



WE URGE YOU TO SUPPORT HOUSE BILL 668

House Bill 668-Study on Eliminating Unauthorized Substance Tax

Primary Sponsors: Representatives Everitt, Morey, Crawford, and Autry

The Unauthorized Substances Tax (“NC Drug Tax”) is a tax levied against a person in actual or constructive possession of certain illicit substances, such as moonshine or cannabis. This law requires people in possession of certain amounts of the substance to purchase tax stamps within 48 hours and place the stamps permanently on the substance. Almost no one, besides stamp collectors, purchases these stamps; most people either do not know the stamps exist, that this is a requirement, or they are wary about giving their information to the Department of Revenue (“NC DOR”). If a person does not purchase the required stamps and is found in possession of one of the specified substances, law enforcement agencies can report the failure to purchase stamps to the NC DOR. The NC DOR then assesses back taxes, penalties, and interest against the person. The person can be assessed a Drug Tax even if their criminal charges related to the substances are dismissed or result in a finding of not guilty in court.

WHY CHANGES ARE NEEDED:

- The NC DOR uses any means necessary to collect the debt. The Department most commonly uses disruptive tactics such as seizing a person’s property, garnishing wages, or emptying individuals’ bank accounts to collect the tax.
- Approximately \$7 million is extracted from families of color and low-income communities each year. Annually, the average individual assessment is \$8,872, and can end up in the millions. These drug tax assessments are in addition to the court costs, fines and fees that individuals are faced with.
- Interest rates can be as high as 40% with the first round of interest applied 48 hours after the person is found in possession of the unauthorized substance
- In addition to harming individual taxpayers, the NC Drug Tax negatively impacts everyone. It discourages people from joining the labor markets, using banks, filing taxes, starting businesses, buying houses, and conducting other activities that contribute to the economy; therefore, the Drug Tax harms the state economy and all the North Carolinians who rely on it.

MAJOR COMPONENTS OF HOUSE BILL 668:

- House Bill 668 will create a pathway to end or significantly reduce the harm of the NC Drug Tax by collecting and studying data about the impact of the law. The bill directs the Revenue Laws Study Committee to study the costs and benefits of eliminating the Unauthorized Substance Tax, the NC Drug Tax, including the necessary compensation to State or local law enforcement agencies for any resulting revenue loss.