

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2013

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HOUSE BILL 998
Committee Substitute Favorable 6/4/13
Committee Substitute #2 Favorable 6/6/13
Senate Finance Committee Substitute Adopted 6/12/13

Short Title: Tax Simplification and Reduction Act.

(Public)

Sponsors:

Referred to:

April 18, 2013

1 A BILL TO BE ENTITLED
2 AN ACT TO SIMPLIFY THE NORTH CAROLINA TAX STRUCTURE AND TO REDUCE
3 INDIVIDUAL AND BUSINESS TAX RATES.

4 The General Assembly of North Carolina enacts:

5
6 **PART I. INDIVIDUAL INCOME TAX CHANGES**

7 **SECTION 1.1.(a)** The following statutes are recodified as indicated:

8 <u>Current Statute</u>	9 <u>Recodified Statute</u>
10 G.S. 105-133	G.S. 105-153.1
11 G.S. 105-134	G.S. 105-153.2
12 G.S. 105-134.1	G.S. 105-153.3
13 G.S. 105-134.5	G.S. 105-153.4
14 G.S. 105-151	G.S. 105-153.9
15 G.S. 105-151.24	G.S. 105-153.10
16 G.S. 105-152	G.S. 105-153.8

17 **SECTION 1.1.(b)** The following statutes are repealed:

18 G.S. 105-134.2
19 G.S. 105-134.3
20 G.S. 105-134.6
21 G.S. 105-134.7
22 G.S. 105-134.8
23 G.S. 105-151.1 and G.S. 105-130.22
24 G.S. 105-151.11
25 G.S. 105-151.12 and G.S. 105-130.34
26 G.S. 105-151.13 and G.S. 105-130.36
27 G.S. 105-151.14 and G.S. 105-130.37
28 G.S. 105-151.18
29 G.S. 105-151.20
30 G.S. 105-151.21
31 G.S. 105-151.25 and G.S. 105-130.44
32 G.S. 105-151.26
33 G.S. 105-151.33

34 **SECTION 1.1.(c)** G.S. 105-134.1, recodified by this Part as G.S. 105-153.3, reads as rewritten:



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"§ 105-153.3 Definitions.

The following definitions apply in this Part:

- (1) Adjusted gross income. – Defined in section 62 of the Code.
- (1a) Code. – Defined in G.S. 105-228.90.
- (2) Department. – The Department of Revenue.
- (3) Educational institution. – An educational institution that normally maintains a regular faculty and curriculum and normally has a regularly organized body of students in attendance at the place where its educational activities are carried on.
- (4) Fiscal year. – Defined in section 441(e) of the Code.
- (5) Gross income. – Defined in section 61 of the Code.
- (6) Head of household. – Defined in section 2(b) of the Code.
- (7) Individual. – A human being.
- (7a) Limited liability company. – Either a domestic limited liability company organized under Chapter 57C of the General Statutes or a foreign limited liability company authorized by that Chapter to transact business in this State that is classified for federal income tax purposes as a partnership. As applied to a limited liability company that is a partnership under this Part, the term "partner" means a member of the limited liability company.
- (7b) Repealed by Session Laws 1998-98, s. 9, effective August 14, 1998.
- (8) Married individual. – An individual who is married and is considered married as provided in section 7703 of the Code.
- (9) Nonresident individual. – An individual who is not a resident of this State.
- (10) North Carolina taxable income. – Defined in G.S. 105-134.5.
- (10a) Partnership. – A domestic partnership, a foreign partnership, or a limited liability company.
- (11) Person. – Defined in G.S. 105-228.90.
- (12) Resident. – An individual who is domiciled in this State at any time during the taxable year or who resides in this State during the taxable year for other than a temporary or transitory purpose. In the absence of convincing proof to the contrary, an individual who is present within the State for more than 183 days during the taxable year is presumed to be a resident, but the absence of an individual from the state for more than 183 days raises no presumption that the individual is not a resident. A resident who removes from the State during a taxable year is considered a resident until he has both established a definite domicile elsewhere and abandoned any domicile in this State. The fact of marriage does not raise any presumption as to domicile or residence.
- (13) ~~Retirement benefits. – Amounts paid to a former employee or the beneficiary of a former employee under a written retirement plan established by the employer to provide payments to an employee or the beneficiary of an employee after the end of the employee's employment with the employer where the right to receive the payments is based upon the employment relationship. With respect to a self-employed individual or the beneficiary of a self-employed individual, the term means amounts paid to the individual or beneficiary of the individual under a written retirement plan established by the individual to provide payments to the individual or the beneficiary of the individual after the end of the self employment. In addition, the term includes amounts received from an individual retirement account described in section 408 of the Code or from an individual retirement annuity described in section 408 of the Code. For the purpose of this subdivision, the term "employee" includes a volunteer worker.~~

1 (14) S Corporation. – Defined in G.S. 105-131(b).

2 (15) Secretary. – The Secretary of Revenue.

3 (16) Repealed by Session Laws 2011-145, s. 31A.1(a), effective for taxable years
4 beginning on or after January 1, 2012.

5 (17) Taxable year. – Defined in section 441(b) of the Code.

6 (18) Taxpayer. – An individual subject to the tax imposed by this Part.

7 (19) This State. – The State of North Carolina."

