



Roy Cooper
Governor

Ronald G. Penny
Acting Secretary

TO: Honorable James L. Boles, Jr.
Honorable John R. Bell, IV
Honorable Shelly Willingham
Members of the House Finance Committee

FROM: Ken Wright, Legislative Liaison

DATE: April 6, 2017

RE: House Bill 480

I want to follow up on the information discussed at today's House Finance Committee meeting on House Bill 480, "ABC Permits/Tax Compliance & Reports." Specifically, I want to clarify the use of the 23% compliance figure referenced in the meeting.

A list of resident breweries (breweries based in North Carolina) was provided to the Department of Revenue by General Assembly staff with the request that we provide a status of tax compliance. The 23% was calculated by a determination that 38 out of the 164 resident breweries provided were not in total compliance. The DOR employee answering questions at today's meeting was answering under-reporting of taxes under audit and was not aware of the list. The Department regrets the confusion.

The DOR defines total compliance as: the filing of tax returns as required and payment of corresponding taxes. The DOR can make no determination of under-reporting of tax unless an audit of the taxpayer's records has been completed. In response to a member's question on resident breweries' under-reporting, the Examination division is determining any potential under-reporting of taxes, including excise taxes.

The enactment of House Bill 480 could assist the DOR's ability to ensure all permittees are in compliance. Please let me know if you have additional questions.