

North Carolina Department of Revenue
Post Office Box 25000
Raleigh, North Carolina 27640-0001

Solid Waste Disposal Tax Frequently Asked Questions

BASICS

1. When does the new excise tax law come into effect?

July 1, 2008

2. Who will be administering the tax?

The North Carolina Department of Revenue, Sales and Use Tax Division (919-733-2151).

3. How does my facility calculate the tax?

The tonnage needs to be measured, carried to the number of decimal places the scales allow, (ex. 100.555 tons) and the \$2.00 multiplier is used. This example's charge would be $100.555 \times 2.00 = \$201.11$ excise tax.

4. When is the first tax payment from solid waste facilities due?

October 31, 2008 – for the quarter July 1, 2008 through September 30, 2008.

5. Where and to whom is it submitted?

North Carolina Department of Revenue, P.O. Box 25000, Raleigh, NC 27640-0710 (The address is on the return.)

6. How often does the facility send the tax collections to the Department of Revenue?

Payments will be due quarterly, on the last day of the month following the end of the quarter. For example, if you collected a total of 3,000 tons of waste for the quarter of July – September, your facility must pay \$6,000.00 to the Department on or before October 31.

7. Will the facilities in some instances have to prepay their taxes?

No.

8. How do I determine the amount of the prepayment?

There will be no prepayments required.

9. How many facilities in North Carolina will be required to pay the \$2.00 per ton excise tax to the Department of Revenue?

The Department of Environment and Natural Resources (DENR) has advised that currently there are 41 Municipal Solid Waste landfills, 68 Construction and Demolition landfills, and approximately 23 Transfer Stations (which historically have sent waste out-of-state) that will be required to file returns and remit this tax to the Department of Revenue.

10. How much money is expected to be collected?

DENR has advised that in the 2006-2007 fiscal year, almost 12 million tons of waste were collected at landfills in-state or were shipped out-of-state through transfer stations. The tax on that amount of waste would generate close to \$24,000,000.

11. How much money is kept by the state of North Carolina?

The Department of Revenue may retain the costs of collection, not to exceed \$225,000 per year. DENR has advised that it will retain 4.375% of the revenue, to be used for staffing purposes. The amount is 0.875% of the total tax received by the Solid Waste Management Trust Fund and 3.5% of the total tax received by the Inactive Hazardous Sites Cleanup Fund. The amount DENR is projected to retain annually is \$1,050,000 if waste quantities are similar to those in previous years.

12. Will the local landfills and Solid Waste Departments actually see any of this money returned to them? When will the county see any money coming back?

The taxes collected, less the Department of Revenue's cost of collection, will be distributed as follows:

- o 37.5% will go to *cities* and *counties* on a per capita basis. 18.75% will be distributed to cities and 18.75% will be distributed to counties. A city or county is excluded from the distribution if it does not provide solid waste management programs and services and is not responsible by contract for payment of the programs and services, unless it is served by a regional solid waste management authority. A city or county that receives funds and is served by a regional solid waste management authority must forward the amount it receives to that authority.
- o 12.5% will go to the *Solid Waste Management Trust Fund*. DENR has advised that the majority of this Fund is reallocated to local governments for recycling programs.
- o 50% will go to the *Inactive Hazardous Sites Cleanup Fund* to fund the assessment and remediation of pre-1983 landfills.

13. How does our town or city benefit from the provision that 50% of the money goes to the *Inactive Hazardous Sites Fund*?

DENR has advised that the majority of these landfills are on property owned by and/or were formerly operated by/for local governments. These "old dumps" continue to be identified as development encroaches upon the areas where they are located. The liability for these areas is financially significant because of the potential threat these dumps pose to the public. The legislation that produced this tax also removed that liability from the local governments. This tax provides the funding to mitigate the health and environmental threats to citizens.

14. When can the cities and counties expect their distributions?

45 days after the end of each quarter. The quarter ending date and expected distribution dates are below:

<u>Quarter Ending:</u>	<u>Distribution Date:</u>
September 30	November 15
December 31	February 15
March 31	May 15
July 31	August 15

Note: The first distribution will occur on February 16, 2009.

WHAT DOES THE DEPARTMENT OF REVENUE REQUIRE?

15. What record keeping and forms must accompany the quarterly payment to the Department of Revenue?

Solid Waste Disposal Tax Return, Form E-500K, must accompany the payment. Forms will be mailed in June to facilities that have registered with the Department of Revenue to collect this tax. The forms can be obtained through the Department's website (www.dornrc.com) or by calling the Forms line at 1-877-252-3052 (toll-free). You may also call the Sales Use and Tax Division at 919-733-2151 for copies of the form. Record keeping will involve recording all waste which is deposited into the landfill or which leaves a transfer station for disposal outside North Carolina.

16. How do we calculate the taxable tonnage?

All landfills and transfer stations that send waste out-of-state have scales to measure waste tonnage. The scales must be approved by the Department of Agriculture and Consumer Services. The tax is calculated on all the tonnage coming into your facility for disposal.

17. Are federal facilities such as the Fort Bragg C&D landfill or Camp Lejeune MSW landfill required to pay this tax?

No. A facility operated by the Federal Government (including military bases) is not subject to the solid waste disposal tax.

18. Contracts with federal agencies exist which do not take this tax into consideration this tax. How can we recoup the money that is not included in existing contracts when the facility cost rises due to this tax?

