REPORT FOR THE NORTH CAROLINA ECONOMIC DEVELOPMENT ASSOCIATION FOUNDATION

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The Future of North Carolina Revenue

State and Local Options for the Next Few Decades

2022

EXECUTIVE SUMMARY

The Future of North Carolina Revenue

State and Local Options for the Next Few Decades

When the COVID-19 pandemic began, state and local government revenue forecasters worried that a deep recession of unknown duration would begin. The steps necessary to combat the spread of the disease crushed economic activity. Governments believed that funds would dry up, leading to difficult choices about spending and revenue policy.

Within short order, the substantial infusion of federal aid to individuals, businesses, and even governments buoyed government revenues well beyond the forecast and well beyond historic levels. North Carolina state government had two years of double-digit growth.

But these times cannot continue. The uncertainty of the ups-and-downs of government budget fortunes must be understood and options developed ahead of time to meet the needs of a state that is growing unevenly and its communities that vary widely in economic momentum and status.

The North Carolina Economic Development Association Foundation (NCEDA Foundation) was awarded a grant from the Charlotte 2020 Host Committee (CLT Host 2020, Inc.) to conduct analysis addressing that reality. Dan Gerlach LLC was engaged to conduct the analysis and write a report. This report, "The Future of North Carolina Revenue: State and Local Options for the Next Few Decades," is the outcome of this nine month analysis. With an advisory board of economic developers, university experts, government forecasters, business leaders and a former state legislator, the report recaps recent developments, examines results of those developments, gives options for new revenue streams, and other ways to meet the differing situations facing our state and local governments.

EXECUTIVE SUMMARY

Key Findings

- North Carolina has a balanced tax system through the use of the three commonly used major state and local taxes: income, sales, and property taxes.
- North Carolina state and local burden on taxpayers has generally fallen as a share of the economy over the last decade and fallen in relation to other states.
- Despite substantial state tax changes, the income tax still brings a greater share of North Carolina state funding than happens in most other states. North Carolina retains a disproportionately higher amount of revenue raised by state government (versus the share coming from local governments).
- The property tax remains the dominant source of income for local governments.
- The pressure on revenues at the state level is highest toward the end of this decade, as state tax rates are scheduled to decline and even phase out for certain taxes.
- The DOT funds (Highway and Highway Trust Funds) are not forecasted to grow at even the rate of inflation.
- Numerous ways to end tax expenditures, create new taxes, and identify other revenue streams used in other states exist.
- The strength of some of North Carolina's urban areas benefits the rest of the state.
- A variety of strategies may be explored to help communities that are not faring as well.

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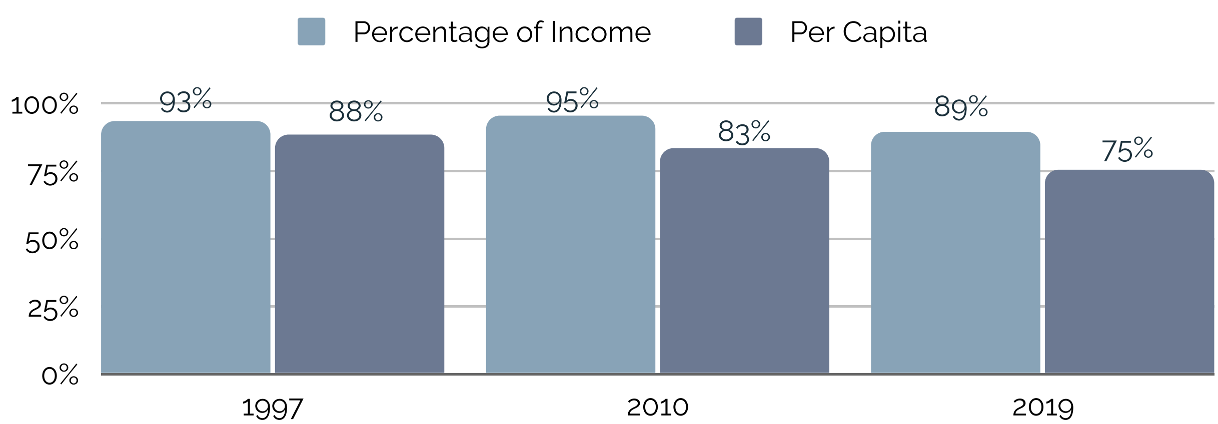
The Current Situation

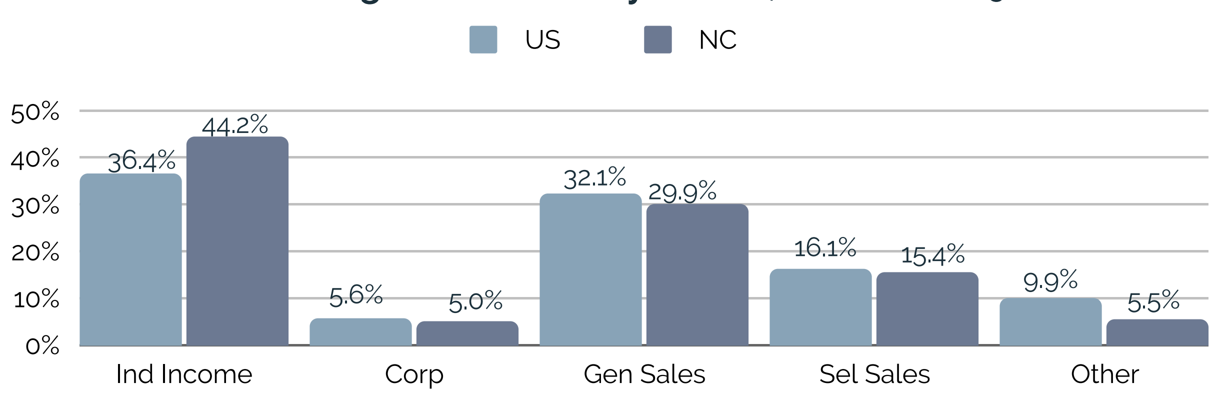
As shown below, the burden on North Carolina state and local taxpayers has fallen relative to the national average:

NC State & Local Tax Burden as Percentage of National Average



Despite reduction in burden, the state still gets funding from the income tax.

Percentage of Revenue By Source, US v. NC 2019



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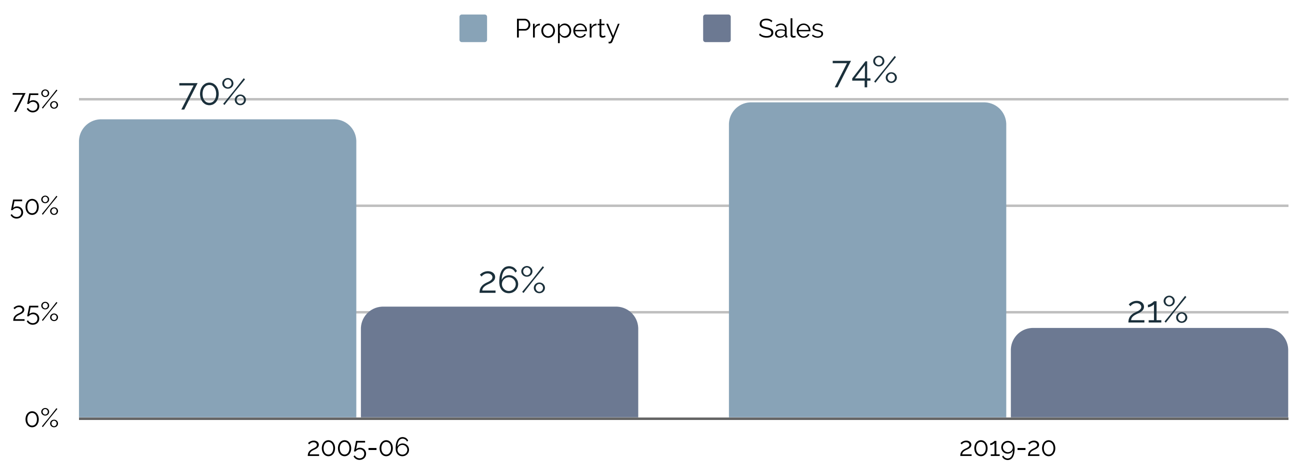
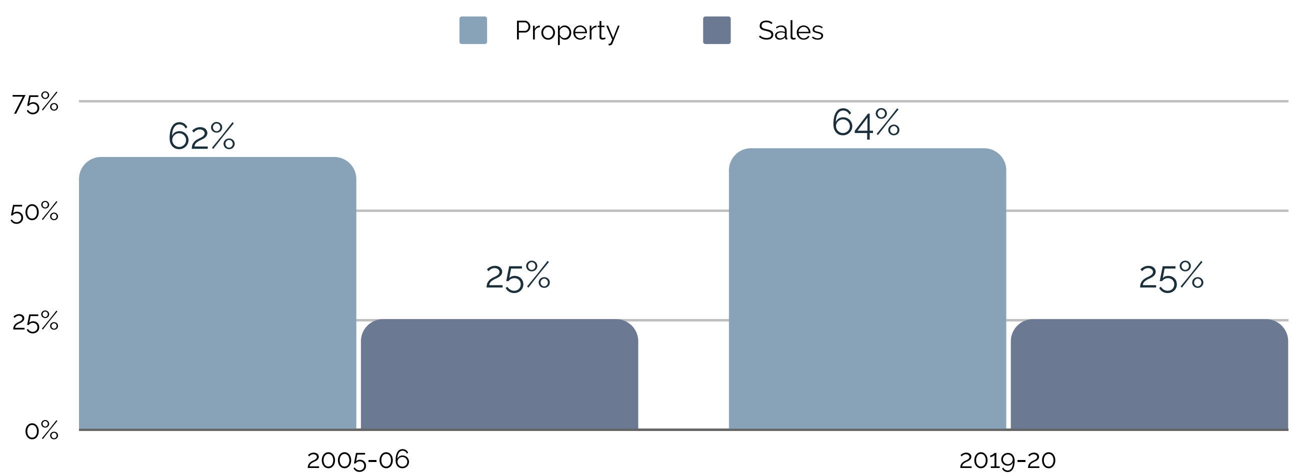
Property taxes have been, and remain, the main source of revenue for local governments.

