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## Coates' Canons Blog: Expanded Motor Vehicle License Tax Authority for Municipalities

By Kara Millonzi

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A municipality currently is authorized under general law to levy up to a \$5.00 licensing tax on any motor vehicle resident in the municipality (motor vehicle license tax). See **G.S. 20-97(b)**. A municipality's governing board may levy the tax in the unit's annual budget ordinance. The revenue generated by the tax is unrestricted; it may be expended for any lawful purpose. Several municipalities have received local act authority to increase the amount of the tax. And, as of July 1, 2016, all municipalities will have the authority to levy up to a \$30.00 motor vehicle licensing tax. See **Section 29.27A of S.L. 2015-241**.

The expanded tax authority comes with some strings, though. All of the additional revenue that a unit generates from increasing the motor vehicle license tax above the current \$5 limit is earmarked for certain expenditures. The earmarks do not apply if a unit continues to only levy the \$5.00 tax. They also do not apply if a unit levies a motor vehicle license tax under local act authority.

The expanded authority is effective as of July 1, 2016. Beginning with the FY2016-17 budget ordinance, if a unit levies a motor vehicle license tax pursuant to general law authority the proceeds from the tax are earmarked as follows:

- A municipality may use the revenue generated by up to \$5.00 of the tax for any lawful purpose. This earmark maintains the status quo as far as the amount of unrestricted money that is available for general fund purposes.
- If a municipality operates one or more public transportation systems, as defined in **G.S. 105-550(b)**, it may use the revenue generated from up to \$5.00 of the tax to finance, construct, operate, and maintain its local public transportation systems. A transportation system is defined to include any  

structures, improvements, buildings, equipment, vehicle parking or passenger transfer facilities, railroads and railroad rights-of-way, rights-of-way, bus services, shared-ride services, high-occupancy vehicle facilities, carpool and vanpool programs, voucher programs, telecommunications and information systems, integrated fare systems, bus lanes, and busways. The term does not include, however, streets, roads, or highways except to the extent they are dedicated to public transportation vehicles or to the extent they are necessary for access to vehicle parking or passenger transfer facilities.
- The remainder of the revenue must be used for "maintaining, repairing, constructing, reconstructing, widening, or improving public streets in the city or town that do not form a part of the State highway system."

To illustrate, let's look at the potential application of the new provision in several different hypothetical municipalities:

- Municipality A currently levies the \$5.00 tax under general law authority. It operates a public transportation system. In its FY2016-17 budget ordinance, the municipality's board levies a \$30.00 per vehicle tax. The unit may use up to \$5.00 per vehicle for any lawful purpose. It may use up to an additional \$5.00 per vehicle to fund its public transportation system. It must use the remaining \$20.00 per vehicle for construction, improvements, and repairs to municipal streets.
- Municipality B currently levies the \$5.00 tax under general law authority. It does not operate a public transportation system. Its board levies the \$30.00 per vehicle tax in the FY2016-17 budget ordinance. It may use up to \$5.00 per vehicle for any lawful purpose. It must use the remaining \$25.00 per vehicle for construction, improvements, and repairs to municipal streets.



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- Municipality C currently levies the \$5.00 tax under general law authority. It does not operate a public transportation system. Its board increases the tax levy in the FY2016-17 budget ordinance, but only to \$10.00 per vehicle. The unit may use up to \$5.00 per vehicle for any lawful purpose. It must use the remaining \$5.00 per vehicle for construction, improvements, and repairs to municipal streets.
  - Municipality D currently levies the \$5.00 tax under general law authority. It operates a public transportation system. The board decides to increase the tax levy, but only to \$10.00 per vehicle in the FY2016-17 budget ordinance. The unit may use up to \$5.00 per vehicle for any lawful purpose. It may use up to \$5.00 per vehicle to fund its public transportation system. It must expend any of the proceeds not used for its public transportation system for construction, improvements, and repairs to municipal streets.
  - Municipality E does not currently levy the motor vehicle license tax. Its board levies a \$5.00 per vehicle tax in the FY2016-17 budget ordinance. The unit may use all of the revenue generated by the tax for any lawful purpose.
  - Municipality F currently levies a \$25 motor vehicle license tax pursuant to local act authority. In the FY2016-17 budget ordinance, it may continue to levy this local act tax, subject only to any restrictions imposed by the local act. Alternatively, the board may choose to levy up to \$30.00 per vehicle pursuant to general law authority. If it chooses the latter, the revenue will be subject to the statutory earmarks.

## Links

- [www.ncleg.net/EnactedLegislation/Statutes/HTML/BySection/Chapter\\_20/GS\\_20-97.html](http://www.ncleg.net/EnactedLegislation/Statutes/HTML/BySection/Chapter_20/GS_20-97.html)
- [www.ncleg.net/Sessions/2015/Bills/House/PDF/H97v9.pdf](http://www.ncleg.net/Sessions/2015/Bills/House/PDF/H97v9.pdf)
- [www.ncleg.net/EnactedLegislation/Statutes/HTML/BySection/Chapter\\_105/GS\\_105-550.html](http://www.ncleg.net/EnactedLegislation/Statutes/HTML/BySection/Chapter_105/GS_105-550.html)