8 **SECTION 1.1.(d)** Part 2 of Article 4 of Chapter 105 of the General Statutes is
9 amended by adding the following new sections to read:

10 **"§ 105-153.5. Modifications to adjusted gross income.**

11 (a) Other Deductions. – In calculating North Carolina taxable income, a taxpayer must
12 deduct from the taxpayer's adjusted gross income any of the following items that are included
13 in the taxpayer's adjusted gross income:

14 (1) Interest upon the obligations of any of the following:

15 a. The United States or its possessions.

16 b. This State, a political subdivision of this State, or a commission, an
17 authority, or another agency of this State or of a political subdivision
18 of this State.

19 c. A nonprofit educational institution organized or chartered under the
20 laws of this State.

21 (2) Gain from the disposition of obligations issued before July 1, 1995, to the
22 extent the gain is exempt from tax under the laws of this State.

23 (3) Amounts received from retirement annuities or pensions paid under the
24 provisions of the Railroad Retirement Act of 1937.

25 (4) Refunds of State, local, and foreign income taxes included in the taxpayer's
26 gross income.

27 (5) The amount received during the taxable year from one or more State, local,
28 or federal government retirement plans to the extent the amount is exempt
29 from tax under this Part pursuant to a court order in settlement of any of the
30 following cases:

31 a. Bailey v. State, 92 CVS 10221, 94 CVS 6904, 95 CVS 6625, 95 CVS
32 8230.

33 b. Emory v. State, 98 CVS 0738.

34 c. Patton v. State, 95 CVS 04346.

35 (6) Income that meets both of the following requirements:

36 a. Is earned or received by an enrolled member of a federally
37 recognized Indian tribe.

38 b. Is derived from activities on a federally recognized Indian
39 reservation while the member resides on the reservation. Income
40 from intangibles having a situs on the reservation and retirement
41 income associated with activities on the reservation are considered
42 income derived from activities on the reservation.

43 (7) The amount by which the basis of property under this Article exceeds the
44 basis of the property under the Code, in the year the taxpayer disposes of the
45 property.

46 (8) The amount allowed as a deduction under G.S. 105-153.6 as a result of an
47 add-back for federal accelerated depreciation and expensing.

48 (b) Additions. – In calculating North Carolina taxable income, a taxpayer must add to
49 the taxpayer's adjusted gross income any of the following items that are not included in the
50 taxpayer's adjusted gross income:

- (1) Interest upon the obligations of states other than this State, political subdivisions of those states, and agencies of those states and their political subdivisions.
- (2) The amount by which a shareholder's share of S Corporation income is reduced under section 1366(f)(2) of the Code for the taxable year by the amount of built-in gains tax imposed on the S Corporation under section 1374 of the Code.
- (3) The amount by which the basis of property under the Code exceeds the basis of the property under this Article, in the year the taxpayer disposes of the property.
- (4) The amount excluded from gross income under section 199 of the Code.
- (5) The amount required to be added under G.S. 105-153.6 when the State decouples from federal accelerated depreciation and expensing.

"§ 105-134.6A. Adjustments when State decouples from federal accelerated depreciation and expensing.

(a) Special Accelerated Depreciation. – A taxpayer who places property in service during a taxable year listed in the table below and who takes a special accelerated depreciation deduction for that property under section 168(k) or 168(n) of the Code must add to the taxpayer's federal taxable income or adjusted gross income, as appropriate, eighty-five percent (85%) of the amount taken for that year under those Code provisions. For taxable years before 2012, the taxpayer must add the amount to the taxpayer's federal taxable income. For taxable year 2012 and after, the taxpayer must add the amount to the taxpayer's adjusted gross income.

A taxpayer who made the addition is allowed to deduct twenty percent (20%) of the add-back in each of the first five taxable years following the year the taxpayer is required to include the add-back in income. The table below indicates the applicable five-year period.

<u>Taxable Year of 85% Add-Back</u>	<u>Five Taxable Years of 20% Deduction</u>
<u>2010</u>	<u>2011 through 2015</u>
<u>2011</u>	<u>2012 through 2016</u>
<u>2012</u>	<u>2013 through 2017</u>
<u>2013</u>	<u>2014 through 2018</u>

(b) 2009 Depreciation Exception. – A taxpayer who placed property in service during the 2009 taxable year and whose North Carolina taxable income for the 2009 taxable year reflected a special accelerated depreciation deduction allowed for the property under section 168(k) of the Code must add eighty-five percent (85%) of the amount of the special accelerated depreciation deduction to its federal taxable income for the 2010 taxable year. A taxpayer who made the addition is allowed to deduct this add-back under subsection (a) of this section as if it were for property placed in service in 2010.

(c) Section 179 Expense. – For purposes of this subdivision, the definition of section 179 property has the same meaning as under section 179 of the Code as of January 1, 2011. A taxpayer who places section 179 property in service during a taxable year listed in the table below must add to the taxpayer's federal taxable income or adjusted gross income as appropriate, eighty-five percent (85%) of the amount by which the taxpayer's expense deduction under section 179 of the Code exceeds the amount that would have been allowed for that taxable year under section 179 of the Code as of May 1, 2010. For taxable years before 2012, the taxpayer must add the amount to the taxpayer's federal taxable income. For taxable year 2012 and after, the taxpayer must add the amount to the taxpayer's adjusted gross income.

