

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2003

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**SENATE BILL 1145**  
**Finance Committee Substitute Adopted 6/7/04**  
**House Committee Substitute Favorable 6/28/04**

Short Title: Revenue Laws Technical Changes.

(Public)

Sponsors:

Referred to:

May 18, 2004

A BILL TO BE ENTITLED

1  
2 AN ACT TO MAKE TECHNICAL AND CONFORMING CHANGES TO THE  
3 REVENUE LAWS AND RELATED STATUTES, TO CLARIFY THAT THE  
4 CREDIT FOR CREATING JOBS IS ALLOWED ONLY FOR NEW JOBS  
5 CREATED IN THIS STATE, AND TO PROHIBIT THE USE OF FUTURE  
6 ROOM TAX COLLECTIONS IN CERTAIN COUNTIES AND CITIES TO  
7 DEVELOP OR CONSTRUCT A HOTEL OR SIMILAR LODGING FACILITY.

8 The General Assembly of North Carolina enacts:

9       **SECTION 1.** Section 30C.3(b) of S.L. 2002-126, as amended by Section  
10 37A.4 of S.L. 2003-284, reads as rewritten:

11       "**SECTION 30C.3.(b)** This section is effective on and after January 1, 2002, and  
12 applies to the estates of decedents dying on or after that date. This section ~~is and~~ Section  
13 37A.5 of S.L. 2003-284 are repealed effective for the estates of decedents dying on or  
14 after July 1, 2005."

15       **SECTION 2.** The lead-in language of Section 2 of S.L. 2003-360 reads as  
16 rewritten:

17       "**SECTION 2.** The capital improvements projects, and their respective costs,  
18 authorized by this act to be constructed and financed as provided in Sections ~~4-1, 5,~~ and  
19 6 of this act are as follows:"

20       **SECTION 3.(a)** S.L. 2003-405 is reenacted.

21       **SECTION 3.(b)** This section is effective on and after August 12, 2003, and  
22 is repealed effective on the date that S.L. 2003-405 is repealed.

23       **SECTION 4.(a)** G.S. 105-32.2(b) reads as rewritten:

24       "(b) Amount. – The amount of the estate tax imposed by this section for estates of  
25 decedents dying on or after January 1, 2002, is the maximum credit for state death taxes  
26 allowed under section 2011 of the Code without regard to the phase-out and termination  
27 of that credit under subdivision (b)(2) and subsection (f) of that ~~section~~ section and  
28 without regard to the deduction for state death taxes allowed under section 2058 of the

1 Code. If any property in the estate is located in a state other than North Carolina, the  
2 amount of tax payable depends on whether the decedent was a resident of this State at  
3 death. If the decedent was a resident of this State at death, the amount of tax due under  
4 this section is reduced by the lesser of the amount of the death tax paid the other state or  
5 an amount computed by multiplying the credit by a fraction, the numerator of which is  
6 the gross value of the estate that has a tax situs in another state and the denominator of  
7 which is the value of the decedent's gross estate. If the decedent was not a resident of  
8 this State at death, the amount of tax due under this section is an amount computed by  
9 multiplying the credit by a fraction, the numerator of which is the gross value of real  
10 property that is located in North Carolina plus the gross value of any personal property  
11 that has a tax situs in North Carolina and the denominator of which is the value of the  
12 decedent's gross estate. For purposes of this section, the gross value of property is its  
13 gross value as finally determined in the federal estate tax proceedings."

14 **SECTION 4.(b)** This section is repealed effective for the estates of  
15 decedents dying on or after July 1, 2005.

16 **SECTION 5.** G.S. 105-113.5 reads as rewritten:

17 "**§ 105-113.5. Tax on cigarettes.**

18 A tax is levied on the sale or possession for sale in this State, by a distributor, of all  
19 cigarettes at the rate of two and one-half mills per individual cigarette.

20 ~~This tax does not apply to any of the following:~~

- 21 (1) ~~Sample cigarettes distributed without charge in packages containing~~  
22 ~~five or fewer cigarettes.~~
- 23 (2) ~~Cigarettes in a package of cigarettes given without charge by the~~  
24 ~~manufacturer of the cigarettes to an employee of the manufacturer who~~  
25 ~~works in a factory where cigarettes are made, if the cigarettes are not~~  
26 ~~taxed by the federal government."~~

27 **SECTION 6.** G.S. 105-113.68(a)(2) is repealed.

28 **SECTION 7.** G.S. 105-113.83(b) reads as rewritten:

29 "(b) Beer and Wine. – The excise taxes on malt beverages and wine levied under  
30 G.S. 105-113.80(a) and (b), respectively, are payable to the Secretary by the resident  
31 wholesaler or importer who first handles the beverages in this State. The excise taxes ~~on~~  
32 ~~wine~~ levied under G.S. 105-113.80(b) on wine shipped directly to consumers pursuant  
33 to G.S. 18B-1001.1 must be paid by the wine shipper permittee. The taxes on malt  
34 beverages and wine shall be paid only once on the same beverages. The tax shall be  
35 paid on or before the 15th day of the month following the month in which the beverage  
36 is first sold or otherwise disposed of in this State by the wholesaler, importer, or wine  
37 shipper permittee. When excise taxes are paid on wine or malt beverages, the  
38 wholesaler, importer, or wine shipper permittee shall submit to the Secretary verified  
39 reports on forms provided by the Secretary detailing sales records for the month for  
40 which the taxes are paid. The report shall indicate the amount of excise tax due, contain  
41 the information required by the Secretary, and indicate separately any transactions to  
42 which the excise tax does not apply."

43 **SECTION 8.** G.S. 105-113.108(a) reads as rewritten:

1       (a) Revenue Stamps. – The Secretary shall issue stamps to affix to unauthorized  
2 substances to indicate payment of the tax required by this Article. Dealers shall report  
3 the taxes payable under this Article at the time and on the ~~form~~-return prescribed by the  
4 Secretary. ~~Dealers~~ Notwithstanding any other provision of law, dealers are not required  
5 to give their name, address, social security number, or other identifying information on  
6 the ~~form~~-return, and the return is not required to be verified by oath or affirmation.  
7 Upon payment of the tax, the Secretary shall issue stamps in an amount equal to the  
8 amount of the tax paid. Taxes may be paid and stamps may be issued either by mail or  
9 in person."

10       **SECTION 8.1.** G.S. 105-114.1(b), as amended by ratified Senate Bill 51,  
11 2003 General Assembly, reads as rewritten:

12       (b) Controlled Companies. – If a corporation or an affiliated group of  
13 corporations owns seventy percent (70%) or more of the capital interests in a limited  
14 liability company, the corporation or group of corporations must include in its three tax  
15 bases pursuant to G.S. 105-122 ~~under this Article~~ the same percentage of (i) the limited  
16 liability company's capital stock, surplus, and undivided profits; (ii) fifty-five percent  
17 (55%) of the limited liability company's appraised ad valorem tax value of property; and  
18 (iii) the limited liability company's actual investment in tangible property in this State,  
19 as appropriate. ~~the limited liability company's net assets."~~

20       **SECTION 9.** G.S. 105-129.2 is amended by adding a new subdivision to  
21 read:

22       "§ 105-129.2. Definitions.

