 is a Local Act applying only to Guilford County which accomplishes the following:
 - Allows municipalities that do not levy ad valorem taxes to receive a percentage of local government sales and use tax distributions
 - Modifies ballot question for a referendum regarding the levy of the Article 46 Quarter-Cent Sales and Use Tax
 - Specifies the uses of the Article 46 Tax Proceeds
 - Distributes a portion of the Article 46 Tax Proceeds to certain municipalities

Requirements to Receive Distribution

- Qualifying municipality shall adopt a resolution indicating its intent to receive an allocated share
- Resolutions adopted in 2025 must be adopted no later than October 1, 2025
- Resolutions adopted in any other year must be adopted during the month of April
- Certified copies of the resolution must be delivered to the Secretary of Revenue
- Resolutions adopted pursuant to this process are effective for net proceeds distributed beginning the fiscal year following the fiscal year in which the resolution was adopted and is effective until either (i) the municipality no longer meets the criteria of a qualifying municipality or (ii) the Guilford County Board of Commissioners choosing the per capita distribution method



Levy

This tax may only be levied after being approved by a voter referendum

The Board of County Commissioners may direct the County Board of Elections to conduct an advisory referendum on the question of whether to levy a local sales and use tax in the county as provided in this Article.

The election shall be held in accordance with the procedures of G.S. 163-287, except that the election shall not be held within one year from the date of the last preceding election under this section.

Ballot Question

"[] FOR [] AGAINST

- Local sales and use tax at the rate of one-quarter of one percent (0.25%) in addition to all other State and local sales and use **"taxes to be used solely for classroom teacher salary supplements, fire protection equipment and services, for Guilford Technical Community College, and to be used by municipalities for any public purpose."**

Fiscal Analysis

Toy Beeninga
Budget Director



Defining Terms

Per Capita Distribution

Sales tax from Article 39 (1 cent), Article 40 (1/2 cent), and Article 42 (1/2 cent) is distributed between the county and municipalities proportionally based on population.

Fire Districts are not eligible for sales tax distribution.

Ad Valorem Distribution

Sales tax from Article 39 (1 cent), Article 40 (1/2 cent), and Article 42 (1/2 cent) is distributed between the county and municipalities proportionally based on the net levy of property tax.

Fire Districts are eligible for sales tax distribution.

Fiscal Impact

Section 1 – Municipalities that do not levy a property tax

This section would modify the County's method of sharing sales tax revenues by requiring sales tax revenues to be shared with a municipality that does not levy ad valorem property taxes, benefiting Stokesdale.

Based on NC Fiscal Research Division, impacts include:

- Guilford County = ~\$220,000.
- Greensboro = ~\$120,000
- High Point = ~\$35,000
- Other municipalities = \$25,000

Section 2 – Article 46 Sales Tax

- Voter approval of Article 46 sales tax discontinues section 1
- Three Step Distribution Process

Step 1:

- 20% or \$5 million - Guilford Fire and Rescue Council
- 10% or \$2.5 million - Guilford Technical Community College

Step 2:

- Distribution to municipalities based on comparison of per capita and ad valorem distribution, no defined cap.
- Oak Ridge, Pleasant Garden, Stokesdale, and Whitsett for any public purpose
- Summerfield distributes the first \$3 million to Summerfield Fire District for capital enhancements for water resources

Step 3:

- Total Step 1 with remaining after Step 2 and determine amounts
- Remaining allocation to Guilford County Schools for salary supplements for classroom teachers.

Fiscal Impact – Step 1

\$28.7 million

Estimated Distribution

Step 1 - \$8.6 million

Set aside for Step 3

Section 2 – Article 46 Sales Tax

Step 1:

- 20% or min. of \$5 million - Guilford Fire and Rescue Council for capital and equipment
- 10% or min. of \$2.5 million - Guilford Technical Community College

Fiscal Impact – Step 2

\$28.7 million

Estimated Distribution

Step 1 - \$8.6 million

Set aside for Step 3

Step 2 - \$1.3 million

Oak Ridge = **\$166,000**

Pleasant Garden = **\$189,000**

Stokesdale = **\$391,000**

Whitsett = **\$3,700**

Summerfield = **\$536,000**

Section 2 – Article 46 Sales Tax

Step 1:

- 20% or min. of \$5 million - Guilford Fire and Rescue Council for capital and equipment
- 10% or min. of \$2.5 million. - Guilford Technical Community College

Step 2:

- Distribution to municipalities based on comparison of per capita and ad valorem distribution, no defined cap.
- Oak Ridge, Pleasant Garden, Stokesdale, and Whitsett for any public purpose
- Summerfield distributes the first \$3 million to Summerfield Fire District for capital enhancements for water resources related to fire protection

Fiscal Impact – Step 2

Section 2 – Article 46 Sales Tax

The allocated share represents the methodology that was used in Section 1 to determine the impact for Stokesdale.