Share of Total Taxes from Property and Sales Taxes, County Governments



Share of Total Local Taxes from Property and Sales Taxes, Municipal Governments



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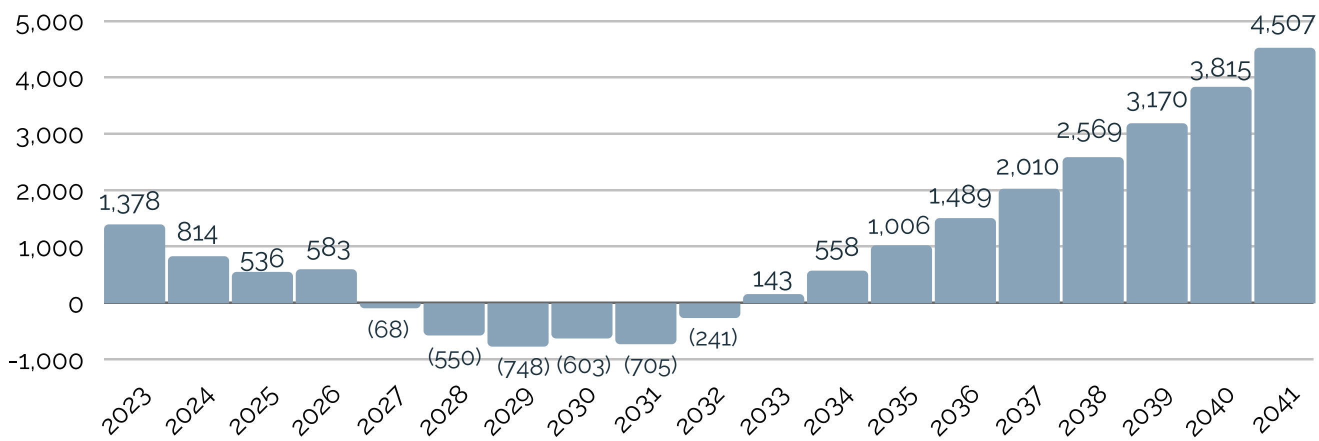
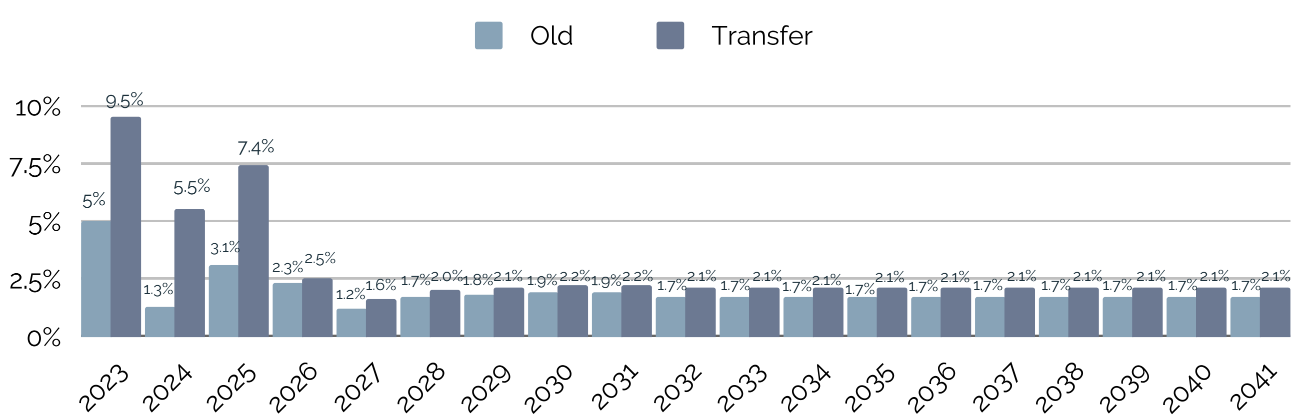
With the understanding that budget forecasts are rarely completely accurate, a long range forecast of state revenues shows a challenge peaking by FY 2029.

Difference between Revenues and Expenditures, Including New General Fund Transfer to DOT Funds with 3.5 Percent Estimated Annual Expenditure Growth



Transportation funding is challenged as well.

Highway Fund/Highway Trust Fund Growth (Before and After Budget Change)



EXECUTIVE SUMMARY

DISCLAIMER

Neither the NCEDA Foundation nor the CLT Host Committee 2020 are recommending any particular policy changes. Rather, the report provides options that are available for policymakers and others to consider.

Options Exist

The state has options to raise revenue to fill any budget gaps or offset additional tax reductions.

STATE REVENUE OPTION SUMMARY (ANNUAL, FULL IMPLEMENTATION)

BROADENING BASES

Value of 209 Tax Expenditures: The NC Department of Revenue reports the value of 209 exclusions, deductions, allowances, and preferred rates which reduce the amount of tax revenue otherwise collected.

$9 Billion

Consumer Services: While many goods and some services are subject to the sales tax, there are services to which other states apply the sales tax that North Carolina could consider enacting.

$221.1 Million

TAXES USED IN OTHER STATES

Online Sports Wagering: Legislation permitting such activity came very close to passage in the NC House in 2022.

$26 Million

Marijuana Excise Tax: Other states have legalized the use of marijuana for both medicinal and recreational purposes. Should North Carolina follow suit, an excise tax similar to the alcoholic beverage and tobacco taxes could be implemented in line with those levied by other states.

$133-184 Million

Statewide Property Tax (0.5 mills)

$614 Million

EXECUTIVE SUMMARY

OTHER NEW REVENUE

Distributed Gambling: Other states have permitted video gaming terminals in bars, taverns, fraternal organizations and other locations. An analysis completed for the NC Education Lottery is the source of this estimate.

$745 Million

Regional Greenhouse Gas Initiative (RGGI): Eleven eastern seaboard states sell carbon allowances to utilities in order to reduce emissions. This sale generates revenue for each state. A petition to join this initiative is before the North Carolina Environmental Management Commission.

$498 Million

HIGHWAY USE TAX

Sales Tax Rate

$827 Million

Estimated Trade-In Deduction

$169 Million

While changes persist in a post-pandemic world, it will be good to start the discussion now on its long-term impacts on state and local economies and government revenues.

INTRODUCTION

The North Carolina Economic Development Association Foundation (NCEDA Foundation) has an interest in a tax system that promotes growth and development, while sufficient to fund the goods and services that government generally provides, such as public infrastructure, education, and workforce training. In a changing world and evolving economy, there is an interest in providing a long-term view of options policymakers could consider to allow North Carolina, its communities, and its people to prosper with the support, not the hindrance, of good government.

PRINCIPLES OF GOOD TAX POLICY

Public finance experts have developed a series of generally accepted principles of good tax policy. Some of these principles are more controversial than others. Some seem to contradict other principles. All are worth bearing in mind by policymakers.

01

Simplicity

Taxes should be easy for taxpayers to understand and for governments to administer. Complexities surrounding the what, when, and how of tax administration should be minimized.

02

Efficiency

Taxes should not cause distortions in economic behavior. Most observers agree that taxes should have broad bases and low rates. Moreover, the costs of compliance with taxes should be kept as low as possible.

03

Stability

Tax systems should be as predictable and reliable as possible over the long term to avoid rapid and confusing changes for businesses and individuals to be able to plan with some certainty.

04

Sufficiency

Tax systems should generate the amount of revenue necessary to fund government services over time without taking too much or charging too little from taxpayers. Obviously what amount is judged "sufficient" varies widely.

05

Horizontal Equity

Taxpayers with similar amounts of wealth/consumption/income should pay similar amounts in taxes.

06

Vertical Equity

Taxpayers with lower amounts of wealth/consumption/income should not pay a greater share of those resources than those with higher amounts of wealth/consumption/income.

07

Beneficiary Pays

Taxes (and other revenue mechanisms) may take into account the benefits the taxpayer (revenue payer) receives when assessing a tax or fee.

RECENT HISTORY

The General Assembly has taken steps over time to change the structure of the North Carolina tax code, including reducing and flattening the individual income tax rate and phasing out the corporate income tax. These changes are accompanied by efforts to broaden the sales tax base and greatly reduce the number of tax credits that North Carolina offers.

The goals were to increase the efficiency, simplicity and horizontal equity of the system as a whole. Critics were concerned that the steps would increase vertical inequity, reduce sufficiency and shift costs to local governments.

This report analyzes the current situation and likely trends affecting North Carolina state and local tax revenues from a variety of perspectives.

STRENGTHS AND WEAKNESSES OF THE SYSTEM

As a part of this analysis, there were roughly two dozen interviews of observers with a high level of knowledge and involvement in North Carolina state and local tax policy. In order to ensure candor, no individual participant is cited by name.

Strengths of the North Carolina Tax System

Almost all interviewees agreed that the North Carolina breadth and diversity of income, sales and property taxes provided a strong foundation for our state. Many agreed that lowering rates on our major taxes to promote growth without punishing success was a major accomplishment, along with a reduction in the overall tax burden.

A slight majority mentioned the state's conservative forecasting practices, strong state control and the ease of compliance in recent years were also strengths of the system.

Weaknesses of the North Carolina Tax System

Most interviewees mentioned that sufficiency/adequacy was the largest challenge, although for different reasons. Economic change and technology were two major concerns, with a slight majority expressing concern that the tax cuts phased-in by the General Assembly may be too large to sustain in future years.

For local governments, over-dependence on property taxes, lack of growth for many communities, and limits on the types of taxes that can be levied were too strict. Finally, some raised concerns that low- and moderate-income North Carolinians were shouldering more than their fair share.

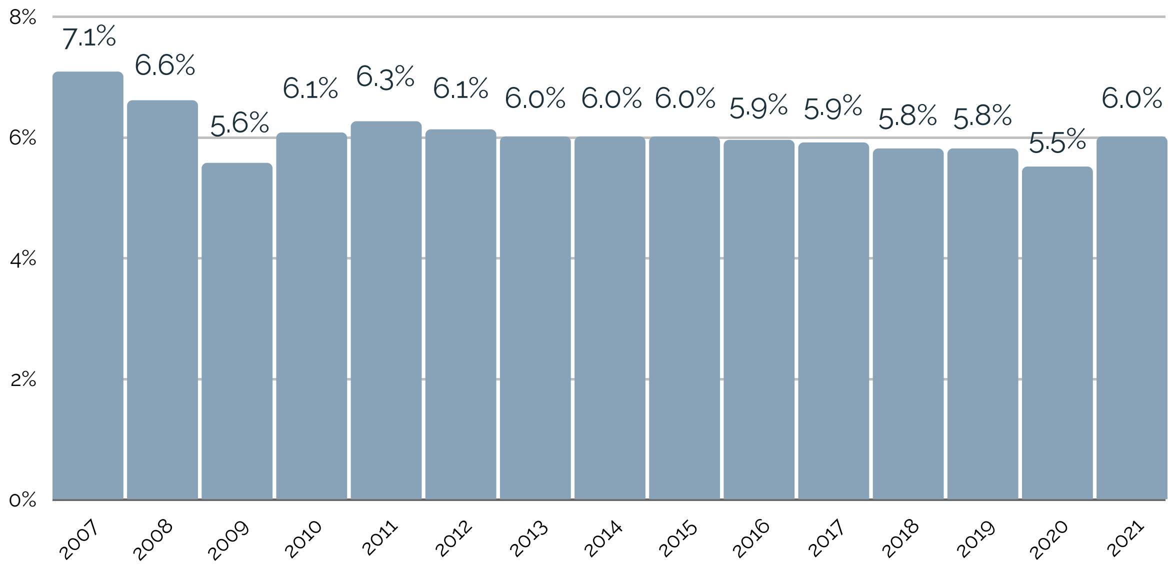
Transportation funding in North Carolina was also explicitly mentioned as a challenge.

OUR SITUATION

What Does the Tax Burden in North Carolina Look Like?

One major goal of North Carolina's tax reform was to reduce the taxpayer burden. The graph below shows that the state tax burden has declined since 2007 levels and has remained fairly consistent over the last few years. The two lowest measures of burden were in 2009 and 2020, reflecting the economic downturns during those years.