A taxpayer who made the addition is allowed to deduct twenty percent (20%) of the add-back in each of the first five taxable years following the year the taxpayer is required to include the add-back in income. The table in subsection (a) of this section indicates the applicable five-year period.

(d) Asset Basis. – The adjustments made in this section do not result in a difference in basis of the affected assets for State and federal income tax purposes.

"§ 105-153.7. Individual income tax imposed.

(a) Tax. – A tax is imposed for each taxable year on the North Carolina taxable income of an individual. The tax is five and four-tenths percent (5.4%) of the taxpayer's North Carolina taxable income that exceeds the zero tax bracket for the taxpayer's filing status. For purposes of Section 2 of Article V of the North Carolina Constitution, the zero tax bracket provides an exemption so that only net incomes are taxed.

The zero tax brackets are as follows:

(1) For married individuals who file a joint return under G.S. 105-153.8 and for surviving spouses, as defined in section 2(a) of the Code:

<u>Over</u>	<u>Up To</u>	<u>Rate</u>
<u>0</u>	<u>\$15,000</u>	<u>0.0%</u>

(2) For heads of households, as defined in section 2(b) of the Code:

<u>Over</u>	<u>Up To</u>	<u>Rate</u>
<u>0</u>	<u>\$12,000</u>	<u>0.0%</u>

(3) For unmarried individuals other than surviving spouses and heads of households:

<u>Over</u>	<u>Up To</u>	<u>Rate</u>
<u>0</u>	<u>\$7,500</u>	<u>0.0%</u>

(4) For married individuals who do not file a joint return under G.S. 105-153.7:

<u>Over</u>	<u>Up To</u>	<u>Rate</u>
<u>0</u>	<u>\$7,500</u>	<u>0.0%</u>

(b) Withholding Tables. – The Secretary may provide tables that compute the amount of tax due for a taxable year under this Part. The tables do not apply to an individual who files a return under section 443(a)(1) of the Code for a period of less than 12 months due to a change in the individual's annual accounting period, or to an estate or trust."

SECTION 1.1.(e) This section becomes effective for taxable years beginning on or after January 1, 2014.

SECTION 1.2.(a) G.S. 105-153.7(a), as enacted by Section 1.1 of this Part, reads as rewritten:

"(a) Tax. – A tax is imposed for each taxable year on the North Carolina taxable income of an individual. The tax is ~~five and four tenths percent (5.4%)~~ five and twenty-five hundredths percent (5.25%) of the taxpayer's North Carolina taxable income that exceeds the zero tax bracket for the taxpayer's filing status. For purposes of Section 2 of Article V of the North Carolina Constitution, the zero tax bracket provides an exemption so that only net incomes are taxed.

...."

SECTION 1.2.(b) This section becomes effective for taxable years beginning on or after January 1, 2015.

SECTION 1.3.(a) G.S. 105-152 and G.S. 105-151, recodified by this Part as G.S. 105-153.8 and G.S. 105-153.9, read as rewritten:

"§ 105-153.8. Income tax returns.

(a) Who Must File. – The following individuals ~~shall~~ must file with the Secretary an income tax return under affirmation:

(1) Every resident required to file an income tax return for the taxable year under the ~~Code and every Code.~~

(1a) Every nonresident individual who ~~(i) derived~~ meets all of the following requirements:

a. Receives during the taxable year gross income that is derived from North Carolina sources ~~during the taxable year~~ and is attributable to

1 the ownership of any interest in real or tangible personal property in
2 this ~~State or State~~, is derived from a business, trade, profession, or
3 occupation carried on in this State and (ii) is State, or is derived from
4 gambling activities in this State.

5 b. Is required to file an income tax return for the taxable year under the
6 Code.

7 (2) Repealed by Session Laws 1991 (Reg. Sess., 1992), c. 930, s. 1.

8 (3) Any individual whom the Secretary believes to be liable for a tax under this
9 Part, when so notified by the Secretary and requested to file a return.

10 (b) Taxpayer Deceased or Unable to Make Return. – If ~~the a~~ taxpayer is unable to file
11 ~~the an~~ income tax return, ~~the return shall be filed by~~ a duly authorized agent of the taxpayer or
12 by a guardian or other person charged with the care of the person or property of the
13 taxpayer taxpayer must file the return. If an individual who was required to file an income tax
14 return for the taxable year while living has died before making the return, the administrator or
15 executor of the estate ~~shall must~~ file the return in the decedent's name and behalf, and the tax
16 ~~shall be levied upon and collected from~~ is payable by the estate.

17 (c) Information Required With Return. – The income tax return ~~shall must~~ show the
18 ~~taxable income and adjustments~~ adjusted gross income and modifications required by this Part
19 Part, and any other information the Secretary requires. The Secretary may require some or all
20 individuals required to file an income tax return to attach to the return a copy of their federal
21 income tax return for the taxable year. The Secretary may require a taxpayer to provide the
22 Department with copies of any other return the taxpayer has filed with the Internal Revenue
23 Service and to verify any information in the return.

