

Prudent & Equitable Taxes

Tax payments in Charlotte and Mecklenburg County provide a good rate of return on investment. Excellent fiscal management by local government assures a high level of public services at a reasonable tax rate. The best municipal bond credit ratings obtainable are consistently maintained, and cash flow accumulations are managed for optimum interest earnings, thereby avoiding additional taxes. These measures save Charlotte-Mecklenburg taxpayers millions of dollars yearly.

In addition, Charlotte and Mecklenburg County offer a comparatively uncomplicated system of taxation. Because the city and county jointly operate one tax department, taxpayers are only subject to a single payment. Charlotte has the 16th lowest residential property tax rates compared to the largest city in each state.

Equal treatment is a valuable benefit to business taxpayers. Because the corporate tax burden in North Carolina is low overall, all firms are taxed equally which creates an even tax rate for everyone. Generally, under North Carolina law, special exemptions are not allowed. Even when comparing Charlotte-Mecklenburg with areas that have exemptions, the tax situation remains favorable.

Reasonable rates, as well as equitable assessment, occur at a statewide level. Figures from

the Tax Foundation show the state and local per capita tax burden in North Carolina to be \$3,009 for fiscal year 2004. This is the 21st lowest in the nation. This compares with highs of \$6,418 in the District of Columbia, and \$4,230 in New York and a U.S. average of \$3,498.



Equitable Corporate Taxes

Income Tax

North Carolina corporations and other companies doing business in the state are subject to state income tax. The income tax rate is 6.9% of taxable net income. North Carolina's definition of income basically follows federal statutes.

Charlotte has the 16th lowest residential property tax compared to the largest city in each state.

Property Tax (Real)

Real property is assessed at 100% of the 2003 fair market value. Real property is assessed every four to eight years. Rental property is taxed at its full assessment. The tax rate per \$100 for past years is as follows:

Rate per \$100 Valuation

Year	City	County	Combined
2005	\$.420	\$.8368	\$1.2568
2004	.420	.7567	1.1767
2003	.420	.7364	1.1564
2002	.467	.8397	1.3067
2001	.467	.8397	1.3067
2000	.467	.7300	1.1970

Property located within the corporate limits of the City of Charlotte is taxed by both city and county. There is no State of North Carolina tangible property tax. An additional tax ranging from

Residential Property Tax Rates in Selected Cities, 2000

City	Effective Tax Rate Per \$100
Washington, DC	0.96
Virginia Beach, VA	1.11
Charlotte, NC	1.22
Minneapolis, MN	1.27
Columbia, SC	1.45
Indianapolis, IN	1.50
Phoenix, AZ	1.82
Atlanta, GA	1.83
Jacksonville, FL	1.96
Houston, TX	2.62
Newark, NJ	2.95
Bridgeport, CT	3.86

*Effective tax rate adjust for assessment year and rate.
Source: Statistical Abstract of United States, 2004-05*

.0174 to .0668 cents per \$100 is levied on property within the five Municipal Service Districts. These districts are created to promote economic development through services, programs and advocacy. The revenues generated by the Municipal Service District assessment will be spent on enhancement programs within the district itself. Three of the five districts are in the center city area; the other two are located in the SouthEnd corridor and University City area.

Approved pollution abatement and recycling equipment are exempt from taxation under the property tax laws.

Property Tax (Personal)

Personal property is taxed at the same rate as real property. All tangible properties which include vehicles and equipment, but exclude inventories, are listed by the owner and assessed annually.

Furniture, fixtures, machinery, equipment, computers and off-the-shelf computer software are initially listed in detail at full cost installed. Custom software is not taxed. After the initial listing, the taxpayer lists as of January 1 each year only the additions to or deletions from this property each calendar year. Depreciation is applied from county schedules. Minimum value of useful property is 20% of the original cost.

Motor vehicles, trailers, and airplanes are listed as of January 1 each year. Appraisals are made from National Used Car & Truck Valuation guides and local market data.

Airplane appraisals are made from publications on used aircraft.

A special tax is also levied on personal property located in the five Municipal Service Districts.

Franchise Tax

(Business Corporation Tax)

All corporations operating in the state are levied a franchise tax at the rate of \$1.50 per \$1,000 of the largest of three alternative bases:

1. The amount of the capital stock, surplus and undivided profits apportionable to the state; or
2. Fifty-five percent of appraised value of property in the state subject to local taxation; or
3. The book value of real and tangible personal property in the state less any debt outstanding which was created to acquire or improve real property in the state. Book value may be computed by use of the same depreciation methods as are permitted for federal income tax purposes.

Franchise tax and income tax are reported on the same return.