General Tax Collections as Percentage of Personal Income[1]



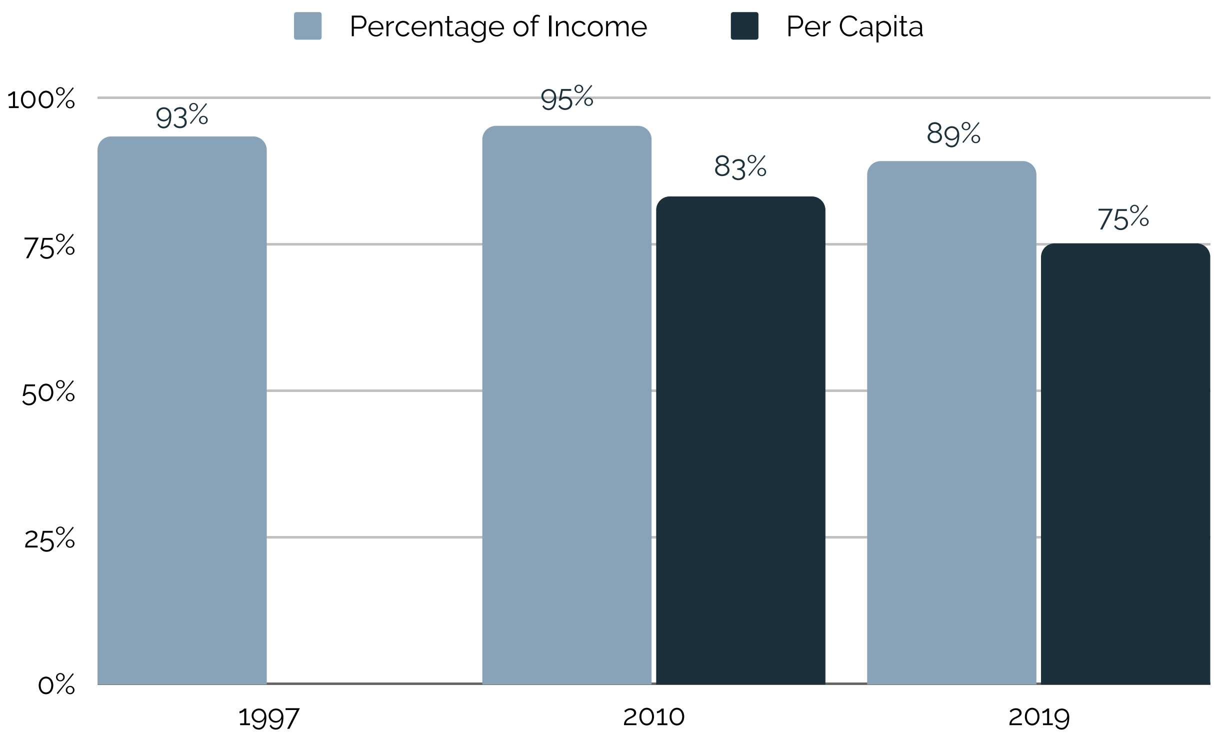
A broader question would examine the burden of both state and local taxes. States sort the responsibility for funding of services differently. North Carolina provides a greater share of revenues from state sources than the average. The reduction of burden at the state level does little good if the effect is to shift the burden to the local level.

1 Derived from North Carolina Department of Revenue, Statistics of Income 2021, Table 1. "State Imposed Taxes as a Percentage of North Carolina GDP." The data reflects an adjustment of a shift of $1.1 billion in taxes paid in FY 2021 that would usually have been paid in FY 2020.

The following chart[2] shows the overall North Carolina state and local tax burden as a percent of the national average. Tax burden is often shared on a per capita basis and as a share of personal income to make comparisons more valid. North Carolina's tax burden overall has fallen compared to the national average since the advent of tax reform under both measures.

The percentages differ between per capita tax burden and burden as a percent of income because North Carolina's per capita personal income is below that of the national average.[3]

NC State & Local Tax Burden as Percentage of National Average



2 Urban Institute-Brookings Institution Tax Policy Center, Statistics, https://www.taxpolicycenter.org/statistics/state-and-local-tax-revenue-capita-indexed-us-average and https://www.taxpolicycenter.org/statistics/state-and-local-tax-revenue-percentage-personal-income

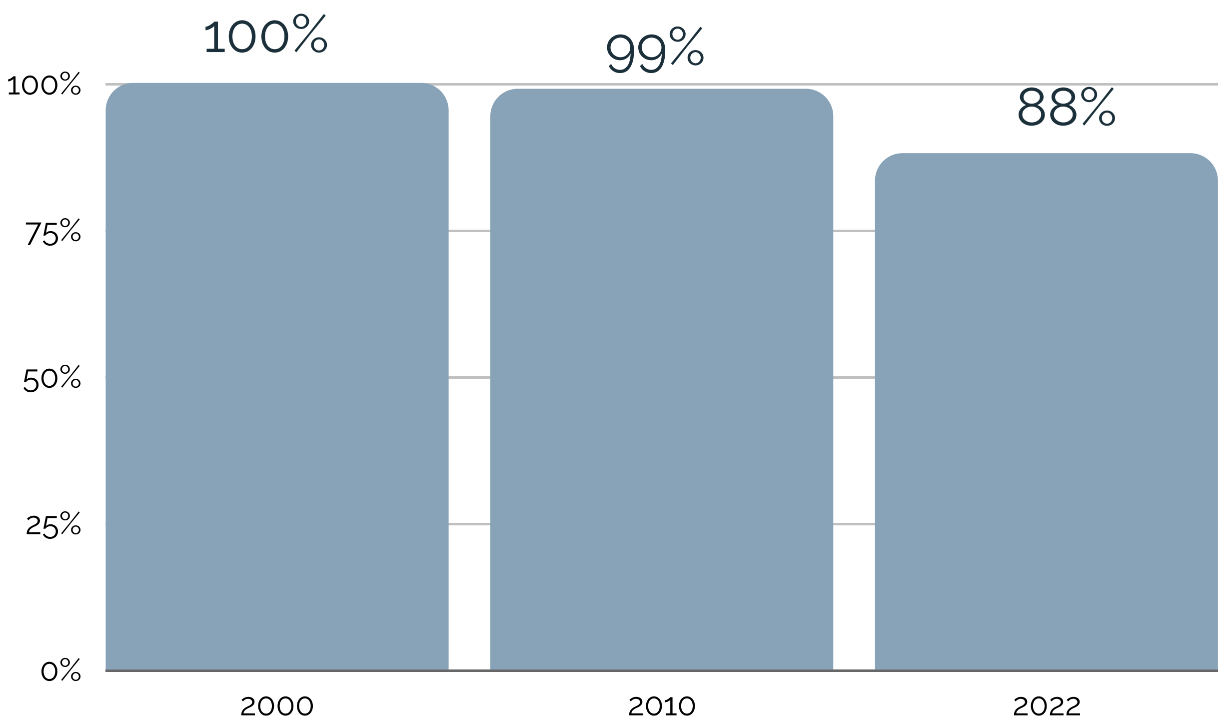
3 Consider a hypothetical state A with an average tax burden per capita of $1,000 and North Carolina with an average tax burden of $750 (these numbers are completely made up for the sake of the exercise). North Carolina's per capita tax burden is 75 percent ($750 divided by $1000) of the hypothetical state A's burden.

But then state A's average income per capita is $10,000 and North Carolina's average income per capita is $8,426. The tax burden as a percent of income is 10.0 percent ($1000 divided by $10,000) for state A and is 8.9 percent ($750 divided by $8,426) for North Carolina. North Carolina's burden as a percent of personal income is 89 percent of the national average (8.9 divided by 10).

But what about the share of the state-local tax revenues coming from state taxes over time?

Here's how their assessment of North Carolina compared to the nation looks:[4]

State & Local Tax Burden, NC Compared to US (Tax Foundation)



The Tax Foundation similarly finds that North Carolina's overall burden has fallen, but by a greater margin.

4 Author's delineation based on Tax Foundation, State-Local Tax Burdens (Various Years). The 2022 report can be found: https://taxfoundation.org/publications/state-local-tax-burden-rankings/

Business Tax Burden

For 19 years, the Council on State Taxation (COST) has prepared estimates of the burden of state and local tax on business. In North Carolina, state and local taxes paid by businesses equal about 3.3 percent of private-industry Gross State Product.[5] Our state is tied with Michigan for the lowest burden in the nation by this measure. North Carolina is third lowest (trailing Michigan and Missouri) in business taxes per employee.[6] The state's burden is 27 percent below the national average as a share of the economy and 33 percent below the national average on a per-employee basis

Why is the business tax burden so low, when the overall burden (all taxes per capita or as a share of income) is not as low?

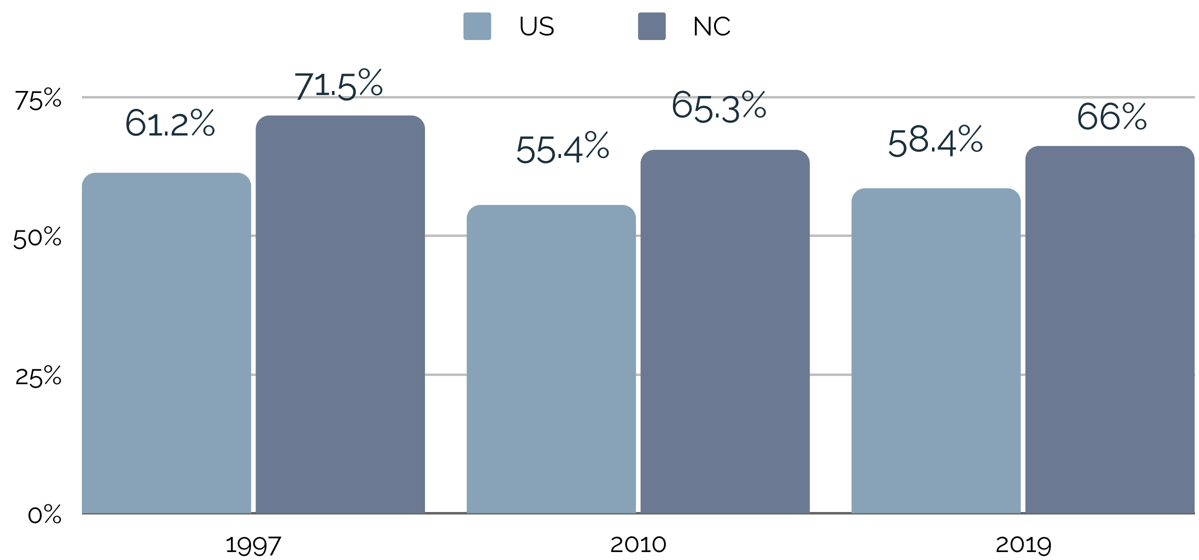
The largest tax paid by businesses in the United States is the property tax, accounting for 39 percent of all state and local business taxes. North Carolina has lower than average dependence on the property tax. Also, the state does not tax commercial and industrial property at a higher tax rate than residential property, thereby helping North Carolina's relative position on this measure. The general sales and use tax on business inputs accounts for 21 percent of the total, with corporate income taxes comprising 8.5 percent of the total.[7]

5 Council on State Taxation, "Total State and Local Business Taxes: FY 2020", Table 5, p. 14.

6 Ibid.

7 Ibid, p. 2.

Percentage of State-Local Tax Revenue From State Sources, US vs. NC [8]



Through 2010, North Carolina remained consistently about 10 percentage points above the national average in terms of state share of state-local taxes. That gap narrowed by 2019 to 7.6 percentage points. But the share of revenues coming from the state government actually increased slightly since the advent of tax reform.

In sum, the shift of the burden to local governments has not happened.

8 Urban Institute-Brookings Institution Tax Policy Center: https://www.taxpolicycenter.org/statistics/state-percentage-state-and-local-tax-revenue

WHAT DOES NORTH CAROLINA'S TAX STRUCTURE LOOK LIKE?

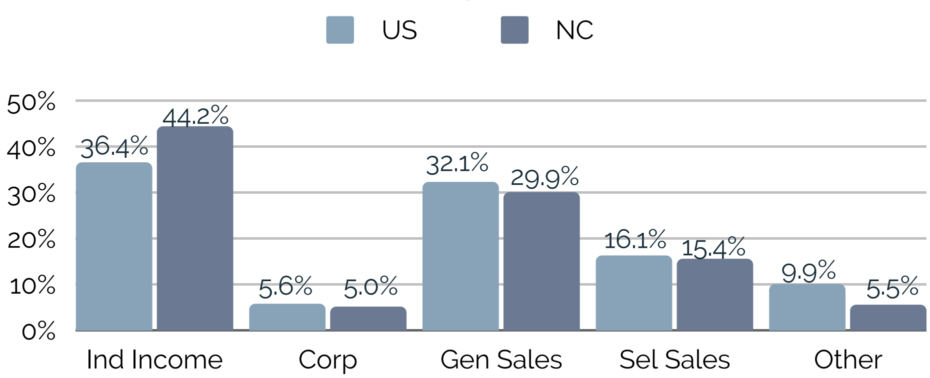
STRUCTURE OF THE TAX SYSTEM

State Tax Structure

Over the past decade, North Carolina has reduced and flattened its income tax rates and increased the standard deduction for personal income taxes. Yet the individual income tax still remains the largest single source of tax revenue for the state.