23       The following definitions apply in this Article:

24       . . .

25       (12a) Interstate air courier. – Defined in G.S. 105-164.3."

26       **SECTION 10.** 105-129.4(b2) reads as rewritten:

27       (b2) Health Insurance. – A taxpayer is eligible for a credit for creating jobs or for  
28 worker training under this Article if the taxpayer provides health insurance for the  
29 positions for which the credit is claimed when the jobs are created and each year it  
30 claims an installment or carryforward of the credit. A taxpayer is eligible for the other  
31 credits under this Article if the taxpayer provides health insurance for all of the full-time  
32 positions at the location with respect to which the credit is claimed when the taxpayer  
33 engages in the activity that qualifies for the credit and each year it claims an installment  
34 or carryforward of the credit. For the purposes of this subsection, a taxpayer provides  
35 health insurance if it pays at least fifty percent (50%) of the premiums for health care  
36 coverage that equals or exceeds the minimum provisions of the basic health care plan of  
37 coverage recommended by the Small Employer Carrier Committee pursuant to  
38 G.S. 58-50-125.

39       Each year that a taxpayer claims a credit or an installment or carryforward of a credit  
40 allowed under this Article, the taxpayer must provide with the tax return the taxpayer's  
41 certification that the taxpayer continues to provide health insurance for the jobs for  
42 which the credit was claimed or the full-time jobs at the location with respect to which  
43 the credit was claimed. If the taxpayer ceases to provide health insurance for the jobs

1 during a taxable year, the credit expires and the taxpayer may not take any remaining  
2 installment or carryforward of the credit."

3 **SECTION 11.** G.S. 105-129.4(b6) reads as rewritten:

4 "(b6) Overdue Tax Debts. – A taxpayer is not eligible for a credit allowed under  
5 this Article if, at the time the taxpayer claims the credit or an installment or  
6 carryforward of the credit, the taxpayer has received a notice of an overdue tax debt and  
7 that overdue tax debt has not been satisfied or otherwise resolved."

8 **SECTION 12.** G.S. 105-129.6(b) reads as rewritten:

9 "(b) Reports. – The Department of Revenue shall publish by ~~March~~April 1 of  
10 each year the following information itemized by credit and by taxpayer for the  
11 12-month period ending the preceding December 31:

- 12 (1) The number of claims for each credit allowed in this Article.
- 13 (2) The number and enterprise tier area of new jobs with respect to which  
14 credits were generated and to which credits were claimed.
- 15 (3) The cost and enterprise tier area of machinery and equipment with  
16 respect to which credits were generated and to which credits were  
17 claimed.
- 18 (4) The number of new jobs created by businesses located in development  
19 zones, and the percentage of jobs at those locations that were filled by  
20 residents of the zones.
- 21 (5) The amount and enterprise tier area of worker training expenditures  
22 with respect to which credits were generated and to which credits were  
23 claimed.
- 24 (6) The amount and enterprise tier area of new research and development  
25 expenditures with respect to which credits were generated and to  
26 which credits were claimed.
- 27 (7) The cost and enterprise tier area of real property investment with  
28 respect to which credits were generated and to which credits were  
29 claimed."

30 **SECTION 13.** G.S. 105-129.9(d) reads as rewritten:

31 "(d) Expiration. – As used in this subsection, the term 'disposed of' means  
32 disposed of, taken out of service, or moved out of State.

33 If, in one of the seven years in which the installment of a credit accrues, the  
34 machinery and equipment with respect to which the credit was claimed are disposed of,  
35 ~~taken out of service, or moved out of State,~~ the credit expires and the taxpayer may not  
36 take any remaining installment of the credit for that machinery and equipment unless  
37 the cost of that machinery and equipment is offset in the same taxable year by the  
38 taxpayer's new investment in eligible machinery and equipment placed in service in the  
39 same enterprise tier, as provided in this subsection. If, during the taxable year the  
40 taxpayer disposed of the machinery and equipment for which installments remain, there  
41 has been a net reduction in the cost of all the taxpayer's eligible machinery and  
42 equipment that are in service in the same enterprise tier as the machinery and equipment  
43 that were disposed of, and the amount of this reduction is greater than twenty percent  
44 (20%) of the cost of the machinery and equipment that were disposed of, then the

1 taxpayer forfeits the remaining installments of the credit for the machinery and  
2 equipment that were disposed of. If the amount of the net reduction is equal to twenty  
3 percent (20%) or less of the cost of the machinery and equipment that were disposed of,  
4 or if there is no net reduction, then the taxpayer does not forfeit the remaining  
5 installments of the expired credit. In determining the amount of any net reduction during  
6 the taxable year, the cost of machinery and equipment the taxpayer placed in service  
7 during the taxable year and for which the taxpayer claims a credit under Article 3B of  
8 this Chapter may not be included in the cost of all the taxpayer's eligible machinery and  
9 equipment that are in service. If in a single taxable year machinery and equipment with  
10 respect to two or more credits in the same tier are disposed of, the net reduction in the  
11 cost of all the taxpayer's eligible machinery and equipment that are in service in the  
12 same tier is compared to the total cost of all the machinery and equipment for which  
13 credits expired in order to determine whether the remaining installments of the credits  
14 are forfeited.

15 The expiration of a credit does not prevent the taxpayer from taking the portion of an  
16 installment that accrued in a previous year and was carried forward to the extent  
17 permitted under G.S. 105-129.5.

18 If, in one of the seven years in which the installment of a credit accrues, the  
19 machinery and equipment with respect to which the credit was claimed are moved to an  
20 area in a higher-numbered enterprise tier, or are moved from a development zone to an  
21 area that is not a development zone, the remaining installments of the credit are allowed  
22 only to the extent they would have been allowed if the machinery and equipment had  
23 been placed in service initially in the area to which they were moved."

24 **SECTION 14.** G.S. 105-129.35(c)(4) reads as rewritten:

25 "(4) State Historic Preservation Officer. – Defined in  
26 G.S. ~~105-129.6~~.105-129.36."

27 **SECTION 15.** G.S. 105-130.4(a)(6) reads as rewritten:

28 "(a) As used in this section, unless the context otherwise requires:

29 . . .

30 (6) 'Public utility' means any corporation that is subject to control of one  
31 of more of the following entities: the North Carolina Utilities  
32 Commission, the Federal Communications Commission, the Interstate  
33 Commerce Commission, the Federal ~~Power~~Energy Regulatory  
34 Commission, or the Federal Aviation Agency; and that owns or  
35 operates for public use any plant, equipment, property, franchise, or  
36 license for the transmission of communications, the transportation of  
37 goods or persons, or the production, storage, transmission, sale,  
38 delivery or furnishing of electricity, water, steam, oil, oil products, or  
39 gas. The term also includes a motor carrier of property whose principal  
40 business activity is transporting property by motor vehicle for hire  
41 over the public highways of this State."

