

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1993

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HOUSE BILL 911\*

Short Title: Computer Software Not Taxable.

(Public)

Sponsors: Representative Stamey.

Referred to: Finance.

April 13, 1993

A BILL TO BE ENTITLED  
AN ACT TO EXPAND THE PROPERTY TAX EXEMPTION FOR COMPUTER  
SOFTWARE.

The General Assembly of North Carolina enacts:

Section 1. G.S. 105-273(8a) reads as rewritten:

"(8a) 'Inventories' means (i) goods held for sale in the regular course of business by manufacturers, retail and wholesale merchants, and contractors, and (ii) goods held by contractors to be furnished in the course of building, installing, repairing, or improving real property. As to manufacturers, the term includes raw materials, goods in process, and finished goods, as well as other materials or supplies that are consumed in manufacturing or processing, or that accompany and become a part of the sale of the property being sold. The term also includes crops, livestock, poultry, feed used in the production of livestock and poultry, and other agricultural or horticultural products held for sale, whether in process or ready for sale. The term does not include fuel used in manufacturing or processing, nor does it include materials or supplies not used directly in manufacturing or processing. As to retail and wholesale merchants and contractors, the term includes, in addition to articles held for sale, packaging materials that accompany and become a part of the sale of the property being sold.

~~As to manufacturers and retail and wholesale merchants the term also includes the following computer software, as long as the software~~

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1 is not treated as a capital asset by the taxpayer for income tax  
2 purposes:

- 3 a. ~~Computer software developed or modified by the owner or~~  
4 ~~licensee for its own use.~~
- 5 b. ~~Computer software developed or modified to the special order~~  
6 ~~of or to meet the particular needs of the owner or licensee.~~
- 7 e. ~~Computer software developed, acquired, or used to develop or~~  
8 ~~enhance computer software for license or sale to ultimate~~  
9 ~~consumers.~~

10 For the purpose of this paragraph, the term 'computer software' means  
11 a program or routine used to cause a computer to perform a specific  
12 task or set of tasks; it includes both system and application programs  
13 and any documentation related to the computer software."

14 Sec. 2. G.S. 105-275 is amended by adding a new subdivision to read:

15 "(40) Computer software and any documentation related to the computer  
16 software. As used in this subdivision, the term 'computer software'  
17 means any program or routine used to cause a computer to perform a  
18 specific task or set of tasks. The term includes system and application  
19 programs and database storage and management programs."

20 Sec. 3. This act is effective for taxes imposed for taxable years beginning on  
21 or after July 1, 1993. Notwithstanding the provisions of G.S. 105-282.1(a), an  
22 application for the benefit provided in this act for the 1993-94 tax year shall be  
23 considered timely if it is filed on or before September 1, 1993.