North Carolina remains more dependent on this tax than most states in the nation. Despite the fact that North Carolina has also broadened its general sales tax base, it remains less dependent on that tax than most states. The graph shows North Carolina with a lower share of all tax sources other than the individual income tax. The largest remaining difference is in the “other” category, due mainly to taxes that other states levy and North Carolina does (or does in a very limited fashion): state property taxes, severance taxes, and inheritance/gift taxes.

Percentage of Revenue By Source, US v. NC 2019[9]



There’s also concern that the shift away from individual income taxes to sales taxes would make the tax code less equitable. The 2019 data show that the North Carolina income tax requires more from the high and very high income taxpayers than low and moderate income taxpayers. The bottom half (actually 52 percent) of income taxpayers account for 13.6 percent of total adjusted gross income and 7.6 percent of total income taxes. Conversely, the top 8.6 percent of taxpayers (those with incomes over $150,000) account for 42 percent of the income and about half of the total income taxes.[10]

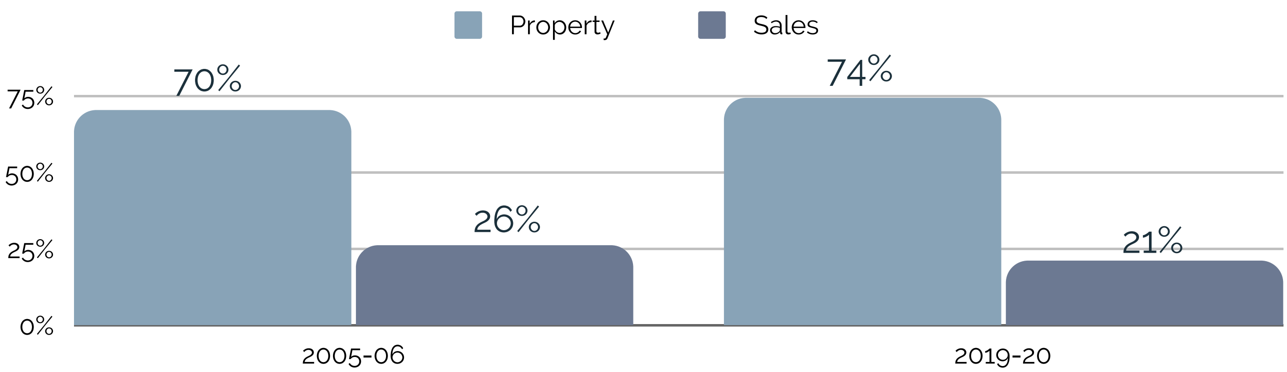
9 Derived from Urban-Brookings Tax Policy Center, State Tax Collection Sources 2020, https://www.taxpolicycenter.org/statistics/state-tax-collection-sources. “Corp” in the graph refers to both corporate income and franchise taxes and “Sel Sales” refers to selective sales/excise taxes on certain products such as alcoholic beverages and tobacco products.

10 North Carolina Department of Revenue, Tax Research and Equity Division, Statistical Abstract of North Carolina Taxes 2020, Appendix, Table 7.

State Income Tax Incidence - 2019

Federal AGI	% of Tax Returns	% of AGI	% of Income Tax Liability
Below $40,000	52.0 percent	13.6 percent	7.6 percent
$40,000-$80,000	23.8 percent	19.4 percent	17.5 percent
$80,000-$150,000	15.6 percent	24.8 percent	24.7 percent
$150,000-$500,000	7.7 percent	26.2 percent	30.6 percent
$500,000+	0.9 percent	16.0 percent	19.6 percent

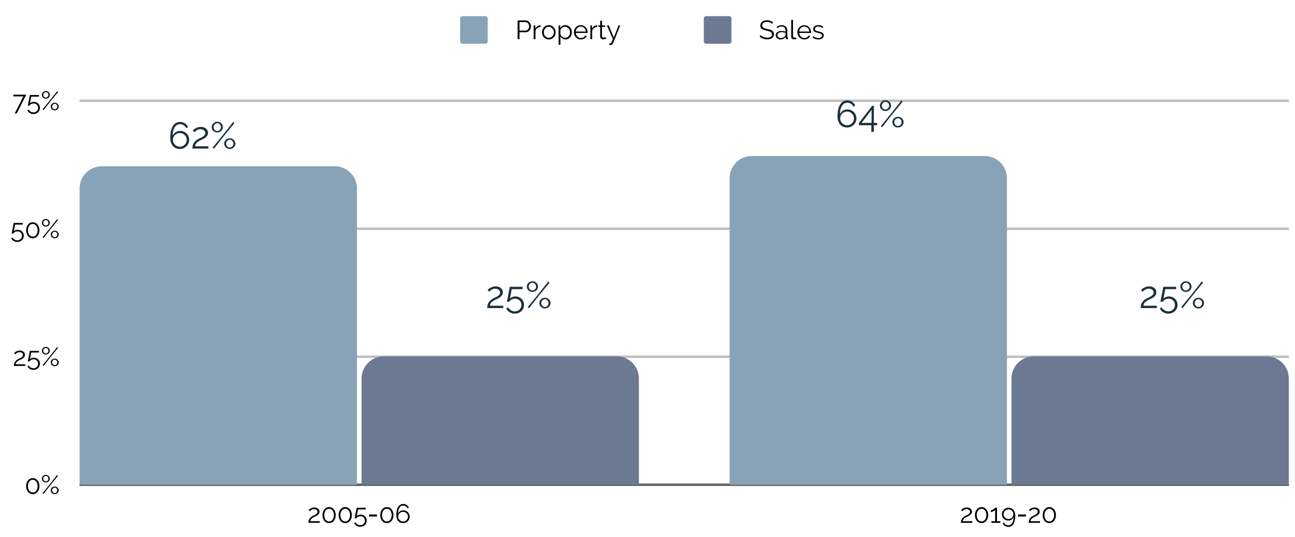
Share of Total Taxes from Property and Sales Taxes, County Governments



The property tax dominates both county and municipal tax collections. The dependence on property tax has increased, not fallen, over time.[11]

[11] Ibid., Table 61.

Share of Total Local Taxes from Property and Sales Taxes, Municipal Governments [12]



This property tax dependence seems high, but it is characteristic of the nation as a whole. In 2020, property taxes were 72.2 percent of total local taxes nationwide compared to 72.0 percent in North Carolina.[13]

But as a percentage of total state and local taxes, North Carolina property taxes account for 25.7 percent of the total, compared to 32.2 percent of all U.S. state and local taxes.[14] This is not surprising considering the aforementioned balance of state and local tax responsibilities in North Carolina.

12 Ibid., Table 61.

13 Urban Institute and Brookings Institution, Tax Policy Center Statistics, "Local Property Taxes as a Percentage of Local Tax Revenue", https://www.taxpolicycenter.org/statistics/local-property-taxes-percentage-local-tax-revenue

14 Urban-Brookings, "Property Taxes as a Percentage of State and Local Taxes." https://www.taxpolicycenter.org/statistics/property-taxes-percentage-state-and-local-taxes

THE SUFFICIENCY OF THE TAX SYSTEM

The Sufficiency of the Tax System

Much of the controversy in tax policy focuses on the issue of sufficiency: how much is required to meet the needs of government? Some observers have expressed concern that the General Assembly's actions to phase out the corporate income tax entirely and to gradually reduce the flat individual income tax rate would hurt the state's ability to fund government in the future.

There are caveats needed in any assessment of this type, but here are the assumptions:

- The annual rates of General Fund growth through 2032 are taken from the latest Debt Affordability Study[15] with annual rates of 4.5 percent used thereafter.
- The baseline revenue estimate comes from the May 2022 consensus revenue forecast issued by the North Carolina Legislative Fiscal Research Division and the Office of State Budget and Management.[16]
- The baseline revenue estimate is reduced by the statutory transfer to the State Capital and Infrastructure Fund (SCIF) and by the transfer of a percentage of the General Fund sales tax to the DOT Highway and Highway Trust Funds.[17]
- The estimated expenditure growth estimates are based on the recurring operating budget enacted into law in July 2022 and increased by 3.5 percent thereafter.

15 "North Carolina Debt Affordability Study", NC Department of the State Treasurer, February 1, 2022, Table 9, p. 39.

16 https://sites.ncleg.gov/frd/wp-content/uploads/sites/7/2022/06/2022.05.09-Consensus-ReportWebFinalVersion.pdf

17 The estimate of the reduction in General Fund revenues comes from the HB 103 fiscal note https://www.ncleg.gov/Sessions/2021/FiscalNotes/House/PDF/HFN103v4.pdf and is increased in future years by 4.4 percent annually.

Using these assumptions, General Fund revenue would exceed General Fund operating spending for the next several years. Beginning in 2027 and a few years thereafter, General Fund revenue would fail to keep pace with expected General Fund operating spending as tax relief would be more fully in effect.

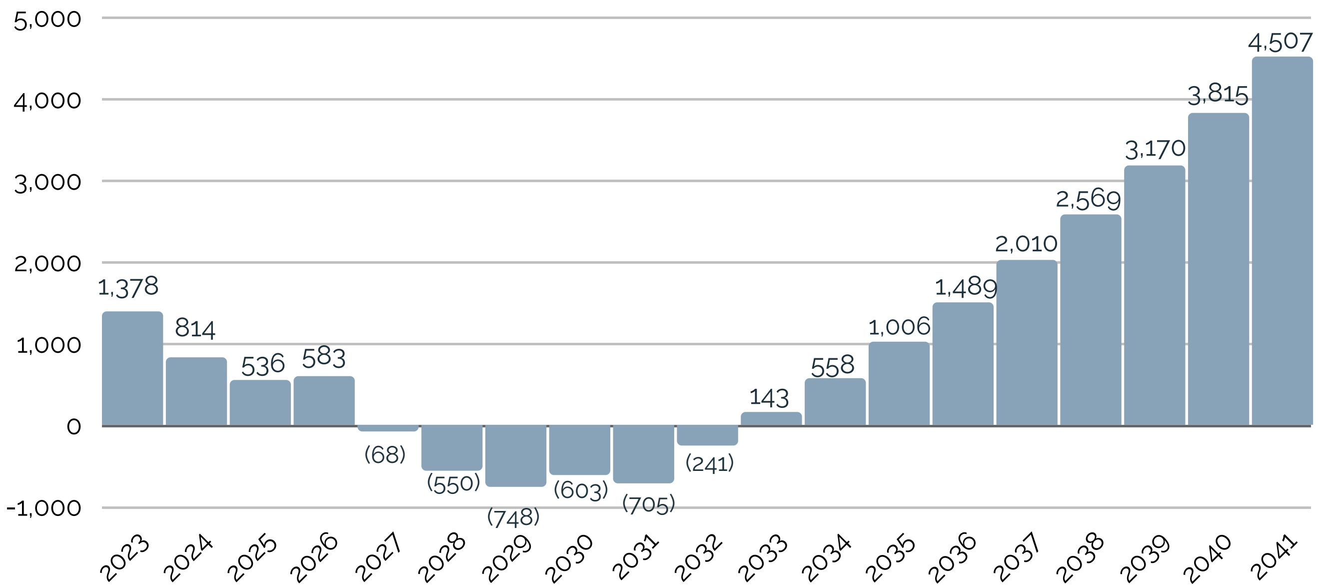
This imbalance could be solved through:

- The use of one-time carryover funds from previous years to provide balance
- A reduction in General Fund spending or the annual transfer to the SCIF
- An increase in other tax revenues

The 3.5 percent growth rate was used because it approximates the long-term population plus inflation growth informal limit that the General Assembly has used in prior years.[18] Obviously, the gaps would grow if spending increases faster than 3.5 percent. There is substantial uncertainty in any type of revenue forecasting, so this analysis is directional and not precise.