24 (d) Secretary May Require Additional Information. – When the Secretary has reason to
25 believe that any taxpayer conducts a trade or business in a way that directly or indirectly
26 distorts the taxpayer's ~~taxable income~~ adjusted gross income or North Carolina taxable income,
27 the Secretary may require any additional information for the proper computation of the
28 taxpayer's ~~taxable income~~ adjusted gross income and North Carolina taxable income. In
29 computing the taxpayer's ~~taxable income~~ adjusted gross income and North Carolina taxable
30 income, the Secretary ~~shall must~~ consider the fair profit that would normally arise from the
31 conduct of the trade or business.

32 (e) Joint Returns. – A husband and wife whose ~~federal taxable income~~ adjusted gross
33 income is determined on a joint federal return ~~shall must~~ file a single income tax return jointly
34 if each spouse either is a resident of this State or has North Carolina taxable income and may
35 file a single income tax return jointly if one spouse is not a resident and has no North Carolina
36 taxable income. Except as otherwise provided in this Part, a wife and husband filing jointly are
37 treated as one taxpayer for the purpose of determining the tax imposed by this Part. A husband
38 and wife filing jointly are jointly and severally liable for the tax imposed by this Part reduced
39 by the sum of all credits allowable including tax payments made by or on behalf of the husband
40 and wife. However, if a spouse qualifies for relief of liability for federal tax attributable to a
41 substantial understatement by the other spouse pursuant to section 6015 of the Code, that
42 spouse is not liable for the corresponding tax imposed by this Part attributable to the same
43 substantial understatement by the other spouse. A wife and husband filing jointly have
44 expressly agreed that if the amount of the payments made by them with respect to the taxes for
45 which they are liable, including withheld and estimated taxes, exceeds the total of the taxes
46 due, refund of the excess may be made payable to both spouses jointly or, if either is deceased,
47 to the survivor alone.

48 (f) Repealed by Session Laws 1991.

49 **"§ 105-153.9. Tax credits for income taxes paid to other states by individuals.**

1 (a) An individual who is a resident of this State is allowed a credit against the taxes
2 imposed by this Part for income taxes imposed by and paid to another state or country on
3 income taxed under this Part, subject to the following conditions:

4 (1) The credit is allowed only for taxes paid to another state or country on
5 income that is derived from sources within that state or country ~~that and~~ is
6 taxed under its laws irrespective of the residence or domicile of the recipient,
7 except that whenever a taxpayer who is ~~deemed to be considered~~ a resident
8 of this State under ~~the provisions of this Part~~ is ~~deemed also to be considered~~
9 a resident of another state or country under the laws of that state or country,
10 the Secretary may allow a credit against the taxes imposed by this Part for
11 taxes imposed by and paid to the other state or country on income taxed
12 under this Part.

13 (2) The fraction of the adjusted gross income, as ~~calculated under the Code and~~
14 ~~adjusted as provided in G.S. 105-134.6 and G.S. 105-134.7, modified in~~
15 G.S. 105-153.5, that is subject to income tax in another state or country shall
16 be ascertained, and the North Carolina net income tax before credit under
17 this section shall be multiplied by that fraction. The credit allowed is either
18 the product thus calculated or the income tax actually paid the other state or
19 country, whichever is smaller.

20 (3) Receipts showing the payment of income taxes to another state or country
21 and a true copy of a return or returns upon the basis of which the taxes are
22 assessed shall be filed with the Secretary when the credit is claimed. If credit
23 is claimed on account of a deficiency assessment, a true copy of the notice
24 assessing or proposing to assess the deficiency, as well as a receipt showing
25 the payment of the deficiency, shall be filed.

26 (b) If any taxes paid to another state or country for which a taxpayer has been allowed a
27 credit under this section are at any time credited or refunded to the taxpayer, a tax equal to that
28 portion of the credit allowed for the taxes so credited or refunded is due and payable from the
29 taxpayer and is subject to the penalties and interest provided in Subchapter I of this Chapter."

30 **SECTION 1.3.(b)** This section becomes effective for taxable years beginning on or
31 after January 1, 2014.

32 **SECTION 1.4.(a)** G.S. 105-131.2 reads as rewritten:

33 "**§ 105-131.2. Adjustment and characterization of income.**

34 (a) Adjustment. – Each shareholder's pro rata share of an S Corporation's income is
35 subject to the adjustments provided in ~~G.S. 105-134.6~~G.S. 105-153.5.

36 (b) Repealed by Session Laws 1989, c. 728, s. 1.35.

37 (c) Characterization of Income. – S Corporation items of income, loss, deduction, and
38 credit taken into account by a shareholder pursuant to G.S. 105-131.1(b) are characterized as
39 though received or incurred by the S Corporation and not its shareholder."

40 **SECTION 1.4.(b)** G.S. 105-131.5 reads as rewritten:

41 "**§ 105-131.5. Part-year resident shareholder.**

42 If a shareholder of an S Corporation is both a resident and nonresident of this State during
43 any taxable period, the shareholder's pro rata share of the S Corporation's income attributable to
44 the State and income not attributable to the State for the taxable period shall be further prorated
45 between the shareholder's periods of residence and nonresidence, in accordance with the
46 number of days in each period, as provided in ~~G.S. 105-134.5~~G.S. 105-153.4."

