

# Update of Article 46 Sales Tax Local Bill (HB305)

# Objectives

- Update on continued discussions with General Assembly
- Discuss Board feedback from December 4
  - Establish fixed percentages for ballot language
  - Remove the minimum set aside of \$5 million for Fire/Rescue Council and \$2.5 million for GTCC

# Establishing Fixed Percentage

To establish fixed percentages, the following must occur:

- Develop a revised funding formula
  - Adjusts how the municipal funding is calculated
  - Establishes new definitions
  - Eliminate minimum set asides

# Original Bill Calculations

1. Teacher Supplements = \$19.2 million (66.9%)
2. Fire Services = \$5.5 million (19.2%)
3. GTCC Capital = \$2.7 million (9.4%)
4. Municipalities = \$1.3 million (4.5%)
  - Oak Ridge = \$166,000
  - Pleasant Garden = \$189,000
  - Stokesdale = \$391,000
  - Whitsett = \$3,700
  - Summerfield = \$536,000 (first \$3 million for water infrastructure to support fire protection)

# New Math for Municipal Allocations

A	B	C	D	E	F	G	H	I
	Per Capita %	Ad Val %	Ad Val	Per Capita	Adjusted Distribution (E * 0.25)	Allocated Share (F - D)	Allocated proportional percentage	Allocated proportional share
								4% = \$1,148,000
<b>(AD VALOREM)</b>	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	12.9%	\$148,452
PLEASANT GARDEN	0.50169%	0.05013%	125,982	1,260,784	315,196	\$189,214	14.7%	\$168,645
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	30.4%	\$349,092
SUMMERFIELD	1.10860%	0.06353%	159,659	2,785,994	696,499	\$536,840	41.7%	\$478,482
WHITSETT	0.05882%	0.01322%	33,221	147,819	36,955	3,734	0.3%	\$3,328
<b>TOTAL</b>	100.00000%	100.00000%	251,307,420					

Note: creating a defined percentage for municipalities creates potential adverse outcomes. For instance, if only a single municipalities qualifies, it would receive the full 4%.

# Comparison of Totals

Categories	Current	Option 1 – Maintain %	Option 2 – Maintain ~\$ funding	Option 3 – Maintain Initial Intent
Teacher Supplements	\$19.21 million (66.9%)	\$18.93 million (66%)	\$19.51 million (68%)	\$20.08 million (70%)
Fire Services	\$5.50 million (19.2%)	\$5.74 million (20%)	\$5.45 million (19%)	\$5.16 million (18%)
GTCC Capital	\$2.70 million (9.4%)	\$2.87 million (10%)	\$2.58 million (9%)	\$2.29 million (8%)
Municipalities	\$1.29 million (4.5%)	\$1.15 million (4%)	\$1.15 million (4%)	\$1.15 million (4%)

- Option 1 maintains percentages for GTCC and Fire Rescue Council but results in a \$0.28 million decrease in estimated funding for teacher supplements.
- Option 2 keeps funding levels most consistent.
- Option 3 attempts to maintain the original intent of \$5 million for Fire Rescue, \$2.5 million for GTCC, and \$20 million for teacher supplements

# Current Ballot Language

"[ ] FOR [ ] AGAINST

Current Ballot Language:

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."**

# Option 1: Fixed Percentages

"[ ] FOR [ ] AGAINST

Local sales and use tax at the rate of one-fourth-  
~~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 (XX%),  
fire protection equipment and services (XX%), for  
Guilford Technical Community College (XX%), and  
~~to be used by~~ for qualifying municipalities for  
allowable expenses (XX%).** ~~any public purpose.~~

Suggested change of  
"one-fourth of one cent  
per dollar of eligible  
expense" would not be  
consistent with how  
general statutes define  
articles of sales tax.

General Assembly  
suggests focusing  
potential edits on other  
areas of bill.



# Option 2: Fixed Percentages Net Municipal

"[ ] FOR [ ] AGAINST

Local sales and use tax at the rate of one-~~fourth~~ of one percent (0.25%) in addition to all other State and local sales and use "**taxes to be used solely for teacher salary supplements (70%), fire protection equipment and services (20%), for Guilford Technical Community College (10%). Identified percentages would be the net percentage following allocations to qualifying municipalities for allowable expenses.**

# Option 3: Minimal Changes

"[ ] FOR [ ] AGAINST

Local sales and use tax at the rate of one-~~fourth-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** **for qualifying municipalities for allowable expenses** ~~any public purpose.~~"

# Requested Action

## **Additional Options**

Authorize staff to present Board recommended changes to HB305/SL2025-87 based on selected option and recommended adjustments.

