



Havelock Privilege Licenses Converting to Gross Receipts

Effective: January 1, 2008

Questions about Businesses affected by the change of converting fees from Flat Fees to Gross Receipts

1. What is a Privilege License?

A privilege license, sometimes referred to as a business license, is an excise tax levied on the privilege of conducting business in a city or county. Cities have broad authority pursuant to NCGS 160A-211 to impose privilege license taxes on any business conducted inside the City, except businesses limited or prohibited by the State Statute.

2. What is Gross Receipts?

Whenever an ordinance levies a privilege license tax computed on the basis of gross receipts, “gross receipts” means the amount reported as gross receipts on a businesses state income tax return or federal income tax return. If your business has multiple locations outside of Havelock, it is only necessary to report the gross receipts of the Havelock location. Businesses will be required to list their exact gross sales as reported on their most recent completed tax return, which should represent as 12-month period. Along with the businesses renewal statement, a copy of one of the following forms will be required: 1. Federal Tax Return (1st page only) 2. Financial Statement 3.) Profit/Loss Statement 4.) Other supporting documents with respect to gross sales/receipts for your business location.

3. What occupations/professions are exempt from purchasing a privilege license?

Certain types of businesses/professions are exempt from “*purchasing*” a Privilege License by North Carolina State Statute (Schedule A Businesses), while some are regulated by the State with a set amount that a City/County can tax for goods or services (Schedule B Businesses). If the City’s power to impose a privilege license tax is not restricted by Schedule A or Schedule B, a City may impose a privilege license tax on a business or occupation based on gross receipts.

4. What are some examples of businesses that are exempt from purchasing a privilege license (Schedule A Businesses)?

Accountants, Architects, Attorneys, Banks, Doctors/Dentists, Engineers, Photographers, Real Estate Brokers/Agents, Non-Profit Organizations. A complete list is provided in the City’s Fee Schedule, which is available at City Hall or on the City’s website: www.HavelockNC.us.

5. What are some examples of businesses that have set fees regulated by the State that cannot be charged based upon gross receipts (Schedule B Businesses)?

Barber/Beauty Shops, Peddlers, Auto Dealers, Automobile Service Stations, Contractors, Movie Theatres, Restaurants, Video Movie Rentals, Outdoor Advertising, Pawnbrokers, Beer/Wine. A complete list is provided in the City’s Fee Schedule, which is available at City Hall or on the City’s website: www.HavelockNC.us.

6. What are some examples of businesses that will compute their privilege license tax based on their businesses gross receipts?

Clothing Stores, Furniture Stores, Grocery Stores, Drug Stores, Newspaper/Radio Advertising, Day Care Centers, Thrift Stores, Nightclubs, Janitorial/Lawn Service, Florists, and Storage Facilities, just to name a few.

7. Could a business be charged a combination of flat fees and gross receipts?

Yes, for example a Beauty/Barber Shop falls under the State’s Schedule B licenses, which means a City may only impose a \$2.50 charge per beautician/barber for their privilege license. In other words, a City cannot impose a tax based on the gross receipts of the service they provide; however, a City may impose gross receipts on any retail merchandise that they sell (shampoos, conditioners, hairsprays, beauty products).

8. What is another example of a combination business?

A grocery store. A City cannot charge more than \$15.00 for a grocery store to sell beer/wine; therefore, their gross receipts must exclude all alcohol sales.

9. When will the City of Havelock convert to gross receipts privilege license taxes?

January 1, 2008. During the Havelock Board of Commissioners Budget Work Sessions held in May of 2007, the Board unanimously approved the computation of a privilege license tax to be based on gross receipts. On December 10, 2007 the Board reduced the original gross receipts proposal and adopted an ordinance amendment and the associated fee schedule to reflect such changes. As stated, not all businesses will be affected by the conversion due to North Carolina State Restrictions; however, approximately 300 active businesses will see a change in their fees. Even though this conversion will be effective January 1, 2008, all current businesses will not see the change until their privilege license tax is due on June 30, 2008.

10. How will a business know what their privilege license tax will be?

The tax amount will be based on the businesses annual gross sales/receipts/income. Businesses will be required to list their gross receipts as reported on their most recent tax return, which should represent a 12-month period. Once the City receives this information, the business will then be billed based on the following schedule:

<u>Gross Annual Sales</u>	<u>Annual Fee</u>
\$0-\$100,000	\$50.00
\$100,001-\$200,000	\$80.00
\$200,001-\$300,000	\$110.00
\$300,001-\$400,000	\$140.00
\$400,001-\$500,000	\$170.00
\$500,001-\$600,000	\$200.00
\$600,001-\$700,000	\$230.00
\$700,001-\$800,000	\$260.00
\$800,001-\$900,000	\$290.00
\$900,001-\$1 Million	\$320.00
Over \$1Million	\$320.00 plus \$15.00 each additional \$50,000

The City of Havelock webpage also has a bill calculator located on the City Clerk’s home page to assist in your computation.

11. What if my business has not been in operation long enough to determine gross receipts?

If your business has not been in operation long enough for the information required, the tax collector shall estimate gross receipts for the business on the basis of comparable businesses or any other useful information. The business owner may also provide an estimate to the tax collector.

12. Will my businesses gross receipts be kept confidential?

Yes, all statements in regards to your businesses gross receipts/income are declared confidential by State Statute and the tax collector is prohibited from disclosing the information contained on such statements/licenses or records, unless to comply with a court order or law. Access to such information will only be permitted by tax collection employees.

13. What is the City's history regarding privilege license taxes?

The City of Havelock first adopted a privilege license tax ordinance in 1972, with revisions made on May 26, 1975. Unless impacted by State regulation, Havelock has not increased its fees since June 24, 2002.

14. What other cities/municipalities compute their privilege license taxes based on gross receipts?

To name a few...Beaufort, Fayetteville, Greenville, Hickory, Jacksonville, New Bern, Surf City, Wilmington, Washington, etc. The North Carolina League of Municipalities conducted a survey in 2004 with 40 surrounding communities participating; and of that survey, 70% of the cities currently compute their fees based on gross receipts.

Additional Questions: Please contact, Cindy Morgan, City Clerk, Phone: (252) 444-6406 Email: CMorgan@HavelockNC.us