18 The Legislative Fiscal Research Division 5-Year Scenario (dated June 30, 2022) is actually more conservative than this projection. 5-year-Revenue-and-Expenditure-Scenario_Conference-Budget_2022-06-30.pdf

Difference between Revenues and Expenditures, Including New General Fund Transfer to DOT Funds with 3.5 percent estimated annual expenditure growth



It is important to remember that North Carolina tax revenue forecasts are generally conservative. The actual tax revenues for the state fiscal year 2021-22 finished $497 million ahead of the May 2022 forecast. It is uncertain if that represents a shift from future fiscal years into 2022 or if it will increase revenues on a recurring basis.

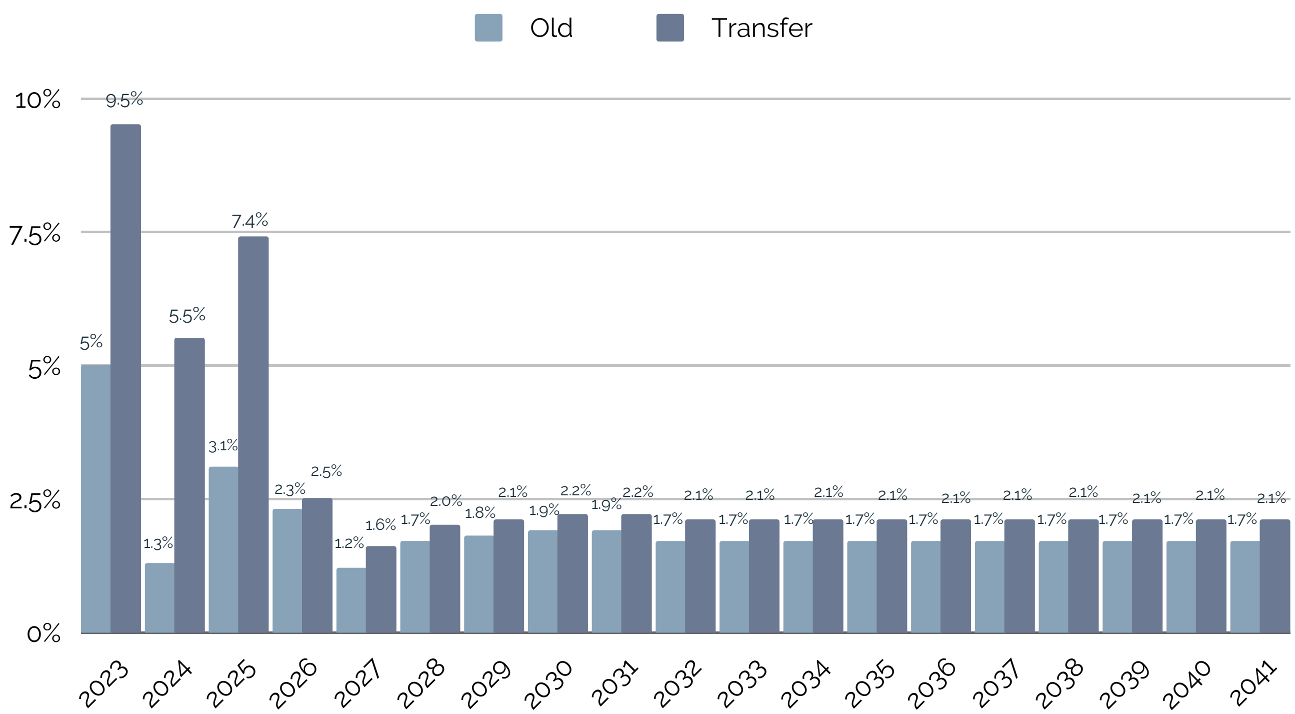
Highway & Highway Trust Funds

As noted above, one reason for the reduction in General Fund revenues is because of a transfer of a portion of general sales tax funds to the Highway and Highway Trust Funds over time. The transfer grows from two percent of such revenues in 2022-23 to six percent of revenues in 2024-25.

The General Assembly made this decision as motor fuels taxes, long the workhorse of transportation funding in North Carolina, are expected to either fade or grow much more slowly than demand of transportation infrastructure construction, repair and renovation. The graph below compares the trends in combined highway funds under the previous law and with the newly enacted transfer.[19]

19 "North Carolina Debt Affordability Study", NC Department of the State Treasurer, February 1, 2022, Table 12, p. 44 is used as the basis for this calculation, together with the fiscal note for the transfer earlier described.

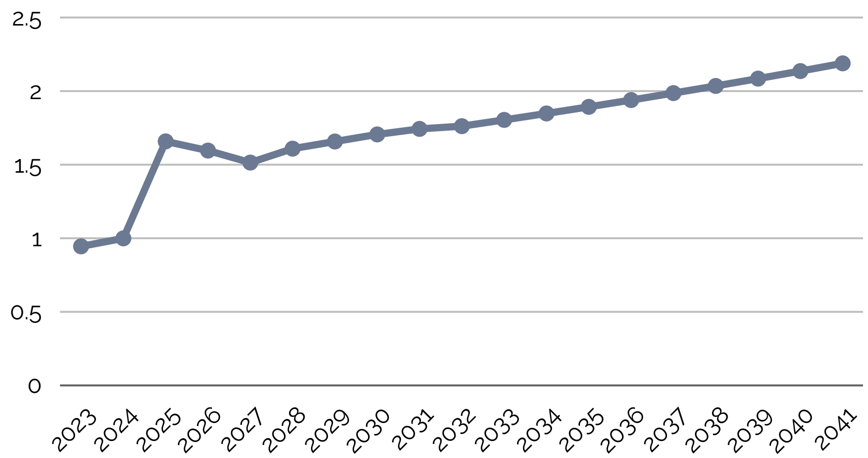
Highway Fund & Highway Trust Fund Growth (Before and After Budget Change)



It's doubtful that the long-term rate of growth would keep pace with needs.

In the first three years, the effects are quite pronounced. Over time, the annual growth rate would be 2.1 percent, instead of 1.7 percent.

However, the accumulated effects of the higher growth rates should also be understood. The graph on the following page makes the point. Over time, the total revenues will grow from 10 percent above the previous estimate in 2023 to 22 percent above the previous estimate by 2041. The general sales tax is projected to grow faster than the main sources of revenue for the DOT funds, the motor fuels tax and the Highway Use Tax. Therefore, the revenues will grow faster every year.



% Above Former Trends in Combined Highway Funds with Transfer

But What About Local Government Tax Sufficiency?

The property tax has been, and will undoubtedly continue to be, the major source of tax revenue for county and municipal governments in North Carolina. Given that the local governing boards set the tax rates annually, a long-term forecast for local governments of property tax revenues may not be easy to ascertain.

To gain a proxy, this report provides a table of average annual growth in property tax revenue between 2002-21 and of average annual per capita growth in property tax revenue over that period. Given that there are over 550 municipalities, the chart in **Appendix A** is for county government only.

Over the timeframe, counties have had an average annual increase in property tax revenues of 4.3 percent and an average annual per capita property tax increase of 2.9 percent.[20]

The table shows these statistics for each county, along with the rank, with 1 being the highest percentage growth and 100 being the lowest percentage growth. McDowell, Northampton, Union, Tyrrell and Hyde are the five fastest growing per capita, while Union, Cabarrus, Pender, Johnston and Hoke are the five fastest growing overall.

Currituck, Mecklenburg, Martin, Brunswick and New Hanover are the five slowest growing per capita, while Hertford, Vance, Surry, Martin and Scotland are the five slowest growing overall.

While the growth in taxes is one measure of sufficiency over time, so is the absolute level of property tax revenue. The table in **Appendix B** shows the 2020 county property tax per capita, the rank per capita for each county and the county property tax per capita as a percentage of the state average. For example, Alamance County generates the 83rd most property taxes per capita of the 100 counties, which equals about 74 percent (or 26 percent below) the statewide average.

Gates and Guilford, two very different counties, are the median counties in terms of property tax per capita, while Washington, Carteret and Henderson are about the state average.

20 Derived from 2003 and 2020 Statistical Abstract of North Carolina Taxes, Tax Research & Equity Division, Table 65 with population estimates from the US Bureau of the Census.

WHAT CAN NORTH CAROLINA DO TO EXPAND REVENUE OPTIONS?

DISCLAIMER

Neither the NCEDA Foundation nor the CLT Host Committee 2020 are recommending any particular policy changes. Rather, the report provides options that are available for policymakers and others to consider.

STATE OPTIONS

The experts interviewed for this paper represent a range of positions and ideologies. But most expressed concern about the sustainability of the North Carolina state and local tax system in the long run.

However, observers also pointed out areas where the reduction of the tax burden may be warranted or desired. These areas include, in no particular order:

- Further individual income tax rate reduction and/or increases in the standard deduction
- Elimination of the tax on capital gains income
- Homestead exemptions for low-income and/or elderly homeowners
- Restoration of the state earned income tax credit
- Additional transfers of general funds for transportation related needs
- Reduction and reform of the franchise tax

Revenue increases in the areas that follow could replace revenue lost to proposals listed above, if the state still receives sufficient funds for its programs and services.

Interviewees were asked about possible options for North Carolina state and local governments to raise revenue over the next few decades. Categories of responses included the following:

01

Further broadening of tax bases

These would include the elimination or reduction of tax expenditures, the inclusion of more services into the general sales tax base and the elimination or reduction of preferential tax rates.

02

Implementation of taxes in place in other states

These would include taxes on marijuana (which is legal for medicinal and recreational use in certain states) and online sports wagering.

03

Implementation of new revenue sources used by other states

These would include video gaming options that could be administered by the North Carolina Education Lottery and the Regional Greenhouse Gas Initiative market-based pricing of carbon to be paid by power providers.

Tax Expenditures

> An "exemption, exclusion, deduction, allowance, credit, refund, preferential tax rate or other device which reduces the amount of tax revenue which otherwise would be collected."[21]

Some observers call these "loopholes", implying that the preference or omission was not enacted on purpose or creates some unfairness. The NCDOR identifies 209 tax expenditures with a total value of $9 billion annually, an amount almost equal to the total state sales tax collections in FY 2020-21. The table on the following page lists the largest tax expenditures.[22]

An examination of this list reveals why the totals are so large. Food bought for home consumption and prescription drugs are seen as necessities that many believe should be excluded from taxation. The standard deduction and the exclusion of Social Security income from the income tax are seen as protecting those with limited and/or fixed income from unaffordable taxes. The exclusion of mill machinery and the use of the single sales factor[23] were formed to avoid pyramiding of taxes and increase North Carolina's competitiveness.

Many would argue that nonprofits and charitable contributions to such nonprofits provide a public good and reduce the burden of government and should not be subject to tax. Finally, the Bailey exemption is named for the plaintiff in a court case that declared that certain North Carolina government retirees should have their pension exempt from taxation. Some expenditures are, in this case, guaranteed by the courts.