# Questions?

**GENERAL ASSEMBLY OF NORTH CAROLINA**  
**SESSION 2025**

**SESSION LAW 2025-87**  
**HOUSE BILL 305**

AN ACT APPLICABLE TO GUILFORD COUNTY ONLY THAT (1) PROMOTES FAIRNESS IN SALES TAX DISTRIBUTIONS BY ALLOWING MUNICIPALITIES THAT DO NOT LEVY AD VALOREM TAXES TO RECEIVE A PERCENTAGE OF LOCAL GOVERNMENT SALES AND USE TAX DISTRIBUTIONS; (2) MODIFIES THE BALLOT QUESTION FOR A REFERENDUM REGARDING THE LEVY OF THE ARTICLE 46 QUARTER-CENT SALES AND USE TAX; (3) SPECIFIES THE USES OF THE ARTICLE 46 TAX PROCEEDS; AND (4) DISTRIBUTES A PORTION OF THE ARTICLE 46 TAX PROCEEDS TO CERTAIN MUNICIPALITIES IN GUILFORD COUNTY.

The General Assembly of North Carolina enacts:

**SECTION 1.(a)** Definitions. – The definitions in G.S. 105-472 apply to this section to the extent they are not inconsistent with the provisions of this section. In addition, the following definitions apply in this section:

- (1) Allocated share. – The product of a qualifying municipality's per capita distribution multiplied by twenty-five percent (25%).
- (2) Council. – Defined in G.S. 160A-1.
- (3) Per capita distribution. – The net proceeds of the tax collected under Articles 39, 40, and 42 of Chapter 105 of the General Statutes and distributable to a qualifying municipality as calculated using the per capita distribution method under G.S. 105-472(b)(1).
- (4) Qualifying municipality. – A municipality that meets all of the following requirements:
  - a. Is in Guilford County.
  - b. Does not levy ad valorem taxes.
  - c. Does not receive distributions under G.S. 105-472(b)(2).

**SECTION 1.(b)** Authorization. – Notwithstanding G.S. 105-472(b)(2), 105-486(c), and 105-501(a), a qualifying municipality may receive an allocated share of the net proceeds of the tax collected under Articles 39, 40, and 42 of Chapter 105 of the General Statutes in accordance with this section during any year in which the ad valorem method of distribution under G.S. 105-472 is in effect for Guilford County.

**SECTION 1.(c)** Resolution Required. – The council of a qualifying municipality shall adopt a resolution indicating its intent to receive an allocated share in accordance with this section. A resolution adopted in 2025 must be adopted no later than October 1, 2025. For a resolution adopted in any other year, the resolution must be adopted during the month of April. For a resolution under this subsection to be effective, a certified copy of it must be delivered to the Secretary in Raleigh. If the council of a qualifying municipality fails to adopt a resolution under this subsection, or if a certified copy of the resolution is not delivered to the Secretary, that qualifying municipality is prohibited from receiving an allocated share. A resolution under this subsection is effective for net proceeds distributed beginning on and after the fiscal year following the fiscal year after the adoption of the resolution and is effective until either (i) the

municipality no longer meets the criteria of a "qualifying municipality" or (ii) a resolution by the Guilford County Board of Commissioners choosing the per capita distribution method becomes effective in accordance with G.S. 105-472.

**SECTION 1.(d)** Discontinuation. – If either of the conditions listed in (i) or (ii) of subsection (c) of this section are met, the distributions shall be discontinued in accordance with this subsection. If the condition in (i) of subsection (c) of this section is met because the municipality levies an ad valorem tax, then the distribution under this act shall be discontinued effective for net proceeds distributed beginning on and after the fiscal year for which ad valorem taxes are levied by the municipality. If the condition in (ii) of subsection (c) of this section is met, then the distribution under this act shall be discontinued effective for net proceeds distributed beginning on and after the fiscal year following the succeeding fiscal year after the adoption of the resolution by the Guilford County Board of Commissioners choosing the per capita distribution method of distribution. The council of the qualifying municipality shall adopt and submit a new resolution consistent with this subsection indicating the condition resulting in the discontinuance of distributions under this act. A certified copy of a resolution under this subsection must be delivered to the Secretary in Raleigh.