47 **SECTION 1.4.(c)** G.S. 105-131.7(c) reads as rewritten:

48 "(c) An S Corporation ~~shall~~must file with the Department, on a form prescribed by the
49 Secretary, the agreement of each nonresident shareholder of the corporation (i) to file a return
50 and make timely payment of all taxes imposed by this State on the shareholder with respect to
51 the income of the S Corporation, and (ii) to be subject to personal jurisdiction in this State for

1 purposes of the collection of any unpaid income tax, together with related interest and
 2 penalties, owed by the nonresident shareholder. If the corporation fails to timely file an
 3 agreement required by this subsection on behalf of any of its nonresident shareholders, then the
 4 corporation ~~shall~~must at the time specified in subsection (d) of this section pay to the
 5 Department on behalf of each nonresident shareholder with respect to whom an agreement has
 6 not been timely filed an estimated amount of the tax due the State. The estimated amount of tax
 7 due the State ~~shall be~~is computed at the ~~rates~~rate levied in ~~G.S. 105-134.2(a)(3)~~
 8 G.S. 105-153.7 on the shareholder's pro rata share of the S Corporation's income attributable to
 9 the State reflected on the corporation's return for the taxable period. An S Corporation may
 10 recover a payment made pursuant to the preceding sentence from the shareholder on whose
 11 behalf the payment was made."

12 **SECTION 1.4.(d)** G.S. 105-131.8(a) reads as rewritten:

13 "(a) For purposes of ~~G.S. 105-151~~G.S. 105-153.9 and G.S. 105-160.4, each resident
 14 shareholder is considered to have paid a tax imposed on the shareholder in an amount equal to
 15 the shareholder's pro rata share of any net income tax paid by the S Corporation to a state that
 16 does not measure the income of S Corporation shareholders by the income of the S
 17 Corporation. For purposes of the preceding sentence, the term "net income tax" means any tax
 18 imposed on or measured by a corporation's net income."

19 **SECTION 1.4.(e)** G.S. 105-154(d) reads as rewritten:

20 "(d) Payment of Tax on Behalf of Nonresident Owner or Partner. – If a business
 21 conducted in this State is owned by a nonresident individual or by a partnership having one or
 22 more nonresident members, the manager of the business ~~shall~~must report the earnings of the
 23 business in this State, the distributive share of the income of each nonresident owner or partner,
 24 and any other information required by the Secretary. The manager of the business ~~shall~~must
 25 pay with the return the tax on each nonresident owner or partner's share of the income
 26 computed at the rate levied on individuals under ~~G.S. 105-134.2(a)(3)~~G.S. 105-153.7. The
 27 business may deduct the payment for each nonresident owner or partner from the owner or
 28 partner's distributive share of the profits of the business in this State. If the nonresident partner
 29 is not an individual and the partner has executed an affirmation that the partner will pay the tax
 30 with its corporate, partnership, trust, or estate income tax return, the manager of the business is
 31 not required to pay the tax on the partner's share. In this case, the manager ~~shall~~must include a
 32 copy of the affirmation with the report required by this subsection."

33 **SECTION 1.4.(f)** G.S. 105-163.1 reads as rewritten:

34 "**§ 105-163.1. Definitions.**

35 The following definitions apply in this Article:

36 ...

37 (6) Individual. – Defined in ~~G.S. 105-134.1~~G.S. 105-153.3.

38 ...

39 (13) Wages. – The term has the same meaning as in section 3401 of the Code
 40 except it does not include ~~either of the following:~~

41 a. ~~The amount of severance wages paid to an employee during the~~
 42 ~~taxable year that is exempt from State income tax for that taxable~~
 43 ~~year under G.S. 105-134.6(b)(11).~~

44 b. ~~The~~the amount an employer pays an employee as reimbursement for
 45 ordinary and necessary expenses incurred by the employee on behalf
 46 of the employer and in the furtherance of the business of the
 47 employer.

48"

49 **SECTION 1.4.(g)** G.S. 105-163.22 reads as rewritten:

50 "**§ 105-163.22. Reciprocity.**

1 The Secretary may, with the approval of the Attorney General, enter into agreements with
2 the taxing authorities of states having income tax withholding statutes with such agreements to
3 govern the amounts to be withheld from the wages and salaries of residents of such other state
4 or states under the provisions of this Article when such other state or states grant similar
5 treatment to the residents of this State. ~~Such~~The agreements may provide for recognition of the
6 anticipated tax credits allowed under the provisions of ~~G.S. 105-151~~G.S. 105-153.9 in
7 determining the amounts to be withheld."

8 **SECTION 1.4.(h)** G.S. 105-309(d) reads as rewritten:

9 "(d) Personal property shall be listed to indicate the township and municipality, if any, in
10 which it is taxable and shall be itemized by the taxpayer in such detail as may be prescribed by
11 an abstract form approved by the Department of Revenue. ~~Personal property shall also be listed
12 to indicate which property, if any, is subject to a tax credit under G.S. 105-151.21.~~

13 (1) If the assessor considers it necessary to obtain a complete listing of personal
14 property, the assessor may require a taxpayer to submit additional
15 information, inventories, or itemized lists of personal property.

16 (2) At the request of the assessor, the taxpayer shall furnish any information the
17 taxpayer has with respect to the true value of the personal property the
18 taxpayer is required to list."

19 **SECTION 1.4.(i)** G.S. 105-320(a)(16) is repealed.

