

TABLE 36. NORTH CAROLINA HIGHWAY USE TAX NET COLLECTIONS

[G.S. 105 ARTICLE 5A.]

[Tax Revenue Generated from Motor Vehicle Retail Sales and Leases]

Fiscal year	Highway Use Tax Collections								Year-over-year % change			
	(+) Revenue generated from retail sales at 3% rate [\$]	(+) Revenue generated from long-term leases at 3% rate [\$]	(+) Revenue generated from short-term leases at 8% rate [\$]	(-) Total revenue generated from all rates [\$]	Collections to Highway Trust Fund [\$]	Annual appropriation to General Fund from Highway Trust Fund [\$]	Net Highway Trust Fund receipts after appropriation [\$]	Collections to General Fund [8% lease proceeds + appropriation] [\$]	Revenue generated from retail sales at 3% rate	Revenue generated from long-term leases at 3% rate	Revenue generated from short-term leases at 8% rate	Total revenue generated from all rates
	1989-90.....	164,287,271	406,005	11,670,832	176,364,108	see note	see note	see note	176,364,108	-----	-----	-----
1990-91.....	228,818,782	2,261,918	18,406,868	249,487,567	"	"	"	249,487,567	39.28%	457.12%	57.72%	41.46%
1991-92.....	238,480,817	3,858,547	17,813,886	260,153,250	242,339,364	170,000,000	72,339,364	187,813,886	4.22%	70.59%	-3.22%	4.28%
1992-93.....	267,719,306	5,532,557	20,189,023	293,440,886	273,251,863	170,000,000	103,251,863	190,189,023	12.26%	43.38%	13.33%	12.80%
1993-94.....	320,422,038	10,051,672	22,070,026	352,543,736	330,473,710	170,000,000	160,473,710	192,070,026	19.69%	81.68%	9.32%	20.14%
1994-95.....	350,367,158	14,281,460	25,272,634	389,921,252	364,648,618	170,000,000	194,648,618	195,272,634	9.35%	42.08%	14.51%	10.60%
1995-96.....	376,244,090	21,029,007	29,737,767	427,010,863	397,273,096	170,000,000	227,273,096	199,737,767	7.39%	47.25%	17.67%	9.51%
1996-97.....	377,645,699	29,931,635	32,388,443	439,965,777	407,577,334	170,000,000	237,577,334	202,388,443	0.37%	42.33%	8.91%	3.03%
1997-98.....	411,025,029	42,201,628	31,112,642	484,339,299	453,226,657	170,000,000	283,226,657	201,112,642	8.84%	40.99%	-3.94%	10.09%
1998-99.....	448,056,636	41,456,795	35,398,039	524,911,470	489,513,431	170,000,000	319,513,431	205,398,039	9.01%	-1.76%	13.77%	8.38%
1999-00.....	496,775,934	48,492,419	31,320,520	576,588,873	545,268,353	170,000,000	375,268,353	201,320,520	10.87%	16.97%	-11.52%	9.84%
2000-01.....	492,373,134	52,793,621	25,710,847	570,877,602	545,166,755	170,000,000	375,166,755	195,710,847	-0.89%	8.87%	-17.91%	-0.99%
2001-02.....	511,111,396	44,209,144	26,196,182	581,516,722	555,320,540	171,700,000	383,620,540	197,896,182	3.81%	-16.26%	1.89%	1.86%
2002-03.....	517,449,803	35,308,776	29,768,723	582,527,302	552,758,579	377,400,000	175,358,579	407,168,723	1.24%	-20.13%	13.64%	0.17%

Detail may not add to totals due to rounding.

Effective October 1, 1989, retail sales of motor vehicles became exempt from the 2% rate (\$300 limit) sales and use tax and became subject to the 3% rate of highway use tax with a minimum tax of \$40 and a maximum tax of \$1,000 on any one motor vehicle. The maximum tax per vehicle increased from \$1,000 to \$1,500 effective for transactions made on or after July 1, 1993. Effective October 1, 2001, the \$1,500 limit was repealed for most vehicles. [A \$1,000 maximum applies to Class A and Class B commercial motor vehicles; recreational vehicles that are not Class A or Class B commercial vehicles retained the \$1,500 cap.]

Under the new law, lessors of motor vehicles were given the option of either paying the 3% highway use tax on the purchase price of the vehicle at acquisition or an 8% tax on the gross receipts generated from leasing the vehicle. The irrevocable election of paying the 3% highway use tax or the 8% gross receipts tax was to be made by the retailer when applying for a certificate of title for a vehicle. [The 2003 General Assembly enacted an exception to the one-time rental vehicle tax election allowing a retailer who had paid the 3% use tax to also pay the 8% gross receipts tax provided the decision to pay the additional tax be made by July 1, 2003.] The 8% rate applies to short-term leases (less than 365 days); the 3% rate applies to long-term leases.

Amounts for fiscal year 1989-90 reflect collections for 8 1/2 months and do not include tax revenue received during the period July 1 through October of 1989 generated from the taxation of motor vehicles at the 2% rate (\$300 limit). Prior to the law change, tax collections generated from motor vehicle sales were combined with those of boats, aircraft, railway cars, and manufactured homes and cannot be singly identified for direct comparison. As a matter of information, collections of the 2% levy amounted to approximately \$60 million, collectively, for the combination of motor vehicle, aircraft, railway car, and manufactured home sales reflected in July-October 1989 collection amounts.

The North Carolina Highway Trust Fund was established during the 1989 General Assembly to subsidize transportation improvements. The legislation directed the taxes collected during 1989-90 and 1990-91 to be deposited in the General Fund. Thereafter, taxes generated from the 3% rate were to be deposited in the Highway Trust Fund, and beginning in 1991-92, a specified allocation would be transferred from the Highway Trust Fund to the General Fund. Proceeds from the 8% levy applicable to short-term leases were to be deposited in the General Fund.