



**CITY MANAGER'S OFFICE
M E M O R A N D U M**

May 30, 2014

TO: Ron Carlee, City Manager
Ron Kimble, Deputy City Manager

FROM: Dana Fenton, Intergovernmental Relations Manager

SUBJECT: Week 3 State Legislative Report

The quick pace of the “short” session 2013 Regular Session of the 2013 General Assembly continued this week. The House and Senate passed the Omnibus Tax Law Changes (HB 1050) and the Energy Modernization Act (SB 786) bills and sent them to the Governor’s office. The Senate moved the Regulatory Reform legislation (SB 734) over to the House. The Senate is considering amendments to the State’s two-year budget (SB 744) today and Saturday. The House is expecting the Senate to pass the budget and is in the process of scheduling Appropriations subcommittee meetings next week. The Senate will be taking up the Department of Commerce / Economic Development reorganization and Governor’s Coal Ash proposals next week.

High priority issues the City is following include:

Business Privilege License Tax: The Senate and House passed the Omnibus Tax Law Changes (HB 1050 - Howard) bill and the Governor signed it into law. Section 12 partially reinstates the privilege license tax for one year starting July 1, 2014 by limiting its application to businesses “physically located” inside City limits. This means that any businesses located outside the city that carries on business in the city will not have to pay the privilege license tax, even though they utilize city services such as police, fire, transportation, etc. This represents a loss of approximately \$3.4 million in revenues in FY 2015. Furthermore, HB 1050 does not specify a source of revenue to replace the privilege license tax starting July 1, 2015. Local governments will be working with the General Assembly’s Revenue Laws Committee over the interim leading up to the 2015 Regular Session of the 2015 General Assembly to identify a replacement source of revenue. Governor McCrory, House Finance Committee Chairman Julia Howard, and Senate Finance Co-Chairs Bob Rucho and Bill Rabon have announced their commitment to enacting a replacement source of revenue.

Film Production Credit: The amendments to the two-year budget being considered by the Senate (SB 744) do not contain any provisions related to the film production credit. At the Senate Appropriations/Base Budget Committee meeting, the presiding chairman responded to a question by stating that changes to the film production credit are being worked on with the Administration and the film industry, and that the recommendations would be revealed soon.

The McCrory Administration proposed reforms to the film production credit program were released on May 22. There are four parts to the Administration's proposal.

- **Motion Picture Production Tax Credit program:** Program would be effective January 1, 2015, and repealed for qualifying expenditures occurring on or after January 1, 2018. The reformed program provides for a credit against state income taxes paid by eligible production companies. All productions must have total qualifying expenditures in the State of at least \$1 million, as opposed to the current \$250,000. The maximum credit payout for a production would be \$6 million. A motion picture production is defined as “A feature-length film, video, television series defined as a season not to exceed 27 episodes, or a commercial for theatrical or television viewing or a television pilot”, and specifically excludes talk shows, sporting events, awards shows, long-form productions that primarily market a product or service, political advertising, and obscene productions.
- **Local Motion Picture Production Sales Tax Refund program:** Program effective on or after January 1, 2015. This program allows counties to pass resolutions authorizing the State to retain the portion of the local sales and use tax attributable to motion picture productions and makes these available for the “Motion Picture Production Tax Credit” program.
- **Local Occupancy Taxes:** Authorizes counties to pass resolutions allowing an exemption from room occupancy taxes for qualified motion picture productions. This would be effective on or after January 1, 2015.
- **Motion Picture Production/Postproduction Facility Tax Credit program:** Encourages investment in permanent facilities by providing credit against state income taxes. This part would be repealed for taxable years beginning on or after January 1, 2018.

HB 1142 (Hamilton) continues the existing film production credit program by repealing the January 1, 2015 sunset date. HB 1142 also raises the minimum threshold for qualifying expenses from \$250,000 to \$300,000 before a production is eligible for the credit. HB 1142 was referred to House Finance. The City supports continuation of the film production credit program.

Transit: The amendments to the two-year budget being considered by the Senate (SB 744) provide for a 4% reduction for the NC Department of Transportation Intermodal Divisions, Aviation, Rail, Ferry, Bicycle and Pedestrian, and Public Transportation, even though statewide transportation revenues are not contracting. Local transit systems, including Charlotte Area Transit System, receive State funds for operations through the State Maintenance Assistance Program, which is funded through the Public Transportation Division.

Other issues the City is following include:

Tree Removal, Replacement and Preservation: HB 1191 (Dixon) is Agriculture and Forestry Awareness Commission requested legislation that would, among other things prohibit local governments from regulating the “removal, replacement, and preservation of trees on private property within its jurisdiction”. Considerable opposition to this proposal has been generated from all over the State. It is expected that the tree related provisions will be removed if and when the bill is heard in committee. The City supports removal of this provision from HB 1191. HB 1191 was referred to House Agriculture.

Energy Modernization Act: SB 786 (Rucho) is the Joint Legislative Commission on Energy Policy recommended bill that addresses a broad range of energy issues. The section that would impose an 8% cap on the growth of city property tax revenues from year to year was intended to address the potential for property in oil and gas exploration areas to increase substantially in value due to the presence of oil and gas. This section has been amended to have the issue sent to a study committee that will make recommendations to the 2015 General Assembly. SB 786 has passed both the Senate and House, and has been sent to the Governor.

Regulatory Reform: SB 734 (Wade) / HB 1136 (McGrady) are identical versions of Environmental Review Commission recommended legislation to repeal the requirement for governing bodies to muster unanimous votes to enact certain environmental ordinances. SB 734 was transformed by the Senate from a one page bill covering just the Environmental Review Commission recommendation into an omnibus style regulatory reform bill of more than 60 pages. SB 734 passed the Senate on May 29 and has been sent to the House.

Coal Ash: SB 729 (Apodaca) / HB 1229 (Samuelson) are identical versions of the Governor’s Coal Ash Action Plan. SB 729 will be considered in Senate Agriculture / Environment / Natural Resources on Tuesday, June 3. SB 856 (Woodard) / HB 1226 (Harrison) requires all coal ash ponds to be closed at a date certain time, coal ash must be stored onsite in lined landfills, and disallows passing on closure costs to ratepayers.

Zoning / Design and Aesthetics Controls: HB 150 (Dollar) is the design and aesthetics control legislation passed by the House in 2013. HB 150 would prohibit local governments from requiring certain building design elements (i.e. design standards) for one- and two-family dwellings. If HB 150 is enacted, Council would no longer be able to consider design standards when evaluating conditional zoning petitions. Oftentimes, incorporation of design standards into conditional zoning petitions enable neighboring property owners to support such petitions. HB 150 is currently in the Senate Rules Committee. The City opposes HB 150.