**SECTION 1.(e)** Distribution Method. – The Secretary of Revenue shall calculate and distribute the net proceeds of the tax collected under Articles 39, 40, and 42 of Chapter 105 of the General Statutes under this act and provide certain information to assist with distributions made by the county and its municipalities to taxing districts as follows:

- (1) Determine Guilford County's allocation in accordance with G.S. 105-472(a).
- (2) Deduct a qualifying municipality's allocated share from the county allocation and distribute the allocated share to a qualifying municipality.
- (3) Divide the remaining funds among the county and its other municipalities in accordance with G.S. 105-472(b)(2).
- (4) Provide Guilford County and any municipality that levies an ad valorem tax on behalf of a taxing district or otherwise distributes a taxing district's share of net proceeds under G.S. 105-472(b)(2), the amount of what the taxing district's distribution would have been but for the allocated share to a qualifying municipality.

**SECTION 1.(f)** Hold Harmless. – A taxing district in Guilford County or the City of Greensboro for which ad valorem taxes are collected by the county in behalf of the taxing district shall receive their funds from the county or the City of Greensboro, as applicable, under G.S. 105-472(b)(2) as if the allocated share had not been paid to a qualifying municipality under subsection (b) of this section.

**SECTION 1.(g)** Service/Fire Districts Inapplicable. – Ad valorem taxes levied by any service or fire district located in whole or in part within a qualifying municipality shall not prohibit that municipality from receiving net proceeds under this section.

**SECTION 1.(h)** This section is effective when it becomes law and expires for net proceeds distributed beginning on or after the date of the levy of a tax by Guilford County that was approved in a referendum authorized under Article 46 of Chapter 105 of the General Statutes, as amended by Section 2 of this act. If the Guilford County Board of Commissioners repeals the tax levied under Article 46 of Chapter 105 of the General Statutes, as amended by Section 2 of this act, this section is reenacted for net proceeds distributed beginning on or after the date of the repeal. The Guilford County Board of Commissioners shall notify the Revisor of Statutes if it either levies or repeals the tax under Article 46 of Chapter 105 of the General Statutes, as amended by Section 2 of this act.

**SECTION 2.(a)** This section applies to Guilford County only.

**SECTION 2.(b)** G.S. 105-537 reads as rewritten:

"§ 105-537. Levy.

(a) Authority. – A tax levied under this Article must be approved in a referendum. If the majority of those voting in a referendum held pursuant to this Article vote for the levy of the tax, the board of county commissioners may, by resolution and after 10 days' public notice, levy a local sales and use tax at a rate of one-quarter percent (0.25%).

(b) Vote. – 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.

(c) Ballot Question. – The form of the question to be presented on a ballot for a special election concerning the levy of the tax authorized by this Article shall be:

"[ ] FOR [ ] AGAINST

Local sales and use tax at the rate of one-fourth quarter of one percent (0.25%) in addition to all other State and local sales and use taxes." 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 for qualifying municipalities for allowable expenses (##%) any public purpose"

**SECTION 2.(c)** G.S. 105-538 reads as rewritten:

**"§ 105-538. Administration-Administration, distribution, and use of taxes.**

(a) Definitions. – The following definitions and the definitions in G.S. 105-472, to the extent they are not inconsistent with the provisions of this section, apply in this section:

- (1) Adjusted distribution. – The net proceeds of the tax collected under Articles 39, 40, and 42 of Chapter 105 of the General Statutes distributable to a municipality as calculated using the per capita distribution method under G.S. 105-472(b)(1) multiplied by twenty-five percent (25%).
- (2) Ad valorem distribution. – The net proceeds of the tax collected under Articles 39, 40, and 42 of Chapter 105 of the General Statutes and distributable to a municipality as calculated using the ad valorem distribution method under G.S. 105-472(b)(2).
- (3) Allocated share. – An amount equal to a qualifying municipality's ad valorem distribution subtracted from its adjusted distribution but only if the amount is positive.
- (4) Per capita distribution. – The net proceeds of the tax collected under Articles 39, 40, and 42 of Chapter 105 of the General Statutes and distributable to a municipality as calculated using the per capita distribution method under G.S. 105-472(b)(1).
- (5) Qualifying municipality. – A municipality located in Guilford County that has an adjusted distribution that is greater than its ad valorem distribution.
- (6) Allocated proportional percentage – A qualifying municipality's proportional percentage is calculated as the municipality's allocated share divided by the total allocated share for the qualifying municipality.
- (7) Allocated proportional share – A qualifying municipality's proportional percentage of allocated share, calculated as the municipality's allocated share divided by the total allocated share for the qualifying municipality.

(b) Administration. – The Secretary shall, on a monthly basis, allocate to each taxing county the net proceeds of the tax levied under this Article. If the Secretary collects taxes under this Article in a month and the taxes cannot be identified as being attributable to a particular taxing county, the Secretary must allocate the net proceeds of these taxes among the taxing counties in proportion to the amount of taxes collected in each county under this Article in that month. For purposes of this Article, the term "net proceeds" has the same meaning as defined in G.S. 105-472.