The law does not contain provisions regarding pre-existing contractual agreements with the facilities, the haulers of waste, or with any other entity.

HOW WILL IT WORK?

19. Is the tax always collected at the scales of the landfill or transfer station?

Not necessarily. The facility could choose to collect at the scales, or it can weigh and record the tonnage of incoming vehicles as it has always done and then pay the tax out of its overall budget.

All permitted MSW landfills, all permitted C&D Landfills, and any transfer stations that transfer waste to a location outside North Carolina are liable for remitting the solid waste disposal tax on the waste that is disposed of in North Carolina or transferred outside this State. Each landfill or transfer station that is liable for remitting the tax may add the amount of the solid waste disposal tax due to the charges it makes to its customers. However, the landfill or transfer may instead choose to raise its tipping fee (the fee charged at the gate or scales) in order to generate the revenue it can use to pay the tax for which it is liable. A transfer station that transfers all of the waste it receives for disposal to a landfill in North Carolina should not charge the solid waste disposal tax to its customers. It may raise its tipping fee or charge a surcharge to generate the revenue it will use to pay the North Carolina landfill to which its waste is transferred.

20. Am I allowed to raise my tipping fee (the fee charged at the gate or scales) to cover the new cost of the tax?

Yes. It is a business, and possibly a local government, decision as to how to pay the tax. A facility must decide for itself the best way to cover the cost of this new tax.

21. What if I choose to charge the tax at the gate?

That is the choice of the facility. A facility may choose to ask the resident or hauler to pay the tax at the gate, or the facility may choose to pay the tax out of its budget. The tax assessed per vehicle will be the tonnage of the waste (carried out three decimal places) multiplied by \$2.00.

22. Must we charge state agencies such as the NCDOT or schools that in the past did not have to pay to dispose of waste?

No. Some facilities will choose to continue charging (or not charging) everyone as they always have. The tax will still have to be paid on the waste tonnage disposed, but it does not have to be directly collected from the customers. In other words, if you receive 10 tons of waste from your school district, you must still pay \$20 (\$2 x 10 tons) to the Department of Revenue on that tonnage, even if you did not charge tipping fees on that tonnage.

23. Do we have to pay tax for waste that comes to the landfill for which we charge a flat rate (like a person bringing in a couple bags of garbage)?

Yes. The amount of waste that actually goes into the landfill will be taxed whether or not your customer paid a flat fee at the scale or paid by the ton. The waste is taxed upon disposal in the landfill and upon transfer out-of-state, dependent on the weight.

24. How is the tax reported when there are several different facilities on one permit?

Reporting is by legal entity. If there are an MSW landfill and a C&D landfill owned by the same legal entity at a facility, one return and payment should be sent to the Department of Revenue.

25. Do all transfer stations pay the new tax on waste?

No. Transfer stations that export the waste out-of-state will pay the tax and only on the tonnage actually exported out-of-state. For example, if the facility sends a portion of the waste to Virginia, the trucks headed to Virginia from your facility need to be weighed on departure and the portion of waste that is sent to Virginia will be taxed.

26. At our transfer station, should we start charging the \$2.00 per ton since the landfill we are sending the waste to will be charging us the \$2.00 per ton?

You may increase your tipping fee or charge an additional fee. You may not charge an amount as the tax at the gate. For example, if your tipping fee at the transfer station is \$40, you can raise the fee to \$42, but you cannot charge the extra \$2 as the tax.

27. How much waste goes out-of-state and where did it come from?

DENR has advised that last year, 1.3 million tons of waste went out-of-state from 23 transfer stations.

28. Leachate, which is contained in the waste coming into the transfer station, is removed and sent to a wastewater treatment plant prior to disposal in another state. Should that weight be taxed?

No. Only the waste weight that will be disposed of outside North Carolina should be taxed. You can account for the leachate (fluid included with loads of waste that is not disposed of in a landfill) in one of the following ways: 1) The waste should be weighed when the truck leaves the transfer station en route to out-of-state disposal. The tax is due on that amount of waste. 2) Record keeping can account for the amount of leachate removed from waste for treatment. That amount should be deleted from the incoming trucks' weight to determine the final weight to be taxed.

29. Do we owe money for waste collected from our convenience sites that go to the landfill?

Yes. All waste disposed of in landfills is subject to the tax.

RECYCLABLES

30. Do we have to charge for the tonnage coming through the gate even if we remove recyclables from it before it goes into the landfill?

No. The weight determination must be made just prior to disposal.

31. Will the disposal tax include yard waste, white goods, aluminum cans, and tires we receive at the facility?

No. All of these materials are banned from the landfills. These materials should be sorted out before weighing and disposal.

32. Our permit allows us to recycle metal and clean wood at the landfill. If we add two dollars per ton to our tipping fee, what do we do about paying back customers who bring in mixed loads containing wood and metal that we will be recycling?

If the facility chooses to reimburse these customers part of their tipping fee, that is a decision that is not related to the tax.

33. How do we treat loads from which we remove recyclables after the load is weighed?

Tax is only due on the weight actually disposed of. If you remove recyclables and do not want to pay the tax on the removed tonnage, you can either: 1) re-weigh the load after recyclables are removed and record the tax due on that instead of the original weight, or 2) record the weight of recyclables removed for the load and deduct it from the recorded disposed waste for that load.