42 **SECTION 16.(a)** G.S. 105-130.46 reads as rewritten:

43 "§ **105-130.46. Credit for manufacturing cigarettes for exportation while**  
44 **increasing employment and utilizing State Ports.**

1 (a) Purpose. – The credit authorized by this section is intended to enhance the  
2 economy of this State by encouraging qualifying cigarette manufacturers to increase  
3 employment in this State with the purpose of expanding this State's economy, the use of  
4 the North Carolina State Ports, and the use of other State goods and services, including  
5 tobacco.

6 (b) Definitions. – The following definitions apply in this section:

7 (1) Employment level. – The total number of full-time jobs and part-time  
8 jobs converted into full-time equivalences.

9 (2) Exportation. – The shipment of cigarettes manufactured in the United  
10 States to a foreign country sufficient to relieve the cigarettes in the  
11 shipment of the federal excise tax on cigarettes.

12 (3) Full-time job. – A position that requires at least 1,600 hours of work  
13 per year and is intended to be held by one employee during the entire  
14 year.

15 (4) Successor in business. – A corporation that through amalgamation,  
16 merger, acquisition, consolidation, or other legal succession becomes  
17 invested with the rights and assumes the burdens of the predecessor  
18 corporation and continues the cigarette exportation business.

19 (c) Employment Level. – In order to be eligible for a full credit allowed under  
20 this section, the corporation must maintain an employment level in this State that  
21 exceeds the corporation's employment level in this State at the end of the 2004 calendar  
22 year by at least 800 full-time jobs. In the case of a successor in business, the corporation  
23 must maintain an employment level in this State that exceeds all its predecessor  
24 corporations' combined employment levels in this State at the end of the 2004 calendar  
25 year by at least 800 full-time jobs. A job is located in this State if more than fifty  
26 percent (50%) of the employee's duties are performed in this State.

27 (d) Credit. – A corporation that satisfies the employment level requirement under  
28 subsection ~~(b)~~(c) of this section, is engaged in the business of manufacturing cigarettes  
29 for exportation, and exports cigarettes and other tobacco products through the North  
30 Carolina State Ports during the taxable year is allowed a credit as provided in this  
31 section. The amount of credit allowed under this section is equal to forty cents (40¢) per  
32 one thousand cigarettes exported. The amount of credit earned during the taxable year  
33 may not exceed ten million dollars (\$10,000,000).

34 (e) Reduction of Credit. – A corporation that has previously satisfied the  
35 qualification requirements of this section but that fails to satisfy the employment level  
36 requirement in a succeeding year may still claim a partial credit for the year in which  
37 the employment level requirement is not satisfied. The partial credit allowed is equal to  
38 the credit that would otherwise be allowed under subsection ~~(e)~~(d) of this section  
39 multiplied by a fraction. The numerator of the fraction is the number of full-time jobs by  
40 which the corporation's employment level in this State exceeds the corporation's  
41 employment level in this State at the end of the 2004 calendar year. The denominator of  
42 the fraction is 800. In the case of a successor in business, the numerator of the fraction  
43 is the number of full-time jobs by which the corporation's employment level in this

1 State exceeds all its predecessor corporations' combined employment levels in this State  
2 at the end of the 2004 calendar year.

3 (f) Allocation. – The credit allowed by this section may be taken against the  
4 income taxes levied under this Part or the franchise taxes levied under Article 3 of this  
5 Chapter. When the taxpayer claims a credit under this section, the taxpayer must elect  
6 the percentage of the credit to be applied against the taxes levied under this Part with  
7 any remaining percentage to be applied against the taxes levied under Article 3 of this  
8 Chapter. This election is binding for the year in which it is made and for any  
9 carryforwards. A taxpayer may elect a different allocation for each year in which the  
10 taxpayer qualifies for a credit.

11 (g) Ceiling. – The total amount of credit that may be taken in a taxable year  
12 under this section may not exceed the lesser of the amount of credit which may be  
13 earned for that year under subsection ~~(e)~~(d) of this section or fifty percent (50%) of the  
14 amount of tax against which the credit is taken for the taxable year reduced by the sum  
15 of all other credits allowable, except tax payments made by or on behalf of the taxpayer.  
16 This limitation applies to the cumulative amount of the credit allowed in any tax year,  
17 including carryforwards claimed by the taxpayer under this section or G.S. 105-130.45  
18 for previous tax years.

19 (h) Carryforward. – Any unused portion of a credit allowed in this section may  
20 be carried forward for the next succeeding 10 years. All carryforwards of a credit must  
21 be taken against the tax against which the credit was originally claimed. A successor in  
22 business may take the carryforwards of a predecessor corporation as if they were  
23 carryforwards of a credit allowed to the successor in business.

24 (i) Documentation of Credit. – A corporation that claims the credit under this  
25 section must include the following with its tax return:

26 (1) A statement of the exportation volume on which the credit is based.

27 (2) A list of the corporation's export volumes shown on its monthly  
28 reports to the Alcohol and Tobacco Tax and Trade Bureau of the  
29 United States Treasury for the months in the tax year for which the  
30 credit is claimed.

31 (3) Any other information required by the Department of Revenue.

32 (j) No Double Credit. – A taxpayer may not claim this credit and the credit  
33 allowed under G.S. 105-130.45 for the same activity.

34 (k) Reports. – Any corporation that takes a credit under this section must submit  
35 an annual report by May 1 of each year to the Senate Finance Committee, the House of  
36 Representatives Finance Committee, the Senate Appropriations Committee, the House of  
37 Representatives Appropriations Committee, and the Fiscal Research Division of the  
38 General Assembly. The report must state the amount of credit earned by the corporation  
39 during the previous year, the amount of credit including carryforwards claimed by the  
40 corporation during the previous year, and the percentage of domestic leaf content in  
41 cigarettes produced by the corporation during the previous year. The first reports  
42 required under this section are due by May 1, 2006."

43 **SECTION 16.(b)** This section is effective for taxable years beginning on or  
44 after January 1, 2006, and expires for exports occurring on or after January 1, 2018.

1           **SECTION 17.** G.S. 105-160.3(b)(6) is repealed.

2           **SECTION 18.** G.S. 105-164.3(28) reads as rewritten:

3           "(28) Prepared food. – Food that meets at least one of the conditions of this  
4           subdivision. Prepared food does not include food the retailer sliced,  
5           repackaged, or pasteurized but did not ~~otherwise process~~ heat, mix, or  
6           sell with eating utensils.

7           a.       It is sold in a heated state or it is heated by the retailer.

8           b.       It consists of two or more foods mixed or combined by the  
9           retailer for sale as a single item. This sub-subdivision does not  
10          include foods containing raw eggs, fish, meat, or poultry that  
11          require cooking by the consumer as recommended by the Food  
12          and Drug Administration to prevent food borne illnesses.

13          c.       It is sold with eating utensils provided by the retailer, such as  
14          plates, knives, forks, spoons, glasses, cups, napkins, and  
15          straws."

16          **SECTION 19.** G.S. 105-164.3(37) reads as rewritten:

17          "(37) Sales price. – The total amount or consideration for which personal  
18          property or services are sold, leased, or rented. The consideration may  
19          be in the form of cash, credit, property, or services. The sales price  
20          must be valued in money, regardless of whether it is received in  
21          money.