Except as provided in this Article, the adoption, levy, collection, administration, and repeal of these additional taxes must be in accordance with Article 39 of this Chapter. G.S. 105-468.1 is an administrative provision that applies to this Article. A tax levied under this Article does not apply to the sales price of food that is exempt from tax pursuant to G.S. 105-164.13B or to the sales price of a bundled transaction taxable pursuant to G.S. 105-467(a)(5a). ~~The Secretary shall not divide the amount allocated to a county between the county and the municipalities within the county.~~

(c) Distribution Method. – During any year in which the ad valorem method of distribution under G.S. 105-472 is in effect in the taxing county, the Secretary shall calculate and distribute, on a monthly basis, the net proceeds of the tax collected under this Article as follows:

~~(1) — Of the amount allocated to the taxing county, calculate and set aside an amount equal to the sum of the amounts listed in this subdivision multiplied by a fraction with a numerator of 1 and a denominator of 12. The amounts calculated under this subdivision shall be based on using the total annual net proceeds from the prior fiscal year. The amount set aside under this subdivision shall be distributed in accordance with subdivision (3) of this subsection. The amounts are:~~

~~a. — The greater of twenty percent (20%) of the net proceeds or five million dollars (\$5,000,000).~~

~~b. — The greater of ten percent (10%) of the net proceeds or two million five hundred thousand dollars (\$2,500,000).~~

~~(2) — From the amount remaining after the calculation in subdivision (1) of this subsection, deduct a qualifying municipality's allocated share and distribute the allocated share to the qualifying municipality.~~

(1) Set aside four percent (4%) of the net proceeds of tax collected under this article and multiply by a qualifying municipality's allocated proportional percentage and distribute the allocated proportional share to the qualifying municipality.

(2) From the amount remaining after the distribution in subdivision (1) of this subsection, distribute to the county the amount set aside under subdivision (1) of this subsection plus the remaining net proceeds, if any, after the distribution in subdivision (2) of this subsection.

(d) Municipal and District Use. – Each fiscal year, a qualifying municipality, except for the Town of Summerfield, shall use the net proceeds of a tax distributed to it under this Article only for any public purpose. The Town of Summerfield shall distribute the allocated share to the Summerfield Fire District until the cumulative total distributed reaches three million dollars (\$3,000,000). The Summerfield Fire District shall use the net proceeds distributed to it only for capital enhancements for water resources related to fire protection. When the cumulative total distributed to the Summerfield Fire District reaches three million dollars (\$3,000,000), the Town of Summerfield shall retain the allocated share distributed to it on and after that date and use it for any public purpose. For purposes of this subsection, the "cumulative total" is determined from the first distribution until distributions across fiscal years equal or exceed three million dollars (\$3,000,000).

(e) County Use. – Each fiscal year, a county shall use the net proceeds of a tax distributed to it under this Article for the items and in the amounts and priority order as set forth in this subsection. A county, and any local board of education or community college to which a county distributes funds pursuant to this subsection, 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 (or, if budget of the county, local board of education, or community college has not appropriated funds



specifically for the item during the previous 10 years, for the budget appropriation that encompasses the item) during the previous 10 years. The items and amounts are as follows:

- (1) Twenty percent (20%) or five million dollars (\$5,000,000), whichever is greater, to the Guilford County Fire/Rescue Council for equipment purchases or capital expenditures necessary to provide fire protection services in the county in a Fire Protection District established under G.S. Chapter 69, Article 3a, or in a Fire Protection Service District established under G.S. Chapter 153A, Article 16, with an established tax rate, including any necessary expenses to administer these funds. Guilford County may establish a custodial fund for the benefit and use of the Guilford County Fire/Rescue Council.
- (2) Ten percent (10%) or two million five hundred thousand dollars (\$2,500,000), whichever is greater, to the Guilford Technical Community College for capital expenditures.
- (3) Sixty-six percent (66%) The remainder for classroom teacher and certified instructional support personnel salary supplements. For purposes of this subsection, a "classroom teacher" is an employee of a local board of education employed as a teacher who spends at least seventy percent (70%) of his or her work time in classroom instruction."

**SECTION 2.(d)** This section is effective when it becomes law and applies to referenda held on or after that date for which the Guilford County Board of Commissioners has adopted a resolution prior to, on, or after the effective date of this section.

**SECTION 3.** Except as otherwise provided, this act is effective when it becomes law.

In the General Assembly read three times and ratified this the 31<sup>st</sup> day of July, 2025.

s/ Rachel Hunt  
President of the Senate

s/ Allen Chesser  
Presiding Officer of the House of Representatives