It's not impossible to eliminate these tax expenditures, but policy reasons for their presence do exist.

21 North Carolina Department of Revenue, North Carolina Biennial Tax Expenditure Report 2021, https://www.ncdor.gov/news/reports-and-statistics/biennial-tax-expenditure-report/north-carolina-biennial-tax-expenditure-report-2021

22 Ibid., author's calculations

23 In levying a corporate income tax on businesses with activities in more than one state, state lawmakers design a formula so that the state taxes only a share of the company net income related to its activity on the state. Historically, that formula was based on the percentage share of payroll, the percentage share of property, and the percentage share of sales in that state compared to all states. Over time, states moved to reduce or eliminate the factors of payroll and property. The economic development principle is that these companies provide jobs and investment in the state. Including those factors in the tax calculation makes the state less competitive. So North Carolina now uses on only one factor – the share of sales – described as "single sales factor."

Tax Expenditures

	Millions	Percent of Total
Sales - Food for Home	$983 million	10.7
Sales - Prescription Drugs	$755 million	8.3
Income - Standard Deduction	$705 million	7.7
Income - Social Security	$655 million	7.3
Sales - Nonprofit Refunds	$329 million	3.6
Sales - Mill Machinery	$288 million	3.1
Income - Bailey Decision	$287 million	3.1
Income - Charitable Contribution	$253 million	2.8
Corp. Income - Single Factor Sales	$188 million	2.1
Total For Top 10 Tax Expenditures	**$4.443 billion**	48.7

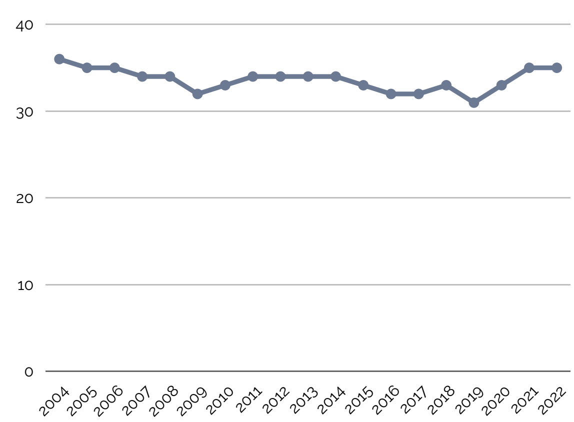
Tax Expenditures

When the sales tax was implemented decades ago, the consumption economy was based on the use of goods. The general sales tax is based primarily on the taxation of a physical item. But over time, people have come to consume more services than goods.

Generally speaking, the higher an income a taxpayer has, the greater their propensity to spend on services. The lack of ability to tax services in a substantial way challenges the sufficiency of the code, especially if your state applies the tax to items that are shrinking as a share of the economy.

The combination of the ramifications of the Wayfair case, which allowed states greater ability to levy a sales tax on items sold by Internet vendors, and the pandemic, which resulted in substantial government financial intervention that led to a greater amount of consumption, especially goods, gave rise to substantial increases in sales tax revenues in the last two years. Such a trend is not likely to continue.

Goods as % of Personal Consumption, July of Various Years[24]



Services are often consumed by businesses, as well as individuals. Should the business have to pay sales tax on a service used to produce its own goods or services for consumer purchase? Such a practice could result in the layering of taxes, rather than assessing the tax on the final consumption.

The Federation of Tax Administrators periodically issues a report on the taxation (or exemption) of various categories of services. According to the report, North Carolina taxes roughly 70 of 198 services listed.[25]

24 Derived from US Bureau of Economic Analysis, Personal Income and Outlays, July of Various Years.

25 https://www.statetaxissues.org/services/2017/service_state.php

About a decade ago, the Office of State Budget and Management worked internally on some estimates on revenue generation from commonly taxed services. This report uses estimates of compliance, utilization, and the share of services consumed by households versus businesses and applies to North Carolina consumption taken from the 2017 Economic Census. The 2017 results were not increased for purposes of estimates below. The “tax yield” is 4.75 percent of the amount sold to household consumers. The “% from Consumers” indicates the share of overall spending in that category from households compared with businesses.

Service Category	Tax Yield	% from Consumers
Accounting	40,900,000	24%
Cleaning	2,300,000	12%
Landscaping Architect	1,700,000	26%
Landscaping Services	51,100,000	34%
Janitor Services	10,500,000	16%
Security	14,600,000	46%
Legal	92,700,000	40%
Pet Care (non-vet)	8,260,000	99%
Total	**222,060,000**	

Implementation of New Taxes Used in Other States

Legislation has been proposed in the North Carolina General Assembly to enable sports betting in North Carolina. The annual tax revenues from one of these proposals would be modest, reaching $26 million at full implementation.[26]

The Tax Foundation has estimated revenue from a potential tax on recreational marijuana in all states, including North Carolina. While the Tax Foundation recommends that only a general sales tax rate be applied to any such sales, it includes an estimate of the amount of potential excise taxes that would be generated at the average tax yield per marijuana user in a state with a mature (three years or longer) legalization history. North Carolina's estimate is $182 million per year, but a comparison to Oregon – a state with estimated comparable consumption – the yield may be closer to $133 million per year. It is understood that marijuana cannot be used for medicinal or recreational purposes under current North Carolina law.[27]

State Property Taxes

Currently, 18 states assess some type of property tax that yields in excess of more than one percent of total state taxes. For 2019, a statewide property tax rate at the amount of 0.5 mills (the equivalent of $200 on a $400,000 house) would generate $614 million per year.

26 https://www.ncleg.gov/Sessions/2021/FiscalNotes/Senate/PDF/SFN0688v4.pdf
https://www.ncleg.gov/Sessions/2021/FiscalNotes/Senate/PDF/SFN38v4n1.pdf

27 Tax Foundation, "Several States Considering Recreational Marijuana", January 13, 2021. https://taxfoundation.org/recreational-marijuana-tax-revenue-by-state/

Implementation of New Revenues

One possibility to generate additional revenue is to enable new forms of gaming in North Carolina, perhaps under the auspices of the North Carolina Education Lottery. In a report produced for the Lottery in March 2020, the consultants estimated that distributed gaming (video gaming terminals) could generate up to $745 million annually within five years.[28]

Finally, 11 eastern seaboard states (including Virginia) have joined the Regional Greenhouse Gas Initiative (RGGI).

There is a petition before the North Carolina Environmental Management Commission to join RGGI, which would cap carbon emissions in the state and require an auction to sell the rights to carbon emissions

While no formal fiscal estimate has been issued, if the rate increases at five percent per year from a base clearing price of $13.90, then the revenues generated would total over $500 million per year.[29]

The RGGI states generally use these revenues for utility bill relief, energy efficiency measures, and other clean energy projects.

Year	Estimated Yield*
2023	$537.8 million
2024	$537.1 million
2025	$534.9 million
2026	$531.2 million
2027	$525.8 million
2028	$518.5 million
2029	$509.2 million
2030	$497.6 million

*based on annual 5 percent increase in the base clearing price

28 Spectrum Gaming Group, “Gaming Study: Analysis of Current and Potential New Gaming Activities in North Carolina”, March 16, 2020, p. vii.

29 Auction results derived from NC Department of Environmental Quality, “RGGI Rulemaking Petition Update”, July 14, 2022 and the tons involved are found on p. 52 of this document https://www.southernenvironment.org/wp-content/uploads/legacy/words_docs/2021-01-11_-_Petiton_for_Rulemaking_with_Attachments.PDF

Other Options

As described earlier, there is also long-term need for the Highway and Highway Trust Funds to grow at a rate sufficient to meet the state's needs. Some observers have called for a vehicle miles traveled (VMT) tax to replace or supplement the motor fuels tax. There are pilots currently underway to evaluate the feasibility of such a tax, but no revenue estimate is provided in this report.

The NCDOR tax expenditure report contains two major ways to increase revenue:

- Increase the Highway Use Tax to the sales tax rate: $827 million
- Eliminate the trade-in credit for the Use Tax: $169 million

Total: $996 million

STATE REVENUE OPTION SUMMARY (ANNUAL, FULL IMPLEMENTATION)

BROADENING BASES

Value of 209 Tax Expenditures: The NC Department of Revenue reports the value of 209 exclusions, deductions, allowances, and preferred rates which reduce the amount of tax revenue otherwise collected.

$9 Billion

Consumer Services: While many goods and some services are subject to the sales tax, there are services to which other states apply the sales tax that North Carolina could consider enacting.

$221.1 Million

TAXES USED IN OTHER STATES

Online Sports Wagering: Legislation permitting such activity came very close to passage in the NC House in 2022.

$26 Million

Marijuana Excise Tax: Other states have legalized the use of marijuana for both medicinal and recreational purposes. Should North Carolina follow suit, an excise tax similar to the alcoholic beverage and tobacco taxes could be implemented in line with those levied by other states.

$133-184 Million

Statewide Property Tax (0.5 mills)

$614 Million

OTHER NEW REVENUE

Distributed Gambling: Other states have permitted video gaming terminals in bars, taverns, fraternal organizations and other locations. An analysis completed for the NC Education Lottery is the source of this estimate.

$745 Million

Regional Greenhouse Gas Initiative (RGGI): Eleven eastern seaboard states sell carbon allowances to utilities in order to reduce emissions. This sale generates revenue for each state. A petition to join this initiative is before the North Carolina Environmental Management Commission.

$498 Million

HIGHWAY USE TAX

Sales Tax Rate

$827 Million

Estimated Trade-In Deduction

$169 Million

Local Options

The ability for local governments to generate alternative revenue to the property tax highlights the importance of the sales tax. To the extent that the state broadens the general sales tax base to include more types of consumption, then local governments benefit as well.

In an accompanying paper, Dr. Whitney Afonso describes several idiosyncrasies of North Carolina local sales taxes. The per capita distribution, weighting, Medicaid hold-harmless, and food tax distribution all create some distortions in determining which governments benefit, perhaps for good reason. Afonso brings these to the light of day for a fresh discussion.

Our interviewees were asked how to help local governments struggling with demographic and economic transition. Replies included the following, in order of frequency:

- Regionalization and combination of local government infrastructure and services to increase efficiency and effectiveness
- State assistance to encourage economic development and expansion
- Increased broadband access
- Medicaid expansion
- Further redistribution of assistance

Interdependence

Appendix C shows the 100 counties in terms of share of state population, the share of total state income tax paid by residents (as a percent of all resident taxpayers), and the difference.[30] Wake and Mecklenburg pay over 50 percent of the state's income taxes, while accounting for 26 percent of the population.

While services are not equally distributed by population across the state, this comparison does make the point that the state's strong dependence on income taxes may help citizens in less affluent communities through the presence of these strong economic engines of the state's two largest metropolitan counties.

30 North Carolina Department of Revenue, Statistical Abstract of State Taxes 2020, Table C1, "Tax Year 2019 Individual Income Tax Collections by County" was the basis for this analysis.

Options For Tier System Reform

The tier rankings of North Carolina's counties are used to determine eligibility and level of support for the local governments and for companies seeking state assistance. The tier rankings were originally used by the North Carolina Department of Commerce as a means of providing economic development assistance. The tier rankings are now used throughout state government, and by some nongovernmental entities, in evaluating the economic health of an area.

The tier rankings are calculated annually and released at the end of November by the Department of Commerce. The Department analyzes data for four factors:

- Property Tax Base Per Capita: Measures relative local government capacity
- Population Growth/Decline: Measures quantity of available workers
- Unemployment Rate: Measures presence/lack of job opportunity
- Median Household Income: Measures quality of job opportunity

The counties are then ranked 1-100 on each of these indicators, with 1 being the worst and 100 being the best. The 4 scores for each county are then added together. The totals for each county are then ranked, with the lowest 40 scores in Tier 1, the next lowest 40 scores in Tier 2, and the top 20 scores in Tier 3.