22          a.       The term includes all of the following:

23               1.       The retailer's cost of the property sold.

24               2.       The cost of materials used, labor or service costs,  
25               interest, losses, all costs of transportation to the retailer,  
26               all taxes imposed on the retailer, and any other expense  
27               of the retailer.

28               3.       Charges by the retailer for any services necessary to  
29               complete the sale.

30               4.       Delivery charges.

31               5.       Installation charges.

32               6.       The value of exempt personal property given to the  
33               consumer when taxable and exempt personal property  
34               are bundled together and sold by the retailer as a single  
35               product or piece of merchandise.

36               7.       Credit for trade-in.

37          b.       The term does not include any of the following:

38               1.       Discounts, including cash, term, or coupons, that are not  
39               reimbursed by a third party, are allowed by the retailer,  
40               and are taken by a consumer on a sale.

41               2.       Interest, financing, and carrying charges from credit  
42               extended on the sale, if the amount is separately stated  
43               on the invoice, bill of sale, or a similar document given  
44               to the consumer.



- 1                   3. Any taxes imposed directly on the consumer that are  
2                   separately stated on the invoice, bill of sale, or similar  
3                   document given to the consumer."

4                   **SECTION 20.** G.S. 105-164.4B(a)(3) reads as rewritten:

5                   "(3) Delivery address unknown. – When a seller of a product does not  
6                   know the address where a product is received, the sale is sourced to the  
7                   first address or location listed in this subdivision that is known to the  
8                   seller:

- 9                   a. The business or home address of the purchaser.  
10                  b. The billing address of the purchaser or, if the product is a  
11                  prepaid telephone calling service that authorizes the purchase of  
12                  mobile telecommunications service, the location associated with  
13                  the mobile telephone number.  
14                  c. The billing address of the purchaser; address from which  
15                  tangible personal property was shipped or from which a service  
16                  was provided."

17                  **SECTION 21.(a)** G.S. 105-164.14(e) reads as rewritten:

18                  "(e) State Agencies. – **(Effective July 1, 2004 and applicable to sales made on**  
19                  **or after that date)** The State is allowed quarterly refunds of local sales and use taxes  
20                  paid indirectly by the State agency on building materials, supplies, fixtures, and  
21                  equipment that become a part of or annexed to a building or structure that is owned or  
22                  leased by the State agency and is being erected, altered, or repaired for use by the State  
23                  agency. ~~services and of~~

24                  A person who pays local sales and use taxes on building materials or other tangible  
25                  personal property for a State building project shall give the State agency for whose  
26                  project the property was purchased a signed statement containing all of the following  
27                  information:

- 28                  (1) The date the property was purchased.  
29                  (2) The type of property purchased.  
30                  (3) The project for which the property was used.  
31                  (4) If the property was purchased in this State, the county in which it was  
32                  purchased.  
33                  (5) If the property was not purchased in this State, the county in which the  
34                  property was used.  
35                  (6) The amount of sales and use taxes paid.

36                  If the property was purchased in this State, the person shall attach a copy of the sales  
37                  receipt to the statement. A State agency to whom a statement is submitted shall verify  
38                  the accuracy of the statement.

39                  Within 15 days after the end of each calendar quarter, every State agency shall file  
40                  with the Secretary a written application for a refund of taxes to which this subsection  
41                  applies paid by the agency during the quarter. The application shall contain all  
42                  information required by the Secretary. The Secretary shall credit the local sales and use  
43                  tax refunds directly to the General Fund."

44                  **SECTION 21.(b)** This section becomes effective July 1, 2004.

1           **SECTION 22.** G.S. 105-164.29A reads as rewritten:

2   "**§ 105-164.29A. State government exemption process.**

3       (a) Application. – To be eligible for the exemption provided in  
4 G.S. ~~105-164.13(51)~~,105-164.13(52), a State agency must obtain from the Department a  
5 sales tax exemption number. The application for exemption must be in the form  
6 required by the Secretary, be signed by the State agency's head, and contain any  
7 information required by the Secretary. The Secretary must assign a sales tax exemption  
8 number to a State agency that submits a proper application.

9       (b) Liability. – A State agency that does not use the items purchased with its  
10 exemption number must pay the tax that should have been paid on the items purchased,  
11 plus interest calculated from the date the tax would otherwise have been paid."

12           **SECTION 22.5.** G.S. 105-243.1(e) reads as rewritten:

13       "(e) Use. – The fee is a receipt of the Department and must be applied to the costs  
14 of collecting overdue tax debts. The proceeds of the fee must be credited to a special  
15 account within the Department and may be expended only as provided in this  
16 subsection. The proceeds of the fee may not be used for any purpose that is not directly  
17 and primarily related to collecting overdue tax debts. The Department may apply the  
18 proceeds of the fee to pay contractors for collecting tax debts under subsection (b) of  
19 this section and to pay the fee the United States Department of the Treasury charges for  
20 setoff to recover tax owed to North Carolina. The remaining proceeds of the fee may be  
21 spent only pursuant to appropriation by the General Assembly. The fee proceeds do not  
22 revert but remain in the special account until spent for the costs of collecting overdue  
23 tax debts."

24           **SECTION 23.** G.S. 105-259(b)(7) reads as rewritten:

25       "(b) Disclosure Prohibited. – An officer, an employee, or an agent of the State  
26 who has access to tax information in the course of service to or employment by the State  
27 may not disclose the information to any other person unless the disclosure is made for  
28 one of the following purposes:

29           ...

30       (7) To exchange information with the Division of the State Highway  
31 Patrol of the Department of Crime Control and Public ~~Safety~~Safety,  
32 the Division of Motor Vehicles of the Department of Transportation,  
33 or the International Fuel Tax Association, Inc., when the information is  
34 needed to fulfill a duty imposed on the Department of ~~Revenue~~ or  
35 Revenue, the Division of the State Highway Patrol of the Department  
36 of Crime Control and Public Safety, or the Division of Motor Vehicles  
37 of the Department of Transportation.~~Safety.~~"

38           **SECTION 24.** G.S. 105-449.47(a1) reads as rewritten:

39       "(a1) Registration and Identification Marker. – When the Secretary registers a  
40 motor carrier, the Secretary must issue at least one identification marker for each motor  
41 vehicle operated by the motor carrier. A motor carrier must keep records of  
42 identification markers issued to it and must be able to account for all identification  
43 markers it receives from the Secretary. Registrations and identification markers issued  
44 by the Secretary are for a calendar year. ~~The Secretary may renew a registration or an~~

1 ~~identification marker without issuing a new registration or identification marker.~~ All  
2 identification markers issued by the Secretary remain the property of the State. The  
3 Secretary may withhold or revoke a registration or an identification marker when a  
4 motor carrier fails to comply with this Article, former Article 36 or 36A of this  
5 Subchapter, or Article 36C or 36D of this Subchapter.

6 A motor carrier must carry a copy of its registration in each motor vehicle operated  
7 by the motor carrier when the vehicle is in this State. A motor vehicle must clearly  
8 display an identification marker at all times. The identification marker must be affixed  
9 to the vehicle for which it was issued in the place and manner designated by the  
10 authority that issued it."