Business License Tax

Occupational license taxes are levied by the county and city government on a variety of busi-

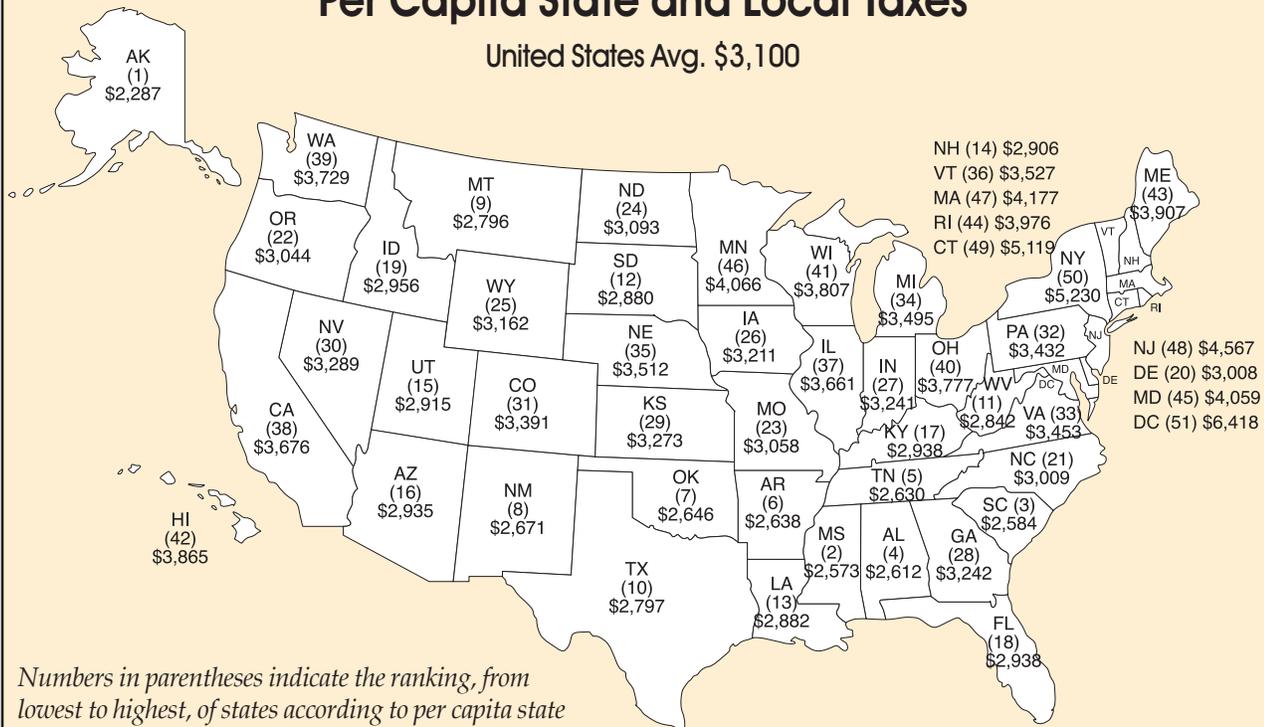
Estimated State and Local Tax Paid by a Family of Four in Selected Cities 2002

<i>City</i>	<i>\$25,000 Income</i>	<i>\$50,000 Income</i>	<i>\$75,000 Income</i>	<i>\$100,000 Income</i>
Philadelphia, PA	\$2,760	\$6,581	\$9,763	\$12,629
New York City, NY	1,408	5,400	9,546	13,398
Atlanta, GA	2,035	5,137	8,514	11,550
Los Angeles, CA	2,154	4,354	7,705	11,246
Washington, DC	1,632	4,631	7,797	10,702
Charlotte, NC	1,836	4,457	7,413	10,279
Minneapolis, MN	1,412	4,249	6,767	9,756
Average U.S.	1,787	4,153	6,774	9,188
Denver, CO	1,309	3,347	5,656	7,534

Source: Statistical Abstract of United States, 2004-05

Per Capita State and Local Taxes

United States Avg. \$3,100



Numbers in parentheses indicate the ranking, from lowest to highest, of states according to per capita state and local taxes for general revenue purposes. Dollars equal per capita tax in fiscal year, 2000.

Source: Dept. of Commerce, Bureau of the Census, 2003

nesses. These fees vary with the type of business and volume of sales. All are quite reasonable. A schedule of fees may be obtained from the City-County Collector of Revenue.

Unemployment Insurance

Though not a tax, most states require an insurance fee be paid on a portion of taxable wages. This fee varies with each business based on its history of unemployment claims. North Carolina requires a fee of 1.2% of the first \$17,300 in wages paid per employee for new firms operating within the state. Existing firms are charged a rate from 0% to 5.7% of the first \$17,300 in taxable wages; the average rate is 1.2%.