20 **SECTION 1.4.(j)** G.S. 110-130.1(a) reads as rewritten:

21 "(a) All child support collection and paternity determination services provided under this
22 Article to recipients of public assistance shall be made available to any individual not receiving
23 public assistance in accordance with federal law and as contractually authorized by the
24 nonrecipient, upon proper application and payment of a nonrefundable application fee of
25 twenty-five dollars (\$25.00). The fee shall be reduced to ten dollars (\$10.00) if the individual
26 applying for the services is indigent. An indigent individual is an individual whose gross
27 income does not exceed one hundred percent (100%) of the federal poverty guidelines issued
28 each year in the Federal Register by the U.S. Department of Health and Human Services. For
29 the purposes of this subsection, the term "gross income" has the same meaning as defined in
30 G.S. 105-134.1, section 61 of the Code, and the term "Code" has the same meaning as defined
31 in G.S. 105-228.90.

32 In the case of an individual who has never received assistance under a State program
33 funded pursuant to Title IV-A of the Social Security Act and for whom the State has collected
34 and disbursed to the family in a federal fiscal year at least five hundred dollars (\$500.00) of
35 support, the State shall impose an annual fee of twenty-five dollars (\$25.00) for each case in
36 which services are furnished. The child support agency shall retain the fee from support
37 collected on behalf of the individual. However, the child support agency shall not retain the fee
38 from the first five hundred dollars (\$500.00) collected. The child support agency shall use the
39 fee to support the ongoing operation of the program."

40 **SECTION 1.4.(k)** This section becomes effective January 1, 2014.

41 **SECTION 1.5.(a)** G.S. 105-277.3(d1) reads as rewritten:

42 "~~(d1) Exception for Easements on Qualified Conservation Lands Previously Appraised at~~
43 ~~Use Value. Exception.~~ – Property that is appraised at its present-use value under
44 G.S. 105-277.4(b) shall continue to qualify for appraisal, assessment, and taxation as provided
45 in G.S. 105-277.2 through G.S. 105-277.7 as long as ~~(i) the property is subject to an~~
46 ~~enforceable conservation easement that would qualify for the conservation tax credit provided~~
47 ~~in G.S. 105-130.34 and G.S. 105-151.12, without regard to actual production or income~~
48 ~~requirements of this section; and (ii) the taxpayer received no more than seventy five percent~~
49 ~~(75%) of the fair market value of the donated property interest in compensation.~~the property is
50 subject to a conservation easement that meets the property eligibility requirements under
51 G.S. 113A-232. Notwithstanding G.S. 105-277.3(b) and (b1), subsequent transfer of the

1 property does not extinguish its present-use value eligibility as long as the property remains
2 subject to ~~an enforceable a~~ qualifying conservation ~~easement that qualifies for the conservation~~
3 ~~tax credit provided in G.S. 105-130.34 and G.S. 105-151.12.~~ easement. The exception provided
4 in this subsection applies only to that part of the property that is subject to the easement."

5 **SECTION 1.5.(b)** G.S. 113-77.9(d) reads as rewritten:

6 "(d) Acquisition. – The Department of Administration may, pursuant to G.S. 143-341,
7 acquire by purchase, gift, or devise all lands selected by the Trustees for acquisition pursuant to
8 this Article. Title to any land acquired pursuant to this Article shall be vested in the State. A
9 State agency with management responsibility for land acquired pursuant to this Article may
10 enter into a management agreement or lease with a county, city, town, or private nonprofit
11 organization ~~qualified under G.S. 105-151.12 and G.S. 105-130.34 and~~ certified under section
12 501(c)(3) of the Internal Revenue Code to aid in managing the land. A management agreement
13 or lease shall be executed by the Department of Administration pursuant to G.S. 143-341."

14 **SECTION 1.5.(c)** G.S. 113A-231 reads as rewritten:

15 "**§ 113A-231. Program to accomplish conservation purposes.**

16 The Department of Environment and Natural Resources shall develop a nonregulatory
17 program ~~that uses conservation tax credits as a prominent tool to~~ accomplish conservation
18 purposes, including the maintenance of ecological systems. As a part of this program, the
19 Department shall exercise its powers to protect real property and interests in real ~~property;~~
20 property donated for ~~tax credit under G.S. 105-130.34 or G.S. 105-151.12; conserved with the~~
21 ~~use of other financial incentives; or, conserved through nonregulatory programs.~~ conservation
22 or conserved by other means. The Department shall call upon the Attorney General for legal
23 assistance in developing and implementing the program."

24 **SECTION 1.5.(d)** G.S. 113A-232 reads as rewritten:

25 "**§ 113A-232. Conservation Grant Fund.**

26 (a) Fund Created. – The Conservation Grant Fund is created within the Department of
27 Environment and Natural Resources. The Fund shall be administered by the Department. The
28 purpose of the Fund is to stimulate the use of ~~conservation easements and conservation tax~~
29 ~~credits, easements,~~ to improve the capacity of private nonprofit land trust organizations to
30 successfully accomplish conservation projects, to better equip real estate related professionals
31 to pursue opportunities for conservation, to increase landowner participation in land and water
32 conservation, and to provide an opportunity to leverage private and other public monies for
33 conservation easements.

34 (b) Fund Sources. – The Conservation Grant Fund shall consist of any monies
35 appropriated to it by the General Assembly and any monies received from public or private
36 sources. Unexpended monies in the Fund that were appropriated from the General Fund by the
37 General Assembly shall revert at the end of the fiscal year unless the General Assembly
38 otherwise provides. Unexpended monies in the Fund from other sources shall not revert and
39 shall remain available for expenditure in accordance with this Article.