If the Article 46 ballot measure is approved, then Section 1 is discontinued.

A	B	C	D	E	F	G
	Per Capita %	Ad Val %	Ad Val	Per Capita	Adjusted Distribution (E * 0.25)	Allocated Share (F – D)
(AD VALOREM)	54.66993%	60.86531%	152,959,035	137,389,591		
ARCHDALE	0.03925%	0.01437%	36,118	98,638	24,660	(11,458)
BURLINGTON	0.21731%	0.14104%	354,440	546,116	136,529	(217,911)
GIBSONVILLE	0.48479%	0.26579%	667,955	1,218,313	304,578	(363,376)
GREENSBORO	30.08286%	28.97685%	72,820,987	75,600,459	18,900,115	(53,920,872)
HIGH POINT	10.91149%	8.76584%	22,029,211	27,421,384	6,855,346	(15,173,865)
JAMESTOWN	0.37698%	0.41001%	1,030,397	947,379	236,845	(793,552)
KERNERSVILLE	0.05783%	0.27863%	700,207	145,331	36,333	(663,874)
OAK RIDGE	0.79878%	0.13342%	335,290	2,007,393	501,848	166,558
PLEASANT GARDEN	0.50169%	0.05013%	125,982	1,260,784	315,196	189,214
SEDALIA	0.06826%	0.02185%	54,919	171,542	42,886	(12,033)
STOKESDALE	0.62341%	0.00000%	-	1,566,676	391,669	391,669
SUMMERFIELD	1.10860%	0.06353%	159,659	2,785,994	696,499	536,840
WHITSETT	0.05882%	0.01322%	33,221	147,819	36,955	3,734
TOTAL	100.00000%	100.00000%	251,307,420			

Fiscal Impact – Step 3

\$28.7 million

Estimated Distribution

Step 1 - \$8.6 million

Set aside for Step 3

Step 2 - \$1.3 million

Oak Ridge = \$166,000

Pleasant Garden = \$189,000

Stokesdale = \$391,000

Whitsett = \$3,700

Summerfield = \$536,000

Step 3 - \$27.4 million

GFRC = \$5.5 million

GTCC = \$2.7 million

GCS = \$19.2 million

Section 2 – Article 46 Sales Tax

Step 1:

- 20% or min. of \$5 million - Guilford Fire and Rescue Council for capital and equipment
- 10% or min. of \$2.5 million - Guilford Technical Community College

Step 2:

- Distribution to municipalities based on comparison of per capita and ad valorem distribution, no defined cap.
- Oak Ridge, Pleasant Garden, Stokesdale, and Whitsett for any public purpose
- Summerfield distributes the first \$3 million to Summerfield Fire District for capital enhancements for water resources related to fire protection.

Step 3:

- Total Step 1 with remaining after Step 2 and determine amounts
 - 20% or \$5 million - Guilford Fire and Rescue Council
 - 10% or \$2.5 million - Guilford Technical Community College
- Remaining allocation to Guilford County Schools for salary supplements for classroom teachers, defined as an employee of a local board of education who spends at least 70% of his or her time in classroom instruction.

Additional Details – Do not Supplant

A county shall use the net proceeds of a tax distributed to it under this Article to **supplement and not to supplant** or replace existing funds or other resources for the items listed and shall, at a minimum, maintain funding for the items listed at a level that meets the average level of funding provided for that item during the previous 10 years.



Timeline on Next Steps

- **November 05, 2026** - Obtain voter approval in non-binding advisory referendum
- **December 03, 2026** - Provide 10 days public notice of intent to adopt resolution levying the new tax
- **December 17, 2026** – Approve resolution levying new tax
- **December 30, 2026** – Forward adopted resolution levying the tax to Department of Revenue
- **April 01, 2027** – Collection of revenue for ¼% Sales Tax increase begins
- **July 2027** – Distribution of Sales Tax begins

Operational Impact Analysis

Jim Albright
Emergency Services Director



Challenges Facing the Districts

- Declining volunteerism
 - The current model was built with predominantly volunteer labor
- Increased costs and competitiveness for labor
- Highly inflationary costs of apparatus (100% increase in 5 years)
- Service District revenue constrained to geographic districts with variability of growth
 - Annexation
- H305 affords an opportunity to diversify funding streams
 - Allows districts to concentrate on labor and operating costs with district funding