

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1999

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SENATE BILL 1076
Finance Committee Substitute Adopted 7/1/99
Third Edition Engrossed 7/7/99
House Committee Substitute Favorable 7/15/99

Short Title: Reform Local Tax on Rental Cars.

(Public)

Sponsors:

Referred to:

April 15, 1999

1 A BILL TO BE ENTITLED
2 AN ACT TO REPEAL THE PROPERTY TAX ON CERTAIN VEHICLES LEASED
3 OR RENTED UNDER RETAIL SHORT-TERM LEASES OR RENTALS AND TO
4 REPLACE THE TAX REVENUE WITH A LOCAL TAX ON GROSS RECEIPTS
5 DERIVED FROM RETAIL SHORT-TERM LEASES OR RENTALS.

6 The General Assembly of North Carolina enacts:

7 Section 1. G.S. 105-275 is amended by adding a new subdivision to read:

8 "(41) A vehicle that is offered at retail for short-term lease or rental and is
9 owned or leased by an entity engaged in the business of leasing or
10 renting vehicles to the general public for short-term lease or rental. For
11 the purposes of this subdivision, the term 'short-term lease or rental'
12 shall have the same meaning as in G.S. 105-187.1. A gross receipts tax
13 as set forth by G.S. 153A-156 and G.S. 160A-215.1 is substituted for
14 and replaces the ad valorem tax previously levied on these vehicles."

15 Section 2. Chapter 153A of the General Statutes is amended by adding a new
16 section to read:

17 "§ 153A-156. Gross receipts tax on short-term leases or rentals.

1 (a) As a substitute for and in replacement of the ad valorem tax, which is excluded
2 by G.S. 105-275(41), a county may levy a gross receipts tax on the gross receipts from
3 the short-term lease or rental of vehicles at retail to the general public. The tax rate shall
4 not exceed one and one-half percent (1.5%) of the gross receipts from such short-term
5 leases or rentals.

6 (b) If a county enacts the substitute and replacement gross receipts tax pursuant to
7 this section, any entity required to collect the tax shall include a provision in each retail
8 short-term lease or rental agreement noting that an additional one and one-half percent
9 (1.5%) of the total lease or rental price, excluding sales tax, is being charged as a tax on
10 gross receipts. For purposes of this section, the transaction giving rise to the tax shall be
11 deemed to have occurred at the location of the entity from which the customer takes
12 delivery of the vehicle. The tax shall be collected at the time of lease or rental and placed
13 in a segregated account until remitted to the county.

14 (c) The collection and use of taxes under this section are not subject to sales tax
15 and are not included in the gross receipts of the entity. The proceeds collected under this
16 section belong to the county and are not subject to creditor liens against the entity.

17 (d) A tax levied under this section shall be collected by the county but otherwise
18 administered in the same manner as the tax levied under G.S. 105-164.4(a)(2).

19 (e) The following definitions apply in this section:

20 (1) Vehicle. – Any of the following:

21 a. A motor vehicle of the private passenger type, including a
22 passenger van, minivan, or sport utility vehicle.

23 b. A motor vehicle of the cargo type, including cargo van, pickup
24 truck, or truck with a gross vehicle weight of 26,000 pounds or
25 less used predominantly in the transportation of property for
26 other than commercial freight and that does not require the
27 operator to possess a commercial drivers license.

28 c. A trailer or semitrailer with a gross vehicle weight of 6,000
29 pounds or less.

30 (2) Short-term lease or rental. – Defined in G.S. 105-187.1(4).

31 (f) The penalties and remedies that apply to local sales and use taxes levied under
32 Subchapter VIII of this Chapter apply to a tax levied under this section. The county
33 board of commissioners may exercise any power the Secretary of Revenue may exercise
34 in collecting local sales and use taxes."

35 Section 3. Chapter 160A of the General Statutes is amended by adding a new
36 section to read:

37 **"§ 160A-215.1. Gross receipts tax on short-term leases or rentals.**

38 (a) As a substitute for and in replacement of the ad valorem tax, which is excluded
39 by G.S. 105-275(41), a city may levy a gross receipts tax on the gross receipts from the
40 short-term lease or rental of vehicles at retail to the general public. The tax rate shall not
41 exceed one and one-half percent (1.5%) of the gross receipts from such short-term leases
42 or rentals. This tax on gross receipts is in addition to the privilege taxes authorized by
43 G.S. 160A-211.

1 (b) If a city enacts the substitute and replacement gross receipts tax pursuant to
2 this section, any entity required to collect the tax shall include a provision in each retail
3 short-term lease or rental agreement noting that an additional one and one-half percent
4 (1.5%) of the total lease or rental price, excluding sales tax, is being charged as a tax on
5 gross receipts. For purposes of this section, the transaction giving rise to the tax shall be
6 deemed to have occurred at the location of the entity from which the customer takes
7 delivery of the vehicle. The tax shall be collected at the time of lease or rental and placed
8 in a segregated account until remitted to the city.

9 (c) The collection and use of taxes under this section are not subject to sales tax
10 and are not included in the gross receipts of the entity. The proceeds collected under this
11 section belong to the city and are not subject to creditor liens against the entity.

12 (d) A tax levied under this section shall be collected by the city but otherwise
13 administered in the same manner as the tax levied under G.S. 105-164.4(a)(2).

14 (e) The following definitions apply in this section:

15 (1) Vehicle. – Any of the following:

16 a. A motor vehicle of the private passenger type, including a
17 passenger van, minivan, or sport utility vehicle.

18 b. A motor vehicle of the cargo type, including cargo van, pickup
19 truck, or truck with a gross vehicle weight of 26,000 pounds or
20 less used predominantly in the transportation of property for
21 other than commercial freight and that does not require the
22 operator to possess a commercial drivers license.

23 c. A trailer or semitrailer with a gross vehicle weight of 6,000
24 pounds or less.

25 (2) Short-term lease or rental. – Defined in G.S. 105-187.1.

26 (f) The penalties and remedies that apply to local sales and use taxes levied under
27 Subchapter VIII of this Chapter apply to a tax levied under this section. The governing
28 body of the city may exercise any power the Secretary of Revenue may exercise in
29 collecting local sales and use taxes."

30 Section 4. The Fiscal Research Division of the North Carolina General
31 Assembly shall compare the revenue generated statewide by the substitute and
32 replacement gross receipts tax authorized by this act with the revenue that would have
33 been generated by an ad valorem tax. The Fiscal Research Division shall report its
34 findings to the 2003 Session of the 2003-2004 General Assembly.

35 Section 5. Section 1 of this act becomes effective for taxes imposed for
36 taxable years beginning on or after July 1, 2000. The remainder of this act becomes
37 effective July 1, 2000.