40 (c) Property Eligibility. – In order for real property or an interest in real property to be
41 the subject of a grant under this Article, the real property or interest in real property must meet
42 all of the following conditions:

- 43 (1) ~~possess~~ Possess or have a high potential to possess ecological ~~value, must~~
44 ~~be~~ value.
- 45 (2) Be ~~reasonably restorable, and must qualify for tax credits under~~
46 ~~G.S. 105-130.34 or G.S. 105-151.12.~~ restorable.
- 47 (3) Be useful for one or more of the following purposes:
 - 48 a. Public beach access or use.
 - 49 b. Public access to public waters or trails.
 - 50 c. Fish and wildlife conservation.
 - 51 d. Forestland or farmland conservation.

1 e. Watershed protection.

2 f. Conservation of natural areas as that term is defined in
3 G.S. 113A-164.3(3).

4 g. Conservation of predominantly natural parkland.

5 (4) Be donated in perpetuity to and accepted by the State, a local government, or
6 a body that is both organized to receive and administer lands for
7 conservation purposes and qualified to receive charitable contributions under
8 G.S. 105-130.9. Land required to be dedicated pursuant to local
9 governmental regulation or ordinance and dedications made to increase
10 building density levels permitted under a regulation or ordinance do not
11 qualify.

12 (c1) Grant Eligibility. – State conservation land management agencies, local government
13 conservation land management agencies, and private nonprofit land trust organizations are
14 eligible to receive grants from the Conservation Grant Fund. Private nonprofit land trust
15 organizations must be ~~qualified pursuant to G.S. 105-130.34 and G.S. 105-151.12 and must be~~
16 certified under section 501(c)(3) of the Internal Revenue Code. ~~Code to aid in managing the~~
17 land.

18 (d) Use of Revenue. – Revenue in the Conservation Grant Fund may be used only for
19 the following purposes:

- 20 (1) The administrative costs of the Department in administering the Fund.
21 (2) Conservation grants made in accordance with this Article.
22 (3) To establish an endowment account, the interest from which will be used for
23 a purpose described in G.S. 113A-233(a)."

24 **SECTION 1.5.(e)** G.S. 113A-233 reads as rewritten:

25 "**§ 113A-233. Uses of a grant from the Conservation Grant Fund.**

26 (a) Allowable Uses. – A grant from the Conservation Grant Fund may be used only to
27 pay for one or more of the following costs:

- 28 (1) Reimbursement for total or partial transaction costs for a donation of real
29 property or an interest in real property from an individual or corporation
30 satisfying either of the following:
31 a. Insufficient financial ability to pay all costs or insufficient taxable
32 income to allow these costs to be included in the donated value.
33 b. Insufficient tax burdens to allow these costs to be offset by ~~the value~~
34 ~~of tax credits under G.S. 105-130.34 or G.S. 105-151.12 or by~~
35 charitable deductions.
36 (2) Management support, including initial baseline inventory and planning.
37 (3) Monitoring compliance with conservation easements, the related use of
38 riparian buffers, natural areas, and greenways, and the presence of ecological
39 integrity.
40 (4) Education on conservation, including information materials intended for
41 landowners and education for staff and volunteers.
42 (5) Stewardship of land.
43 (6) Transaction costs for recipients, including legal expenses, closing and title
44 costs, and unusual direct costs, such as overnight travel.
45 (7) Administrative costs for short-term growth or for building capacity.

46 (b) Prohibition. – The Fund shall not be used to pay the purchase price of real property
47 or an interest in real property."

48 **SECTION 1.5.(f)** G.S. 113A-256(g) is repealed.

49 **SECTION 1.5.(g)** This section becomes effective January 1, 2014.

50
51 **PART II. PHASED ELIMINATION OF THE CORPORATE INCOME TAX**

1 imposed by this Article is a condition precedent to the right to do business in this State and, for
 2 a business entity that is organized or formed in this State, to the right to continue in the entity's
 3 organizational form.

4 (b) Tax Imposed. – An annual privilege tax is imposed on a business entity doing
 5 business in this State in the amount set in the table below:

<u>Income Year</u>	<u>Amount</u>
<u>2015</u>	<u>\$400</u>
<u>2016</u>	<u>\$600</u>
<u>After 2016</u>	<u>\$750</u>

10 (c) Return and Payment. – The tax is due when a return is due. A return is due on or
 11 before the 15th day of the fourth month following the end of the business entity's income year.
 12 A taxpayer may ask the Secretary for an extension of time to file a return under G.S. 105-263.
 13 A business entity must file a return under affirmation with the Secretary at the place and in the
 14 manner prescribed by the Secretary. The return must be signed by the president, vice-president,
 15 treasurer, or chief financial officer of the business entity.

16 (d) Income Year. – For purposes of this Article, the income year of a business entity is
 17 the calendar year or the fiscal year upon the basis of which the net income is computed for
 18 federal income tax purposes under the Code. After the end of the income year in which a
 19 business entity is dissolved, the business entity is no longer subject to the tax levied in this
 20 Article unless the Secretary finds that the business entity has engaged in business activities in
 21 this State not appropriate to winding up and liquidating its business and affairs.

