

**NEW HANOVER COUNTY  
BOARD OF COMMISSIONERS**

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**Jonathan Barfield, Jr.**  
*Chairman*  
**Beth Dawson**  
*Vice-Chairman*  
**Woody White**  
*Commissioner*  
**Skip Watkins**  
*Commissioner*  
**Rob Zapple**  
*Commissioner*

March 27, 2015

The Honorable Bill Rabon  
North Carolina Senate  
300 N. Salisbury Street, Room 311  
Raleigh, NC 27603-5925

The Honorable Michael V. Lee  
North Carolina Senate  
16 W. Jones Street, Room 2111  
Raleigh, NC 27601-2808

The Honorable Susi Hamilton  
NC House of Representatives  
16 W. Jones Street, Room 1313  
Raleigh, NC 27601-2808

The Honorable Ted Davis, Jr.  
NC House of Representatives  
300 N. Salisbury Street, Room 418B  
Raleigh, NC 27603-5925

The Honorable Rick Catlin  
NC House of Representatives  
300 N. Salisbury Street, Room 638  
Raleigh, NC 27603-5925

Dear Senators Rabon and Lee and Representatives Hamilton, Davis and Catlin:

As Chairman and on behalf of the New Hanover County Board of Commissioners, I am writing to make you aware of concerns the Board has regarding Senate Bill (SB) 369 introduced by Senate Majority Leader Harry Brown, Onslow County. The bill effectively redirects New Hanover County sales taxes to other units of local government that are largely absent a retail and/or commercial base. While redirecting sales taxes, the bill does not propose redirecting or lifting any mandated service obligations from New Hanover County; therefore, the consequence to every property owner is a property tax increase.

The impact to New Hanover County will be significant. As calculated by the North Carolina Association of County Commissioners (NCACC), by fiscal year 2019, New Hanover County's annual sales tax could grow to \$52.5 million under the current law. Although the changes would be phased in over time, when the proposed changes are fully implemented in fiscal year 2019, our annual sales tax is estimated to be only \$38.8 million or \$13.7 million less than it would have been under current law, which would currently equate to a 4 cent property tax increase. The estimated \$38.8 million, the sales tax amount estimated to be received in fiscal year 2019 under the proposed changes, is also less than our previous year's sales taxes of \$45.5 million, which for New Hanover County means that in five years our sales tax would have actually decreased \$6.7 million from our current revenues received. This equates to an over 2 cent property tax increase for every \$100 of value.

Additionally, what is not known at this point is the effect a redistribution of sales taxes may have on the ability for New Hanover County to service its current bonded indebtedness and future bond obligations without a property tax increase beyond earlier forecasts. The County currently holds a double, triple A bond rating – without a clear plan of action in terms of raising the lost revenues through property tax increases or reduction in County services, an intentional redistribution of revenues could affect the county's position in the bond market ultimately costing county taxpayers more with an unanticipated interest rate increase.

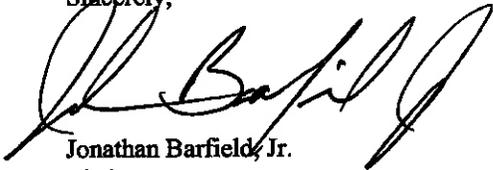
The New Hanover County Board of Commissioners recognizes the economic challenge of other county governments in the state. However, the Board believes there is a better way to address statewide concern without an indiscriminate redistribution of revenues collected locally. The requirement to build and maintain infrastructure that creates retail and commerce centers should not go unnoticed in the public policy debate aimed at solving a broad-based economic challenge. The Board of Commissioners requests that you suggest to the majority leader that he engage the leadership and staff of both NCACC and the North Carolina League of Municipalities in framing a set of options that creates “all winners” v. losers and winners.

While perhaps not intentional in its design, New Hanover County reads SB 369 as an elimination of local option sales taxes and replaces those with an exclusive statewide sales tax of 6.75 percent. Irrespective of the distribution methodology [per capita, point of sale, or a combination thereof], an exclusive statewide sales tax does not offer certainty or predictability in financial planning to counties and municipalities. The revenues collected from the state sales tax would be subject to the appropriation choices of the General Assembly year-in and year-out. In years where state revenue is lean, it is reasonable to assume the state would choose to hold those sales taxes to meet its operating and strategic priorities – prior evidence of state action in distribution functions for beer and wine taxes and lottery proceeds are easy and prime examples to offer. Counties and municipalities need better than those past practices indicate.

The Board of Commissioners fully understands SB 369 represents a beginning point for public debate. However, any policy options that are simply an indiscriminate redistribution of local sales taxes that do not offset financial losses to “local losers” are of great concern to New Hanover County. Additionally, the Board of Commissioners would also ask that you be mindful of our concerns should the state effectively convert the current local/state sales tax into a sales tax this is exclusively one held by the state.

The full Board and I are available at any time to discuss SB 369.

Sincerely,



Jonathan Barfield, Jr.  
Chairman

cc: New Hanover County Board of Commissioners  
City of Wilmington Mayor and Council  
Town of Wrightsville Beach Mayor and Aldermen  
Town of Carolina Beach and Council  
Town of Kure Beach and Council  
City of Wilmington Manager Sterling Cheatham  
New Hanover County Manager Chris Coudriet  
New Hanover County Public and Legislative Affairs Director Carey Ricks  
Town of Wrightsville Beach Manager Tim Owens  
Town of Carolina Beach Manager Michael Cramer  
New Hanover County Schools Superintendent Dr. Tim Markley  
NCACC Executive Director Kevin Leonard