



North Carolina Department of Revenue

Beverly Eaves Perdue  
Governor

Kenneth R. Lay  
Secretary

January 12, 2010

**MEMORANDUM**

**TO:** North Carolina County and Municipality Managers and Finance Officers

**FROM:** Eric K. Wayne  
Director, Sales and Use Tax Division

**SUBJECT:** Monthly Local Distribution Reports Revisions

The Sales and Use Collections Overview Report was redesigned to display all local levies by adding Articles 43, 45, and 46. Previously, Articles 43, 45, and 46 were reflected on spreadsheets at the end of the distribution document. The applicable Food tax associated with Articles 40 and 42 were separated and are now reflected in the Tax Allocation (Other) column.

The Summary of Amounts Distributable on Ad Valorem Basis Report and the Summary of Amounts Distributable on Per Capita Basis Report were combined into a new report, Summary of Amounts Distributable by Municipality and Article Report. The new report reflects the distributed tax amounts alphabetically by county by municipality. Articles 39, 40, 42, and 44 tax amounts will be in either the Per Capita Distributable Amount column or Ad Valorem Distributable Amount column with the exception of Onslow County that reflects amounts in each column. Articles 43, 45, and 46 tax amounts will be in the County/Transit Distributable Amount column.

Effective with the November tax collections distributed in January 2010, the following changes were implemented: Article 42 tax is distributed on a point of origin basis, Article 44 tax is repealed, and the City Hold Harmless formula is adjusted due to legislative changes.

The Per Capita Adjustment pursuant to G.S. 105-486(b) is no longer calculated against the Article 42 tax amount as a result of Article 42 tax being distributed on a point of origin basis. Please note that this adjustment continues to be calculated against the Food tax associated with Article 42.

Article 44 will continue to incur amounts due to late filed returns, audits, and refunds that affect periods prior to October 1, 2009. Please note that a negative Article 44 tax amount will occur periodically if refunds are processed by the Department in the future.

As a result of the City Hold Harmless formula adjustment, municipalities will receive increased distribution amounts paid by their respective counties. The formula is the sum of 100% of Article 40 tax less Food tax and (50% of Article 40 tax less Food tax minus 25% of Article 39 tax less Food tax).

For questions, contact Ed Strickland, Administration Officer, at (919) 733-2151.