While the tier system is widely used, it has many critics. Here are some of the major problems:

- The tiers have sharp cutoffs. County 80 is in Tier 2, County 81 is in Tier 3. County 80 may be eligible for a raft of programs, while County 81 may be excluded.
- The tier is a ranking, not an index. County 1 and County 40 are treated more similarly than County 40 and 41. This failure to acknowledge differences within the tiers is challenging.

Options For Tier System Reform Cont.

- The tiers are countywide. One of the biggest complaints about the tiers are that communities within a county may be very different. Eastern Chatham County is very similar to Chapel Hill and its relative affluence, while western Chatham County – such as Siler City – has far more in common with more rural counties with lower tier rankings.
- The factors in the tiers measure different things. A resort county may have high property tax values, but lower wage jobs. But it may be considered higher wage. Similarly, low property value counties may not have enough local government wherewithal to provide the local infrastructure and services needed to support a company recruitment or expansion.

To put a finer point on the tier challenges: [31]

- The 2022 Tier 1 counties include Robeson with a score of 19 (4.75 average per measure) and Cherokee with a score of 181 (45.25 average per measure).
- The 2022 Tier 2 counties include Onslow with a score of 182 (45.5 average per measure) and Macon with a score of 294 (73.5 average per measure).
- The 2022 Tier 3 counties include Brunswick with a score of 300 (75 average per measure) and Currituck with a score of 380 (95 per measure).

The bottom 5 Tier 1 counties (ranked 36-40) had an average score per measure of 44.7. The top 5 Tier 2 counties (ranked 41-45) had an average score of 46.2. The distinctions seem arbitrary with the sharp on-off switches of the tiers.

31 North Carolina Department of Commerce, Jeff DeBellis email to the author.

Options For Tier System Reform Cont.

Possible considerations to focus on the most economically challenged and to give fair assistance:

- Use the rankings to help guide (but not mandate) eligibility and the level of assistance.
- Recognize inter-county differences between communities, but do not use substate data as a justification. All data has limits. The data could be used to guide decisions, rather than limit them.
- Create an index of the measures to allow for relative considerations across and within tiers.

The other suggestions are within the realm of the state's budgeting processes.

LOOKING FORWARD

The Pandemic Era

One observer mentioned that “we’re living in the beginning of it” in referring to the ramifications of the COVID era. The shut down of the American economy beginning in March 2020 threatened to devastate state and local tax collections, while the massive intervention of the federal government to mitigate the health and financial effects of the pandemic led to record growth in state (and some local) coffers.

The near-term volatility will likely not be the only governmental fiscal effect of the pandemic. Consider the following examples:

- The shift in individual income tax collections as workers increasingly have remote options, often teleworking full-time from states other than those that house their old offices
- The potential decline in commercial real estate values in downtowns and office parks as businesses reduce their commercial footprints, shifting the property tax burden more to residents
- The effects of more shopping for goods from home, rather than shopping while at work in urban centers or traveling expressly to shop
- The reduction in motor fuels tax collections as commuting to work becomes less common

Federal policies, such as subsidies for electric cars, may reduce motor fuels taxes while increasing receipts from the sales tax on electricity.

And the economy always changes. As discussed, consumption patterns shift from goods to services as incomes rise. Other nations and states change their tax policies, affecting the competitiveness and stability of our own.

The state and local governments should use some of the discussion in this report as an impetus to continue to monitor North Carolina’s state and local tax burden, structure, sufficiency, and competitiveness with regard to accepted tax principles.

CONCLUSION

VI: CONCLUSION

North Carolina has a well-balanced state and local tax system, including income, sales, and property taxes. Over the past decade, the state has reduced tax rates and broadened the tax base, resulting in some modest decline in overall burden and more significant decline in burden relative to other states.

Even with all the changes, the state retains a greater share of the state-local tax burden than the national average and the state income tax remains a greater burden on those at higher incomes. Future scheduled state tax reduction may tighten the state budget picture and local governments will have different capacities to meet future needs. The state transportation funds, however, will likely not grow enough under current law to keep pace with inflation and other measures.

This report contains options to further broaden tax bases and to implement new taxes and revenue sources. Such options may be used to maintain sufficient levels of government funding or reduce other revenue burdens.

The story of the urban-rural divide has much truth, but the economic strength of the large and growing urban centers allows for the generation of state revenue to be shared broadly. Of course, the economic spillover effects from fast growing areas benefits other communities as well. This report contains several suggestions to help localities that are not faring as well economically.

The questions surrounding the level and structure of the state and local tax system are not easy ones, but hopefully this report gives policymakers and other interested parties ideas on how to manage an uncertain and important future.

ACKNOWLEDGEMENTS

The North Carolina Economic Development Association Foundation (NCEDA Foundation) was created in 2020 to advance the economic development profession, enhance the knowledge and skills of economic developers, and strengthen the broad, statewide economic development community in North Carolina through funding professional development activities, research, and education programs, especially to underserved, distressed, and rural counties and economic developers across North Carolina.

This “think tank” for economic development delivers cutting edge information via major research projects, blogs, and event presentations and is working to build a library of case studies and best practices. The Foundation benefits from funding by partners for expert research to improve North Carolina’s competitiveness.

In late 2021, the NCEDA Foundation was awarded a grant from the Charlotte 2020 Host Committee (CLT Host 2020, Inc.) to provide options for North Carolina state and local governments to raise revenues necessary for the efficient and effective operation of government.

The creators of this initiative expressed special concern about the varied needs of North Carolina communities, from fast growing communities placing a high demand on new infrastructure to shrinking, low-resourced communities struggling to meet current needs.

The NCEDA Foundation released a RFP in January 2022 seeking qualified respondents to conduct this work, including this report. Dan Gerlach LLC was awarded this contract and developed this report.

ACKNOWLEDGEMENTS

The report benefited from the review and insights of many, including an advisory committee that met several times over a series of months to discuss the various components of this work. Those committee members included:

- **Randall Johnson**, Chair, NCEDA Foundation
- **Dr. Whitney Afonso**, UNC-Chapel Hill, School of Government
- **Ned Curran**, Co-Chair, Charlotte 2020 Host Committee
- **Anca Grozav and Ed McLenaghan**, NC Office of State Budget & Management, Economic and Demographic Analysis Section
- **Scott Millar**, President, Catawba County Economic Development Corporation
- **Dr. Pat Mitchell**, NCEDA Foundation Member, Appalachian State University, former county manager
- **Sen. Bob Rucho** (retired), former Chair, NC Senate Finance Committee
- **Robert Van Geons**, President & CEO, Fayetteville Cumberland Economic Development Corporation

The report mentions the contributions of over two dozen key experts. These experts were promised that any remarks or opinions that they offered would not be attributed, in order to promote candor. Their contributions were meaningful to this report. We are grateful to all who helped.

Though the work was influenced by many, the report is the responsibility of the principal author, Dan Gerlach. Any omissions or errors are his alone.

APPENDICES

A

PROPERTY TAX GROWTH BY COUNTY

	PER CAPITA PROPERTY TAX GROWTH		ANNUAL PROPERTY TAX GROWTH	
COUNTIES	2002-21	RANK	2002-21	RANK
Alamance	3.0%	63	4.4%	24
Alexander	4.3%	12	4.7%	18
Alleghany	3.5%	44	3.6%	56
Anson	3.8%	24	3.0%	77
Ashe	2.8%	69	3.2%	70
Avery	3.5%	42	3.6%	55
Beaufort	3.6%	31	3.5%	60
Bertie	3.7%	27	3.1%	74
Bladen	3.5%	38	3.0%	76
Brunswick	1.2%	99	4.6%	19
Buncombe	2.8%	66	4.3%	31
Burke	3.3%	52	3.2%	69
Cabarrus	3.9%	20	6.8%	2
Caldwell	3.7%	28	3.9%	47
Camden	3.5%	41	5.7%	9

	PER CAPITA PROPERTY TAX GROWTH		ANNUAL PROPERTY TAX GROWTH	
COUNTIES	2002-21	RANK	2002-21	RANK
Carteret	2.4%	76	3.2%	72
Caswell	3.5%	43	3.3%	67
Catawba	3.1%	60	3.6%	54
Chatham	3.5%	39	5.7%	10
Cherokee	3.5%	40	4.4%	25
Chowan	4.5%	9	4.2%	36
Clay	3.0%	62	4.2%	35
Cleveland	4.4%	10	4.5%	21
Columbus	3.1%	58	2.6%	88
Craven	2.6%	74	3.1%	73
Cumberland	2.1%	88	2.7%	83
Currituck	1.7%	96	4.1%	40
Dare	3.7%	30	4.6%	20
Davidson	2.2%	87	2.9%	80
Davie	3.3%	53	4.3%	33
Duplin	3.6%	32	3.4%	65
Durham	2.6%	72	4.5%	22

	PER CAPITA PROPERTY TAX GROWTH		ANNUAL PROPERTY TAX GROWTH	
COUNTIES	2002-21	RANK	2002-21	RANK
Edgecombe	2.8%	67	2.1%	95
Forsyth	1.8%	94	2.9%	79
Franklin	2.3%	83	4.3%	29
Gaston	2.3%	81	3.4%	66
Gates	3.9%	18	3.8%	50
Graham	4.0%	17	4.0%	45
Granville	3.2%	57	4.3%	32
Greene	2.3%	82	2.6%	85
Guilford	2.1%	90	3.4%	62
Halifax	3.1%	61	2.1%	94
Harnett	3.2%	55	5.2%	11
Haywood	2.0%	91	2.7%	82
Henderson	3.8%	26	5.1%	12
Hertford	2.1%	89	1.9%	96
Hoke	4.1%	13	6.4%	5
Hyde	4.9%	5	3.5%	59
Iredell	3.6%	35	5.9%	7

	PER CAPITA PROPERTY TAX GROWTH		ANNUAL PROPERTY TAX GROWTH	
COUNTIES	2002-21	RANK	2002-21	RANK
Jackson	2.9%	64	4.4%	27
Johnston	3.4%	49	6.4%	4
Jones	4.0%	15	3.4%	61
Lee	2.5%	75	4.0%	44
Lenoir	2.6%	71	2.2%	92
Lincoln	3.3%	51	5.0%	14
Macon	2.9%	65	3.2%	71
Madison	2.8%	68	4.0%	43
Martin	1.4%	98	1.8%	99
McDowell	5.6%	1	4.7%	15
Mecklenburg	1.6%	97	4.0%	42
Mitchell	3.9%	19	3.6%	57
Montgomery	4.7%	6	4.3%	28
Moore	3.5%	45	5.1%	13
Nash	2.2%	86	2.6%	86
New Hanover	1.2%	100	3.0%	75
Northampton	5.5%	2	4.1%	39

	PER CAPITA PROPERTY TAX GROWTH		ANNUAL PROPERTY TAX GROWTH	
COUNTIES	2002-21	RANK	2002-21	RANK
Onslow	3.8%	22	5.7%	8
Orange	3.1%	59	4.3%	30
Pamlico	3.6%	33	3.4%	64
Pasquotank	3.3%	50	4.2%	37
Pender	4.3%	11	6.6%	3
Perquimans	3.6%	34	4.4%	26
Person	2.4%	77	2.8%	81
Pitt	3.4%	47	4.7%	16
Polk	3.7%	29	3.9%	46
Randolph	3.2%	56	3.6%	53
Richmond	4.6%	8	4.1%	38
Robeson	3.4%	48	3.0%	78
Rockingham	2.4%	80	2.3%	90
Rowan	2.6%	70	3.2%	68
Rutherford	3.6%	36	3.7%	52
Sampson	4.7%	7	4.4%	23

