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NC revenue now \$190M below target

Posted by Benjamin Brown on December 11, 2014

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- [Redistributing sales tax revenues will be on NC legislature's agenda](#)

The state revenue lag persists, according to the latest monthly report from the Office of the State Controller, and in the next two months officials will begin to know whether the state has an income problem on its hands or whether holiday consumers have come through for the coffers.

As of November, the state's general fund was an estimated \$190.1 million below target, said the report released Wednesday. In last month's report, the miss was \$150 million.

The previous month, it was \$61 million. Because that's out of \$21 billion programmed, State Budget Director Lee Roberts has said in recent months that it's been too early in the fiscal year to declare a problem.

"It still is too early to tell," he said Wednesday, "but one of the main thrusts of the new tax structure is to heighten the importance of sales tax as a revenue source. We're in the two biggest months for sales tax – November and December. In January, we will begin to have a good feel of whether or not the sales tax numbers are picking up the slack in the way that we would like them to." He's monitoring numbers constantly, he said. Asked about Black Friday's impact, Roberts said the monthly reports are a month off, so "we should have a very good feel in next month's report."

The Controller's Office otherwise noted that general fund receipts for November were nearly \$420 million, or 5.4 percent, lower than November 2013's figure, though officials have stressed that those two years are like apples and oranges because of changes in the state's tax code. (February, March and April will be the key months for income tax numbers.) Nontax revenue increased by 9.4 million, or 2.5 percent, according to Wednesday's report.

Read more here: http://www.newsobserver.com/2014/12/11/4395492_nc-revenue-now-190m-below-target.html?rh=1#storylink=cpy

Redistributing sales tax revenues will be on NC legislature's agenda

By Lynn Bonner

lbanner@newsobserver.com December 10, 2014

RALEIGH — A redistribution of local sales tax revenue to benefit poor counties is on the agenda for legislative leaders preparing for the session that begins in January.

At a lunch Wednesday sponsored by the N.C. FreeEnterprise Foundation, Senate Majority Leader Harry Brown talked about shifting local tax revenues to help rural counties.

Money raised from local sales taxes largely benefits counties that have shopping centers or are tourist meccas because most of the revenue, generally 75 percent, goes back to the counties where goods are sold. Twenty-five percent is distributed among the counties based on population, according to the state Department of Revenue.

Republicans from both chambers are talking about changing the distribution formula to funnel more to rural areas. No one offered specifics, but such a shift has the potential to pit urban counties against rural.

“That will be a huge debate,” Brown, a Jacksonville Republican, told the group of business leaders, lobbyists and politicians. “I think that’s something we ought to look at.”

Improving the fortunes of rural areas was a general theme of the lunch speeches that contrasted the thriving metropolitan areas of Raleigh-Durham and Charlotte with counties that have little tax base and are suffering double-digit unemployment. The lunch drew a lineup of political heavyweights who discussed priorities for the legislative session that begins in January. Republicans will continue to have super-majorities in both chambers. Lee Roberts, Gov. Pat McCrory’s budget director, described the state as made up of three economic areas: the state’s two thriving urban centers, midsize counties that are doing well and “a whole swath of the state that has not participated in economic prosperity.”

Governor’s agenda

McCrory’s focus next year will be on jobs, education and infrastructure, including digital infrastructure, Roberts said.

McCrory, a Republican in his first term, is preparing to run for re-election. In September, he presented a proposal to have the state borrow more than \$1 billion to fund mostly rural transportation projects.

Republicans credited the package of tax cuts they approved in 2013 and the elimination or loosening of regulations in the four years they’ve been in power for the state’s improved economy.

Republican U.S. Sen.-elect Thom Tillis, who ran the House the past four years, said other states are looking to North Carolina as an example of a successful tax policy and “regulation reforms that make sense.”

Rep. Tim Moore, the Kings Mountain legislator House Republicans will nominate for speaker, credited the “regulatory reform bills” for moving the state forward. But while the state’s economic engines prosper, rural areas can’t be left behind, Moore said.

The legislature needs to continue to work to “lift the entire state up, both economically and otherwise,” he said. Democratic leaders challenged the idea that the new tax cuts benefited everyone and that Republican policies were entirely responsible for improved economic conditions.

Sen. Dan Blue, a Democrat and the Senate minority leader from Raleigh, called for a “course correction” in the legislature, including a re-examination of the tax policy so that small businesses and middle class families see more of the benefit. He also called for the revival of tax credits that he said helped state businesses.

Many residents say they don’t feel the recovery, Blue said. The new tax code is generally described as lowering tax rates and broadening the tax base. But the “system didn’t broaden the base,” Blue said. “It shifted the burden.”

He described the film tax credit and the historic preservation tax credit, both of which the legislature failed to renew, as incentives that boost the economy. The film credit that brought movie and television production to the state helped small, film-related businesses take root, Blue said.

Wake Forest Baptist Medical Center plans to use historic preservation tax credits to help pay for a \$100 million education building in downtown Winston-Salem, Blue noted.

He also cautioned against new policies that would weaken Charlotte and the Triangle. Instead, the state should promote policies that make them stronger.

“We have to play to our strength,” Blue said.

House Minority Leader Larry Hall, of Durham, challenged Republicans' crediting themselves for the improved economy.

"A lot of us take credit for what happens," he said. "Sometimes, we have to know that we're lucky and not good."

Read more here: http://www.newsobserver.com/2014/12/10/4393605_redistributing-sales-tax-revenues.html?rh=1#storylink=cpy

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