Sales and Use Tax

A 4.25% state tax plus a 3.0% local tax makes up the 7.25% Mecklenburg County sales tax. An additional tax of 1% on prepared food purchases and 6% on hotel rooms occupancy rates are collected locally. The sales tax on boats, planes and railway cars is 3% with a \$1,500 maximum tax on each item. Motor vehicle sales are covered under the highway use tax. North Carolina levies a tax on the privilege of using the highway at the rate of 3% of the retail value of a motor vehicle. The tax is at least \$40, but cannot exceed \$1,000 for

class A and B vehicles or \$1,500 for all other class vehicles.

A 7.25% use tax is charged on purchases made out of state; however, mill machinery, parts, accessories and certain fuels used in the manufacturing process are charged only 1%. The maximum tax on a single article of manufacturing machinery or equipment is \$80. Raw materials, containers, labels, packaging and shipping materials are exempt from taxation.

Reasonable Individual Taxes

Income Tax

All residents of the State of North Carolina and some non-residents are subject to personal income taxes. North Carolina's individual income tax is based on the taxpayer's taxable income as determined under the Internal Revenue Code. The tax rates on taxable income follows:

- Married filing a joint return and surviving spouses: 6% up to \$21,250; 7% from \$21,251 to \$100,000; 7.75% \$100,001-\$200,000; 8% above \$200,000.
- Head of household: 6% up to \$17,000; 7% from \$17,001 to \$80,000; 7.75% \$80,001-\$160,000; 8% above \$160,000.

- C. Unmarried individual: 6% up to \$12,750; 7% from \$12,751 to \$60,000; 7.75% \$60,001-\$120,000; 8% above \$120,000.
- D. Married individual not filing joint return: 6% up to \$10,625, 7% from \$10,626 to \$50,000; 7.75% \$50,001-\$100,000; 8% above \$100,000.

North Carolina taxable income is first determined from taxable income for federal income tax purposes. Additions to this taxable income include:

- A. Interest from obligations of states other than North Carolina.
- B. State, local and foreign income tax deducted on the federal return.
- C. The standard deduction and personal exemption inflation adjustment.
- D. Any amount allowed as a deduction from federal gross income that is taxed by a separate tax.

Deductions from taxable income include:

- A. Interest from obligations of the U.S., NC, or non-profit educational institutions located in NC.
- B. Interest gains on obligations to the extent exempt from NC law.
- C. Social Security benefits.
- D. Up to \$4,000 in benefits from Government Retirement Plans.
- E. Up to \$2,000 in retirement benefits from private retirement plans.

In 1995 North Carolina General Assembly enacted a prospective phase-in adjustment regarding the standard deduction and personal exemption adjustment currently required to federal income to determine state taxable income. This adjustment will eliminate the difference between the state and federal treatment of these two issues.

Property Tax (Real)

Tax rate is the same as for corporations. (See Corporate Taxes.)

Property located within the corporate limits of the City of Charlotte is taxed by both city and county. There is no State of North Carolina tangible property tax.

The special Municipal Service Districts tax applies to residents who live in the five districts and have real property.

Property Tax (Personal)

Motor vehicles, boats, trailers and airplanes are listed as of January 1 each year. Appraisals are made from National Used Car & Truck Valuation guides and local market data. Airplane appraisals are made from publications on used aircraft. These personal properties are assessed at 100% of their retail value.

The special Municipal Service Districts tax applies to personal property in the three Center City districts, the SouthEnd district and the University City district.

Motor Vehicle Registration

The state's annual registration license fee is \$28 per private passenger vehicle and \$28 per truck less than 4,000 lbs.

Sales Tax

A tax of 7.25% is levied on the purchase of rental or tangible commodities, except items such as prescription drugs, eyeglasses, medical devices and certain utility services. Also taxed are such items as cleaning, laundering and uniform rentals. The tax rate on the purchase or rental of boats, planes and railway cars is 3% subject to a \$1,500 maximum. A highway use tax of 3% is charged on the retail sale of each motor vehicle. The tax is at least \$40, but cannot exceed \$1,000 for each vehicle. An additional 1% is collected on prepared food purchases and an additional 6% is collected on hotel rooms. All telecommunications services are taxed at a rate of 6%. A 5% state sales tax is imposed on direct-to-home satellite service.

For more information:

Office of the Tax Collector
 Bob Walton Plaza
 700 East Stonewall Street
 Charlotte, NC 28202
 Telephone (704) 336-4600



330 South Tryon Street
 P.O. Box 32785
 Charlotte, North Carolina 28232 U.S.A.
 704.378.1300 phone 704.374.1903 fax
 www.charlottechamber.com