11 **SECTION 25.** G.S. 105-449.52(a) reads as rewritten:

12 "(a) Penalty. – A motor carrier who does any of the following is subject to a civil  
13 penalty:

- 14 (1) Operates in this State or causes to be operated in this State a motor  
15 vehicle that ~~does not~~either fails to carry the registration card required  
16 by this Article or ~~does not~~fails to display an identification marker in  
17 accordance with this Article. The amount of the penalty is one hundred  
18 dollars (\$100.00).
- 19 (2) Is unable to account for identification markers the Secretary issues the  
20 motor carrier, as required by G.S. 105-449.47. The amount of the  
21 penalty is one hundred dollars (\$100.00) for each identification marker  
22 the carrier is unable to account for.
- 23 (3) Displays an identification marker on a motor vehicle operated by a  
24 motor carrier that was not issued to the carrier by the Secretary under  
25 G.S. 105-449.47. The amount of the penalty is one thousand dollars  
26 (\$1,000) for each identification marker unlawfully obtained. Both the  
27 licensed motor carrier to whom the Secretary issued the identification  
28 marker and the motor carrier displaying the unlawfully obtained  
29 identification marker are jointly and severally liable for the penalty  
30 under this subdivision.

31 A penalty imposed under this section is payable to the Department of ~~Revenue~~  
32 Revenue, the Department of Crime Control and Public Safety, or the Division of Motor  
33 Vehicles. When a motor vehicle is found to be operating without a registration card or  
34 an identification marker or with an identification marker the Secretary did not issue for  
35 the vehicle, the motor vehicle may not be driven for a purpose other than to park the  
36 motor vehicle until the penalty imposed under this section is paid unless the officer that  
37 imposes the penalty determines that operation of the motor vehicle will not jeopardize  
38 collection of the penalty."

39 **SECTION 26.** G.S. 105-449.54 reads as rewritten:

40 "**§ 105-449.54. Commissioner of Motor Vehicles made process agent of**  
41 **nonresident motor carriers.**

42 ~~The acceptance by~~By operating a motor vehicle on the highways of this State, a  
43 nonresident motor carrier consents to the appointment of ~~of the rights and privileges~~  
44 ~~conferred by the laws now or hereafter in force in this State permitting the operation of~~

1 motor vehicles, as evidenced by the operation of a motor vehicle by such nonresident,  
2 either personally or through an agent or employee, on the public highways of this State,  
3 or the operation by such nonresident, either personally or through an agent or employee,  
4 of a motor vehicle on the public highways of this State other than as so permitted or  
5 regulated, shall be deemed equivalent to the appointment by such nonresident motor  
6 carrier of the Commissioner of Motor Vehicles as its attorney in fact and process agent  
7 for Vehicles, or his successor in office, to be his true and lawful attorney and the  
8 attorney of his executor or administrator, upon whom may be served all summonses or  
9 other lawful process or notice in any action, ~~assessment proceeding~~assessment, or other  
10 proceeding against him or his executor or administrator, arising out of or by reason of  
11 any provisions of this Article relating to such vehicle or relating to the liability for tax  
12 with respect to operation of such vehicle on the highways of this State. Said acceptance  
13 or operation shall be a signification by such nonresident motor carrier of his agreement  
14 that any such process against or notice to him or his executor or administrator shall be  
15 of the same legal force and validity as if served on him personally, or on his executor or  
16 administrator. All of the provisions of G.S. 1-105 following the first paragraph thereof  
17 shall be applicable with respect to the service of process or notice pursuant to this  
18 section under this Chapter."

19 **SECTION 27.** G.S. 105-449.60(7) reads as rewritten:

20 "**§ 105-449.60. Definitions.**

21 The following definitions apply in this Article:

- 22 . . .  
23 (7) Diesel fuel. – Any liquid, other than gasoline, that is suitable for use as  
24 a fuel in a diesel-powered highway vehicle. The term includes  
25 ~~kerosene and biodiesel.~~biodiesel, fuel oil, heating oil, high-sulfur dyed  
26 diesel fuel, and kerosene. The term does not include jet fuel sold to a  
27 buyer who is certified to purchase jet fuel under the Code."

28 **SECTION 28.** The lead-in language of G.S. 105-449.72(a) reads as  
29 rewritten:

30 "(a) Initial Bond. – An applicant for a license as a refiner, a terminal operator, a  
31 supplier, an importer, a blender, a permissive supplier, or a distributor must file with the  
32 Secretary a bond or an irrevocable letter of credit. A bond or an irrevocable letter of  
33 credit must be conditioned upon compliance with the requirements of this Article, be  
34 payable to the State, and be in the form required by the Secretary. The amount of the  
35 bond or irrevocable letter of credit is determined as follows:"

36 **SECTION 29.** G.S. 105-449.74 reads as rewritten:

37 "**§ 105-449.74. Issuance of license.**

38 Upon approval of an application, the Secretary must issue a license to the applicant  
39 ~~as well as a duplicate copy of the license for each place of business of the applicant.~~ A  
40 supplier's license must indicate the category of the supplier. A license holder must  
41 maintain and display a copy of the license issued under this Part in a conspicuous place  
42 at each place of business of the license holder. A license is not transferable and remains  
43 in effect until surrendered or cancelled."

44 **SECTION 30.** G.S. 105-449.81(3a) reads as rewritten:

1 "An excise tax at the motor fuel rate is imposed on motor fuel that is:

2 . . .

3 (3a) Fuel ~~grade ethanol~~ alcohol or biodiesel, if it meets either ~~that meets~~  
4 any of the following descriptions:

- 5 a. Is removed from a terminal or another storage and distribution  
6 facility, unless the removed fuel is received by a supplier for  
7 subsequent sale.  
8 b. Is imported to this State outside the terminal transfer system by  
9 a means other than a marine vessel, a transport truck, or a  
10 railroad tank car."

11 **SECTION 31.** G.S. 105-449.123 reads as rewritten:

12 **"§ 105-449.123. Marking requirements for dyed diesel-fuel storage facilities.**

13 (a) Requirements. – A person who is a retailer of dyed ~~diesel~~-motor fuel or who  
14 stores both dyed and undyed ~~diesel~~-motor fuel for use by that person or another person  
15 must mark the storage facility for the dyed ~~diesel~~-motor fuel as follows in a manner that  
16 clearly indicates the fuel is not to be used to operate a highway vehicle. The storage  
17 facility must be marked "Dyed Diesel, Nontaxable Use Only, Penalty For Taxable Use"  
18 or "Dyed Kerosene, Nontaxable Use Only, Penalty for Taxable Use" or a similar phrase  
19 that clearly indicates the fuel is not to be used to operate a highway vehicle.

- 20 (1) The storage tank of the storage facility must be marked if the storage  
21 tank is visible.  
22 (2) The fillcap or spill containment box of the storage facility must be  
23 marked.  
24 (3) The dispensing device that serves the storage facility must be marked.  
25 (4) The retail pump or dispensing device at any level of the distribution  
26 system must comply with the marking requirements.