	PER CAPITA PROPERTY TAX GROWTH		ANNUAL PROPERTY TAX GROWTH	
COUNTIES	2002-21	RANK	2002-21	RANK
Scotland	1.9%	93	1.6%	100
Stanly	1.7%	95	2.2%	93
Stokes	3.4%	46	3.4%	63
Surry	2.0%	92	1.9%	98
Swain	3.8%	21	4.3%	34
Transylvania	4.0%	16	4.7%	17
Tyrrell	5.0%	4	3.5%	58
Union	5.0%	3	8.3%	1
Vance	2.2%	85	1.9%	97
Wake	3.3%	54	6.4%	6
Warren	4.1%	14	3.8%	49
Washington	3.8%	23	2.6%	87
Watauga	2.4%	79	3.7%	51
Wayne	3.6%	37	3.8%	48

	PER CAPITA PROPERTY TAX GROWTH		ANNUAL PROPERTY TAX GROWTH	
COUNTIES	2002-21	RANK	2002-21	RANK
Wilkes	2.6%	73	2.5%	89
Wilson	2.4%	78	2.7%	84
Yadkin	2.3%	84	2.3%	91
Yancey	3.8%	25	4.0%	41
All counties	2.9%		4.3%	

B

PROPERTY TAX PER CAPITA WITH RANK

COUNTIES	PROPERTY TAX PER CAPITA ($)	RANK	PERCENT OF STATE AVERAGE
Alamance	580	83	74%
Alexander	586	81	74%
Alleghany	957	17	122%
Anson	752	42	96%
Ashe	698	59	89%
Avery	1282	3	163%
Beaufort	900	20	114%

COUNTIES	PROPERTY TAX PER CAPITA	RANK	PERCENT OF STATE AVERAGE
Bertie	716	54	91%
Bladen	846	25	108%
Brunswick	1012	13	129%
Buncombe	796	32	101%
Burke	585	82	74%
Cabarrus	916	19	116%
Caldwell	603	75	77%
Camden	803	31	102%
Carteret	790	34	100%

COUNTIES	PROPERTY TAX PER CAPITA	RANK	PERCENT OF STATE AVERAGE
Caswell	553	87	70%
Catawba	673	65	86%
Chatham	1033	12	131%
Cherokee	587	80	75%
Chowan	828	28	105%
Clay	765	37	97%
Cleveland	689	62	88%
Columbus	616	74	78%
Craven	540	90	69%

COUNTIES	PROPERTY TAX PER CAPITA	RANK	PERCENT OF STATE AVERAGE
Cumberland	572	84	73%
Currituck	1089	9	138%
Dare	1781	1	226%
Davidson	484	97	62%
Davie	822	29	105%
Duplin	701	58	89%
Durham	992	14	126%
Edgecombe	668	66	85%

COUNTIES	PROPERTY TAX PER CAPITA	RANK	PERCENT OF STATE AVERAGE
Forsyth	735	47	93%
Franklin	703	56	89%
Gaston	729	48	93%
Gates	724	50	92%
Graham	958	16	122%
Granville	620	72	79%
Greene	452	98	58%
Guilford	723	51	92%
Halifax	630	70	80%

COUNTIES	PROPERTY TAX PER CAPITA	RANK	PERCENT OF STATE AVERAGE
Harnett	513	93	65%
Haywood	729	49	93%
Henderson	793	33	101%
Hertford	666	67	85%
Hoke	543	89	69%
Hyde	1638	2	208%
Iredell	755	40	96%
Jackson	866	23	110%
Johnston	741	44	94%

COUNTIES	PROPERTY TAX PER CAPITA	RANK	PERCENT OF STATE AVERAGE
Jones	739	46	94%
Lee	742	43	94%
Lenoir	643	68	82%
Lincoln	761	39	97%
Macon	688	63	87%
Madison	358	100	46%
Martin	763	38	97%
McDowell	1238	5	157%
Mecklenburg	1046	11	133%

COUNTIES	PROPERTY TAX PER CAPITA	RANK	PERCENT OF STATE AVERAGE
Mitchell	718	53	91%
Montgomery	837	26	106%
Moore	702	57	89%
Nash	565	85	72%
New Hanover	871	21	111%
Northampton	1198	6	152%
Onslow	509	95	65%
Orange	1125	8	143%
Pamlico	951	18	121%

COUNTIES	PROPERTY TAX PER CAPITA	RANK	PERCENT OF STATE AVERAGE
Pasquotank	639	69	81%
Pender	811	30	103%
Perquimans	740	45	94%
Person	849	24	108%
Pitt	591	79	75%
Polk	870	22	111%
Randolph	524	91	67%
Richmond	773	36	98%
Robeson	489	96	62%

COUNTIES	PROPERTY TAX PER CAPITA	RANK	PERCENT OF STATE AVERAGE
Rockingham	595	77	76%
Rowan	618	73	79%
Rutherford	721	52	92%
Sampson	698	60	89%
Scotland	685	64	87%
Stanly	548	88	70%
Stokes	624	71	79%
Surry	521	92	66%
Swain	437	99	56%

COUNTIES	PROPERTY TAX PER CAPITA	RANK	PERCENT OF STATE AVERAGE
Transylvania	1157	7	147%
Tyrrell	1252	4	159%
Union	831	27	106%
Vance	595	76	76%
Wake	983	15	125%
Warren	1073	10	136%
Washington	783	35	100%
Watauga	706	55	90%
Wayne	511	94	65%

COUNTIES	PROPERTY TAX PER CAPITA	RANK	PERCENT OF STATE AVERAGE
Wilkes	594	78	75%
Wilson	695	61	88%
Yadkin	555	86	71%
Yancey	753	41	96%
All counties	787		

C INCOME TAX COLLECTIONS AS A PERCENTAGE OF STATE TOTAL BY COUNTY

The table is in descending order by percent of income tax collections.

COUNTY	PERCENTAGE OF STATE POPULATION	PERCENTAGE OF TAX COLLECTIONS	DIFFERENCE
Wake	13.07%	26.37%	-13.30%
Mecklenburg	13.25%	24.18%	-10.93%
Guilford	6.46%	7.93%	-1.47%
Forsyth	4.56%	5.73%	-1.17%
Durham	3.82%	5.39%	-1.57%
Union	2.84%	4.70%	-1.86%
Buncombe	3.16%	4.20%	-1.03%
New Hanover	2.81%	4.06%	-1.25%
Orange	1.76%	3.65%	-1.89%
Cabarrus	2.57%	3.35%	-0.78%
Iredell	2.18%	3.23%	-1.05%
Johnston	2.48%	2.68%	-0.20%
Gaston	2.68%	2.68%	0.00%
Cumberland	4.00%	2.63%	1.37%
Catawba	1.92%	2.30%	-0.38%
Pitt	2.18%	2.11%	0.07%
Alamance	2.03%	2.04%	-0.01%
Davidson	2.04%	1.87%	0.16%

COUNTY	PERCENTAGE OF STATE POPULATION	PERCENTAGE OF TAX COLLECTIONS	DIFFERENCE
Chatham	0.91%	1.84%	-0.93%
Brunswick	1.72%	1.80%	-0.07%
Rowan	1.72%	1.53%	0.19%
Henderson	1.41%	1.48%	-0.07%
Moore	1.22%	1.48%	-0.26%
Randolph	1.74%	1.44%	0.30%
Lincoln	1.05%	1.25%	-0.20%
Onslow	2.50%	1.19%	1.31%
Wayne	1.52%	1.09%	0.42%
Harnett	1.62%	1.09%	0.53%
Craven	1.24%	1.08%	0.16%
Nash	1.16%	1.04%	0.12%
Carteret	0.86%	0.98%	-0.13%
Wilson	1.00%	0.90%	0.10%
Cleveland	1.21%	0.89%	0.32%
Rockingham	1.11%	0.84%	0.27%
Burke	1.10%	0.76%	0.34%
Pender	0.76%	0.76%	0.00%
Franklin	0.85%	0.72%	0.12%
Robeson	1.58%	0.71%	0.87%
Caldwell	1.01%	0.70%	0.31%
Stanly	0.77%	0.70%	0.08%
Granville	0.74%	0.69%	0.05%

COUNTY	PERCENTAGE OF STATE POPULATION	PERCENTAGE OF TAX COLLECTIONS	DIFFERENCE
Davie	0.52%	0.68%	-0.16%
Haywood	0.76%	0.65%	0.11%
Surry	0.89%	0.65%	0.23%
Lee	0.74%	0.65%	0.09%
Wilkes	0.84%	0.63%	0.21%
Watauga	0.69%	0.61%	0.08%
Dare	0.45%	0.59%	-0.14%
Sampson	0.77%	0.52%	0.25%
Rutherford	0.83%	0.51%	0.32%
Beaufort	0.57%	0.48%	0.09%
Stokes	0.56%	0.48%	0.08%
Lenoir	0.69%	0.46%	0.23%
Transylvania	0.43%	0.41%	0.02%
Duplin	0.72%	0.40%	0.32%
Person	0.49%	0.38%	0.10%
Yadkin	0.46%	0.38%	0.08%
Alexander	0.46%	0.37%	0.09%
Columbus	0.68%	0.37%	0.31%
McDowell	0.56%	0.36%	0.20%
Halifax	0.62%	0.36%	0.26%

COUNTY	PERCENTAGE OF STATE POPULATION	PERCENTAGE OF TAX COLLECTIONS	DIFFERENCE
Jackson	0.53%	0.35%	0.18%
Macon	0.44%	0.35%	0.09%
Vance	0.55%	0.34%	0.21%
Edgecombe	0.63%	0.33%	0.30%
Hoke	0.65%	0.31%	0.35%
Richmond	0.54%	0.31%	0.24%
Pasquotank	0.48%	0.27%	0.21%
Ashe	0.33%	0.23%	0.11%
Scotland	0.43%	0.23%	0.20%
Bladen	0.42%	0.22%	0.19%
Polk	0.26%	0.21%	0.05%
Montgomery	0.33%	0.21%	0.12%
Currituck	0.33%	0.21%	0.13%
Madison	0.27%	0.19%	0.08%
Yancey	0.23%	0.19%	0.04%
Cherokee	0.35%	0.18%	0.17%
Martin	0.28%	0.17%	0.11%
Caswell	0.28%	0.16%	0.12%
Anson	0.29%	0.15%	0.14%
Greene	0.25%	0.14%	0.11%
Avery	0.22%	0.14%	0.08%
Chowan	0.17%	0.14%	0.03%

COUNTY	PERCENTAGE OF STATE POPULATION	PERCENTAGE OF TAX COLLECTIONS	DIFFERENCE
Hertford	0.29%	0.13%	0.15%
Pamlico	0.16%	0.13%	0.03%
Mitchell	0.18%	0.12%	0.06%
Bertie	0.24%	0.12%	0.12%
Northampton.	0.24%	0.11%	0.13%
Perquimans	0.17%	0.11%	0.06%
Warren	0.24%	0.10%	0.13%
Alleghany	0.14%	0.10%	0.04%
Camden	0.13%	0.09%	0.04%
Clay	0.14%	0.09%	0.05%
Swain	0.17%	0.09%	0.09%
Washington	0.15%	0.08%	0.07%
Jones	0.12%	0.07%	0.06%
Gates	0.14%	0.05%	0.09%
Graham	0.10%	0.05%	0.05%
Hyde	0.06%	0.03%	0.03%
Tyrrell	0.05%	0.02%	0.02%

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