Abolish North Carolina’s Drug Tax

NC's Drug Tax is taxation without legalization
The Unauthorized Substances Tax ("NC Drug Tax") is a tax on the possession of certain drugs. This law requires people in possession of a certain amount of a drug to purchase stamps and place the stamps permanently on the substance. Almost no one, besides stamp collectors, actually purchases these stamps; most people either don't know the stamps exist or they are wary about giving their information to the Department of Revenue. As a result of this scheme, over four thousand people annually, on average, are exposed to thousands in back taxes, interest, and penalties. The average assessed drug tax is $8,872, but some end up owing up to $5 million.

The Drug Tax extracts millions from low-income communities and communities of color every year
Like most features of the War on Drugs, the Drug Tax disproportionately harms low-income communities and communities of color--communities that are routinely over-policed and under-resourced. When a person has an unpaid tax assessed against them, the state can seize the person’s property and garnish their wages until the full amount is paid or the 10-year statute of limits has expired. NC extracts approximately $6-11 million annually from poor and marginalized neighborhoods with this scheme.

The Drug Tax perversely incentivizes over-policing the under-resourced
Since 75% of the back taxes, interest, and penalties go to the reporting police department, police are incentivized to prioritize searching for drugs over more serious public safety concerns. Since poorer people have fewer resources to challenge police misconduct, police are further incentivized to target low-income neighborhoods where people of color are disproportionately represented. Thus, the Drug Tax enforces and perpetuates structural inequality and systemic racism.

The North Carolina General Assembly should repeal the Unauthorized Substances Tax
For more information, please contact Laura Holland, laura@ncjustice.org