27 (b) Exception. – The marking requirements of this section do not apply to a  
28 storage facility that contains fuel used only for one of the purposes listed in  
29 G.S. 105-449.105A(a)(1) and is installed in a manner that makes use of the fuel for any  
30 other purpose improbable."

31 **SECTION 32.** G.S. 105-469 reads as rewritten:

32 **"§ 105-469. Secretary to collect and administer local sales and use tax.**

33 (a) The Secretary shall collect and administer a tax levied by a county pursuant  
34 to this Article. As directed by G.S. 105-164.13B, taxes levied by a county on food are  
35 administered as if they were levied by the State under Article 5 of this Chapter. The  
36 Secretary must, on a monthly basis, distribute local taxes levied on food to the taxing  
37 counties as follows:

- 38 (1) The Secretary must allocate one-half of the net proceeds on a per  
39 capita basis according to the most recent annual population estimates  
40 certified to the Secretary by the State Budget Officer. The Secretary  
41 must then adjust the amount allocated to each county as provided in  
42 G.S. 105-486(b).  
43 (2) The Secretary must allocate the remaining net proceeds  
44 proportionately to each taxing county based upon the amount of sales

1 tax on food collected in the taxing county in the 1997-1998 fiscal year  
2 under Article 39 of this Chapter or under Chapter 1096 of the 1967  
3 Session Laws relative to the total amount of sales tax on food collected  
4 in all taxing counties in the 1997-1998 fiscal year under Article 39 of  
5 this ~~Chapter.~~ Chapter and under Chapter 1096 of the 1967 Session  
6 Laws.

7 (b) The Secretary shall require retailers who collect use tax on sales to North  
8 Carolina residents to ascertain the county of residence of each buyer and provide that  
9 information to the Secretary along with any other information necessary for the  
10 Secretary to allocate the use tax proceeds to the correct taxing county."

11 **SECTION 33.** G.S. 119-15.1 reads as rewritten:

12 "**§ 119-15.1. List of persons who must have a license.**

13 (a) License. – A person may not engage in business in this State as any of the  
14 following unless the person has a license issued by the Secretary authorizing the person  
15 to engage in business:

- 16 (1) A kerosene supplier.
- 17 (2) A kerosene distributor.
- 18 (3) A kerosene terminal operator.

19 (b) Exception. – A kerosene supplier license is not required if the supplier is  
20 licensed as a supplier under Part 2 of Article 36C of Chapter 105 of the General  
21 Statutes. A kerosene distributor is required to have a kerosene distributor license only if  
22 the distributor imports kerosene. Other kerosene distributors may elect to have a  
23 kerosene license. A kerosene terminal operator license is not required if the ~~supplier~~  
24 terminal operator is licensed as a ~~supplier~~ terminal operator under Part 2 of Article 36C  
25 of Chapter 105 of the General Statutes."

26 **SECTION 34.** G.S. 119-19 reads as rewritten:

27 "**§ 119-19. Authority of Secretary to cancel a license.**

28 The Secretary of Revenue may cancel a license issued under ~~G.S. 119-16.2~~ this  
29 Article upon the written request of the license holder. The Secretary may summarily  
30 cancel a license issued under ~~G.S. 119-16.2 or this Article or under~~ Article 36C or 36D  
31 of Chapter 105 of the General Statutes when the Secretary finds that the license holder  
32 is incurring liability for the tax imposed by this Article after failing to pay a tax when  
33 due under this Article. The Secretary may cancel the license of a license holder who  
34 files a false report under this Article or fails to file a report required under this Article  
35 after holding a hearing on whether the license should be cancelled.

36 The Secretary must send a person whose license is summarily cancelled a notice of  
37 the cancellation and must give the person an opportunity to have a hearing on the  
38 cancellation within 10 days after the cancellation. The Secretary must give a person  
39 whose license may be cancelled after a hearing at least 10 days' written notice of the  
40 date, time, and place of the hearing. A notice of a summary license cancellation and a  
41 notice of hearing must be sent by registered mail to the last known address of the license  
42 holder.

43 When the Secretary cancels a license and the license holder has paid all taxes and  
44 penalties due under this Article, the Secretary must either return to the license holder the

1 bond filed by the license holder or notify the person liable on the bond and the license  
2 holder that the person is released from liability on the bond."

3 **SECTION 35.** G.S. 120-70.108(a) reads as rewritten:

4 "(a) The Revenue Laws Study Committee shall establish a Property Tax  
5 Subcommittee consisting of ~~six~~ up to eight members. The Senate cochair of the  
6 Committee shall designate ~~three~~ up to four members appointed by the President Pro  
7 Tempore of the Senate to serve on the Subcommittee and shall name one of those  
8 members a cochair of the Subcommittee. The House cochair of the Committee shall  
9 designate ~~three~~ up to four members appointed by the Speaker of the House of  
10 Representatives to serve on the Subcommittee and shall name one of those members a  
11 cochair of the Subcommittee. The Subcommittee shall meet upon the call of the  
12 Subcommittee cochairs."

13 **SECTION 36.(a)** G.S. 153A-155(d) reads as rewritten:

14 "(d) Administration. – The taxing county shall administer a room occupancy tax it  
15 levies. A room occupancy tax is due and payable to the county finance officer in  
16 monthly installments on or before the 15th day of the month following the month in  
17 which the tax accrues. Every person, firm, corporation, or association liable for the tax  
18 shall, on or before the ~~15th~~ 20th day of each month, prepare and render a return on a  
19 form prescribed by the taxing county. The return shall state the total gross receipts  
20 derived in the preceding month from rentals upon which the tax is levied. A room  
21 occupancy tax return filed with the county finance officer is not a public record and may  
22 not be disclosed except in accordance with G.S. 153A-148.1 or G.S. 160A-208.1."

23 **SECTION 36.(b)** G.S. 160A-215(d) reads as rewritten:

24 "(d) Administration. – The taxing city shall administer a room occupancy tax it  
25 levies. A room occupancy tax is due and payable to the city finance officer in monthly  
26 installments on or before the ~~fifteenth~~ 20th day of the month following the month in  
27 which the tax accrues. Every person, firm, corporation, or association liable for the tax  
28 shall, on or before the fifteenth day of each month, prepare and render a return on a  
29 form prescribed by the taxing city. The return shall state the total gross receipts derived  
30 in the preceding month from rentals upon which the tax is levied. A room occupancy tax  
31 return filed with the city finance officer is not a public record and may not be disclosed  
32 except in accordance with G.S. 153A-148.1 or G.S. 160A-208.1."

33 **SECTION 36.(c)** This section becomes effective October 1, 2004.

34 **SECTION 37.** The title of Article 16 of Chapter 153A of the General  
35 Statutes reads as rewritten:

36 "Article 16.

37 County Service Districts; County Research and Production Service ~~Districts~~; Districts;  
38 County Economic Development and Training Districts."

39 **SECTION 38.** G.S. 153A-317.11 reads as rewritten:

40 "**§ 153A-317.11. Purpose for which ~~districts may be created~~ and nature of**  
41 **districts.**

42 The board of commissioners of any county may define a county economic  
43 development and training district, as provided in this Part, to finance, provide, and  
44 maintain for the district a skills training center in cooperation with its community

1 college branch in or for the county to prepare residents of the county to perform  
2 manufacturing, research and development, and related service and support jobs in the  
3 pharmaceutical, biotech, life sciences, chemical, telecommunications, and electronics  
4 industries, and allied, ancillary, and subordinate industries, to provide within the district  
5 any of the education, training, and related services, facilities, or functions that a county  
6 or a city is authorized by general law to provide, finance, or maintain, and to promote  
7 economic development in the county. The skills training center and related services  
8 shall be financed, provided, or maintained in the district either in addition to or to a  
9 greater extent than training facilities and services are financed, provided, or maintained  
10 in the entire county. A district created under this Part is a special tax area under Section  
11 2(4) of Article V of the North Carolina Constitution."

12 **SECTION 39.** G.S. 153A-317.17 reads as rewritten:

13 **"§ 153A-317.17. Taxes authorized; rate limitation.**

14 A county may levy property taxes within an economic development and training  
15 district, in addition to those levied throughout the county, ~~in order to finance, provide,~~  
16 ~~or maintain for the district a skills training center provided therein for the purposes listed~~  
17 ~~in G.S. 153A-317.11 within the district~~ in addition to or to a greater extent than ~~worker~~  
18 ~~training facilities the same purposes~~ provided for the entire county. In addition, a county  
19 may allocate to a district any other revenues whose use is not otherwise restricted by  
20 law. The proceeds of taxes within a district may be expended only to pay annual debt  
21 service on up to one million two hundred thousand dollars (\$1,200,000) of the capital  
22 costs of a skills training center provided for the district and any other services or  
23 facilities provided by a county in response to a recommendation of an advisory  
24 committee.

25 Property subject to taxation in a newly established district or in an area annexed to  
26 an existing district is subject to taxation by the county as of the preceding January 1.

27 Such additional property taxes may not be levied within any district established  
28 pursuant to this Article in excess of a rate of eight cents (8¢) on each one hundred  
29 dollars (\$100.00) value of property subject to taxation."

30 **SECTION 40.(a)** Section 6 of Chapter 650 of the 1987 Session Laws is  
31 codified as the first two paragraphs of G.S. 159-99.

32 **SECTION 40.(b)** Sections 7 and 5 of Chapter 650 of the 1987 Session Laws  
33 are codified as the second and third paragraphs, respectively, of G.S. 159-100.

34 **SECTION 40.(c)** Article 5A of Chapter 159 of the General Statutes, as  
35 amended by this section, reads as rewritten:

36 "Article 5A.

37 "Capital Appreciation Bonds.

38 **"§ 159-99. ~~Issuance of capital appreciation bonds pursuant to the Local~~**  
39 **~~Government Bond Act.~~Definition; terms and conditions.**

40 (a) Capital Appreciation Bond Defined. – For purposes of this ~~act,~~Article, the  
41 term 'capital appreciation ~~bonds~~' ~~means any bond or bonds~~ bond' means a bond that  
42 meets all of the following conditions:



1           (1) It is sold, at public or private sale, at a price substantially less, as  
2           conclusively determined by the issuer thereof, of the bond, than the  
3           principal amount thereof and compounded of the bond.

4           (2) Compounded interest thereon on the bond is payable at maturity, but  
5           only if such bond or bonds are maturity.

6           (3) The bond is designated as a capital appreciation bonds bond within the  
7           meaning of this act Article by the proceedings of the issuer thereof  
8           providing for the issuance of such bonds of the bond providing for its  
9           issuance.

10        (b) Calculating Principal Amount. – For purposes of calculating the aggregate  
11        principal amount of bonds within the meaning of any constitutional or statutory  
12        limitation on the incurrence of debt, the aggregate principal amount of any capital  
13        appreciation bonds ~~shall be~~ is the aggregate of the initial offering prices at which ~~such~~  
14        the bonds are offered for sale to the public, including private or negotiated sales, or sold  
15        to the initial purchaser ~~thereof of the bonds~~ in a private placement, in either case without  
16        reduction to reflect underwriters' discount or placement agents' or other intermediaries'  
17        fees.

18        (c) Terms and Conditions. – The proceedings providing for the issuance of any  
19        ~~such capital appreciation~~ bonds may provide for the issuance of terms bonds or serial  
20        bonds, or both, the establishment of sinking funds for or the redemption of term bonds,  
21        the issuance of capital appreciation bonds at the same time and as part of the same issue  
22        of any other type of bonds, the method of calculating the principal amount of any ~~such~~  
23        capital appreciation bonds outstanding for the purpose of determining, within the  
24        meaning of ~~such the~~ proceedings and otherwise, application of debt service provisions,  
25        funds into which debt service payments are to be deposited, application of redemption  
26        provisions, bondowners' voting rights and consents, pro rata application of available  
27        ~~funds and such other matters as may be deemed appropriate by the issuer funds, and any~~  
28        other matters the issuer considers appropriate.

29        ~~Local governmental units are hereby authorized to issue capital appreciation bonds~~  
30        ~~pursuant to the provisions of The Local Government Bond Act and to the extent that the~~  
31        ~~provisions of said act are inconsistent with the issuance of such bonds, such inconsistent~~  
32        ~~provisions are hereby amended to the extent of such inconsistency so as to permit the~~  
33        ~~issuance of such bonds.~~

34        "**§ 159-100. Issuance of capital appreciation bonds pursuant to The State and**  
35        **Local Government Revenue Bond Act. Authorization.**

36        (a) Revenue Bond Act. – The State and local governmental units are hereby  
37        authorized to issue capital appreciation bonds pursuant to the provisions of The State  
38        and Local Government Revenue Bond Act ~~and to the extent that the provisions of said~~  
39        ~~act are inconsistent with the issuance of such bonds, such inconsistent provisions are~~  
40        ~~hereby amended to the extent of such inconsistency so as to permit the issuance of such~~  
41        ~~bonds.~~ Act.

42        (b) Local Government Bond Act. – Local governmental units are authorized to  
43        issue capital appreciation bonds pursuant to the provisions of The Local Government  
44        Bond Act. In connection with the issuance of a series of bonds containing capital

1 appreciation bonds issued by local governmental units pursuant to The Local  
2 Government Bond Act, the Local Government Commission is hereby authorized to ~~may~~  
3 require that annual debt service on ~~such~~ the series of bonds be as nearly level or equal as  
4 possible taking into consideration prevailing financial techniques, including, without  
5 limitation, the postponement of principal maturities in early years of the issue and the  
6 use of capitalized interest. The Local Government Commission is ~~hereby further~~  
7 ~~authorized to~~ may also limit the amount of a series of bonds that may be issued as  
8 capital appreciation bonds and to make the issuance of any ~~such~~ capital appreciation  
9 bonds subject to a finding by the Commission or the issuer that the issuance of ~~such~~ the  
10 bonds will not increase the aggregate amount of debt service payable on ~~such~~ the series  
11 of bonds of which ~~such~~ the capital appreciation bonds constitute a part.

12 (c) Future Acts. – ~~The State and local~~ Local governmental units are hereby  
13 authorized to issue capital appreciation bonds pursuant to the provisions of any law  
14 enacted in the future hereafter enacted, including laws enacted at the same session of the  
15 General Assembly at which this act is enacted, and to the extent that the provisions of  
16 such laws are inconsistent with the issuance of such bonds and provided such provisions  
17 are not expressly contrary, such inconsistent provisions are hereby amended to the  
18 extent of such inconsistency so as to permit the issuance of such bonds."

19 **SECTION 41.(a)** Sections 2, 4, and 5 of Chapter 650 of the 1987 Session  
20 Laws are codified as G.S. 142-15.3.

21 **SECTION 41.(b)** G.S. 142-15.3, as codified by this section, reads as  
22 rewritten:

23 "**§ 142-15.3. Capital appreciation bonds.**

24 (a) Cross-Reference. – The provisions of G.S. 159-99 govern capital appreciation  
25 bonds.

26 (b) Authorization. – ~~The State and local governmental units are hereby~~  
27 ~~authorized to issue capital appreciation bonds pursuant to the provisions of The State~~  
28 ~~and Local Government Revenue Bond Act and to the extent that the provisions of said~~  
29 ~~act are inconsistent with the issuance of such bonds, such inconsistent provisions are~~  
30 ~~hereby amended to the extent of such inconsistency so as to permit the issuance of such~~  
31 ~~bonds.~~ Act. The State is ~~hereby~~ authorized to issue capital appreciation bonds pursuant  
32 to the provisions of applicable law and ~~law and to the extent that the provisions of such~~  
33 ~~law are inconsistent with the issuance of such bonds, such inconsistent provisions are~~  
34 ~~hereby amended to the extent of such inconsistency so as to permit the issuance of such~~  
35 ~~bonds. The State and local governmental units are hereby authorized to issue capital~~  
36 ~~appreciation bonds pursuant to the provisions of any law~~ enacted in the future hereafter  
37 enacted, including laws enacted at the same session of the General Assembly at which  
38 this act is enacted, and to the extent that the provisions of such laws are inconsistent  
39 with the issuance of such bonds and provided such provisions are not expressly  
40 contrary, such inconsistent provisions are hereby amended to the extent of such  
41 inconsistency so as to permit the issuance of such bonds."

42 **SECTION 42.(a)** G.S. 153A-155 is amended by adding a new subsection to  
43 read:

1        "(f1) Use. – The proceeds of a room occupancy tax shall not be used directly or  
 2 indirectly for development or construction of a hotel or another transient lodging  
 3 facility."

4            **SECTION 42.(b)** G.S. 160A-215 is amended by adding a new subsection to  
 5 read:

6        "(f1) Use. – The proceeds of a room occupancy tax shall not be used directly or  
 7 indirectly for development or construction of a hotel or another transient lodging  
 8 facility."

9            **SECTION 42.(c)** This section becomes effective July 1, 2004, and applies to  
 10 taxes that accrue on or after that date.

11            **SECTION 43.(a)** G.S. 105-129.8 reads as rewritten:

12 **"§ 105-129.8. Credit for creating jobs.**

13        (a) Credit. – A taxpayer that meets the eligibility requirements set out in  
 14 G.S. 105-129.4, has five or more full-time employees, and hires an additional full-time  
 15 employee during the taxable year to fill a new position located in this State is allowed a  
 16 credit for creating a new full-time job. The amount of the credit for each new full-time  
 17 job created is set out in the table below and is based on the enterprise tier of the area in  
 18 which the position is located. In addition, if the position is located in a development  
 19 zone, the amount of the credit is increased by four thousand dollars (\$4,000) per job.

20 <b>Area Enterprise Tier</b>	<b>Amount of Credit</b>
21        Tier One	\$12,500
22        Tier Two	4,000
23        Tier Three	3,000
24        Tier Four	1,000
25        Tier Five	500

26        (a1) Positions. – A position is located in an area if more than fifty percent (50%)  
 27 of the employee's duties are performed in the area. The number of new positions a  
 28 taxpayer fills during the taxable year is determined by subtracting the highest number of  
 29 full-time employees the taxpayer had in this State at any time during the 12-month  
 30 period preceding the beginning of the taxable year from the number of full-time  
 31 employees the taxpayer has in this State at the end of the taxable year.

32        (a2) Installments. – The credit may not be taken in the taxable year in which the  
 33 additional employee is hired. Instead, the credit must be taken in equal installments over  
 34 the four years following the taxable year in which the additional employee was hired  
 35 and is conditioned on the continued employment by the taxpayer of the number of  
 36 full-time employees the taxpayer had upon hiring the employee that caused the taxpayer  
 37 to qualify for the credit.

38        If, in one of the four years in which the installment of a credit accrues, the number of  
 39 the taxpayer's full-time employees falls below the number of full-time employees the  
 40 taxpayer had in the year in which the taxpayer qualified for the credit, the credit expires  
 41 and the taxpayer may not take any remaining installment of the credit. The taxpayer  
 42 may, however, take the portion of an installment that accrued in a previous year and was  
 43 carried forward to the extent permitted under G.S. 105-129.5.

1       (a3) Transferred Jobs. – Jobs transferred from one area in the State to another area  
2 in the State are not considered new jobs for purposes of this section. If, in one of the  
3 four years in which the installment of a credit accrues, the position filled by the  
4 employee is moved to an area in a higher- or lower-numbered enterprise tier, or is  
5 moved from a development zone to an area that is not a development zone, the  
6 remaining installments of the credit must be calculated as if the position had been  
7 created initially in the area to which it was moved.

8       (b) Repealed by Session Laws 1989, c. 111, s. 1.

9       (b1), (c) Repealed by Session Laws 1996, Second Extra Session, c. 13, s. 3.3.

10       (d) Planned Expansion. – A taxpayer that signs a letter of commitment with the  
11 Department of Commerce to create at least twenty new full-time jobs in a specific area  
12 within two years of the date the letter is signed qualifies for the credit in the amount  
13 allowed by this section based on the area's enterprise tier and development zone  
14 designation for that year even though the employees are not hired that year. In the case  
15 of an interstate air courier that has or is constructing a hub in this State, the applicable  
16 time period is seven years. The credit shall be available in the taxable year after at least  
17 twenty employees have been hired if the hirings are within the applicable commitment  
18 period. The conditions outlined in subsection (a) apply to a credit taken under this  
19 subsection except that if the area is redesignated to a higher-numbered enterprise tier or  
20 loses its development zone designation after the year the letter of commitment was  
21 signed, the credit is allowed based on the area's enterprise tier and development zone  
22 designation for the year the letter was signed. If the taxpayer does not hire the  
23 employees within the applicable period, the taxpayer does not qualify for the credit.  
24 However, if the taxpayer qualifies for a credit under subsection (a) in the year any new  
25 employees are hired, the taxpayer may take the credit under that subsection.

26       (e), (f) Repealed by Session Laws 1996, Second Extra Session, c. 13, s. 3.3."

27       **SECTION 43.(b)** This section becomes effective for taxable years beginning  
28 on or after January 1, 2004.

29       **SECTION 44.** Except as otherwise provided in this act, this act is effective  
30 when it becomes law.