22 **"§ 105-129.101. Definitions.**

23 The following definitions apply in this Article:

24 (1) Business entity. – All of the following:

- 25 a. An S corporation organized under Chapter 55 of the General
 26 Statutes.
- 27 b. Reserved.
- 28 c. A domestic limited liability company formed under Chapter 57C of
 29 the General Statutes or a foreign limited liability company that is
 30 required to obtain a certificate of authority under one of those
 31 Chapters authorizing it to do business in this State.
- 32 d. A domestic limited partnership formed under Article 5 of Chapter 59
 33 of the General Statutes or a foreign limited partnership that has
 34 received a certificate of authority under that Article authorizing it to
 35 do business in this State.
- 36 e. A domestic limited liability partnership registered under Article 3B
 37 of Chapter 59 of the General Statutes or a foreign limited liability
 38 partnership registered under Article 4A of that Chapter.
- 39 f. A domestic or foreign limited liability limited partnership registered
 40 under G.S. 59-210.
- 41 g. Any other business whose form of organization confers limited
 42 liability on one or more of its owners that is not a C corporation.

43 (2) C Corporation. – Defined in G.S. 105-131.

44 (3) Code. – Defined in G.S. 105-228.90.

45 (4) Person. – Defined in G.S. 105-228.90.

46 (5) S Corporation. – Defined in G.S. 105-131.

47 (6) Secretary. – Defined in G.S. 105-228.90.

48 **"§ 105-129.101. Exempt business entities.**

49 A business entity listed in this section is exempt from the business privilege tax imposed by
 50 this Article. Upon request of the Secretary, an exempt business entity must establish its claim
 51 for exemption in writing. The exempt entities are:

(1) A business entity exempt from federal income tax under section 501 of the Code.

(2) An insurance company subject to tax under Article 8B of this Chapter."

SECTION 3.1.(b) This section becomes effective for taxable years beginning on or after January 1, 2015, and applies to taxes due in that year or a subsequent year.

SECTION 3.2.(a) G.S. 105-129.100(b), as enacted by this Part, reads as rewritten:

"(b) Tax Imposed. – An annual privilege tax is imposed on a business entity doing business in this ~~State in the amount set in the table below:~~State. The tax for a C Corporation is five thousand dollars (\$5,000). The tax for all other business entities is seven hundred fifty dollars (\$750.00).

Income Years Beginning	Amount
In 2014	–\$400
In 2015	–\$600
After 2015	–\$750."

SECTION 3.2.(b) G.S. 105-129.101, as enacted by this Part, reads as rewritten:

"(1) Business entity. – All of the following:

- a. ~~A S corporation organized under Chapter 55 of the General Statutes.~~
A domestic corporation organized under Chapter 55 of the General Statutes or a foreign corporation that has received a certificate of authority under that Chapter authorizing it to do business in this State.
- b. ~~Reserved.~~An electric membership corporation organized under Chapter 117 of the General Statutes.
- ...
- g. Any other business whose form of organization confers limited liability on one or more of its ~~owners that is not a C corporation.~~owners."

SECTION 3.2.(c) This section becomes effective for taxable years beginning on or after January 1, 2018, and applies to taxes due in that year or a subsequent year.

PART IV. PHASED ELIMINATION OF THE FRANCHISE TAX

SECTION 4.1.(a) G.S. 105-114(a) and G.S. 105-122.1 are repealed.

SECTION 4.1.(b) G.S. 105-125(a) is amended by adding a new subdivision to read:

"(a) Exemptions. – The following corporations are exempt from the taxes levied by this Article. Upon request of the Secretary, an exempt corporation must establish its claim for exemption in writing:

...
(2a) An S corporation subject to the privilege license tax under Article 2 of this Chapter. For purposes of this subdivision, an S corporation has the same meaning as defined in G.S. 105-33.1.

...."

SECTION 4.1.(c) This section becomes effective for taxable years beginning on or after January 1, 2015, and applies to taxes due in that year or a subsequent year.

SECTION 4.2.(a) G.S. 105-122 reads as rewritten:

"§ 105-122. Franchise or privilege tax on domestic and foreign corporations.

...
(d) After determining the proportion of its total capital stock, surplus and undivided profits as set out in subsection (c) of this section, which amount shall not be less than fifty-five percent (55%) of the appraised value as determined for ad valorem taxation of all the real and tangible personal property in this State of each corporation nor less than its total actual

1 investment in tangible property in this State, every corporation taxed under this section shall
 2 annually pay to the Secretary of Revenue, at the time the report and statement are due, a
 3 franchise or privilege tax at the rate of ~~one dollar and fifty cents (\$1.50) per one thousand~~
 4 ~~dollars (\$1,000) of the total amount of capital stock, surplus and undivided profits as provided~~
 5 ~~in this section. The tax imposed in this section shall not be less than thirty five dollars (\$35.00)~~
 6 ~~and shall be provided in subsection (d2) of this section. The tax is imposed~~ for the privilege of
 7 carrying on, doing business, and/or the continuance of articles of incorporation or
 8 domestication of each corporation in this State. Appraised value of tangible property including
 9 real estate is the ad valorem valuation for the calendar year next preceding the due date of the
 10 franchise tax return. The term "total actual investment in tangible property" as used in this
 11 section means the total original purchase price or consideration to the reporting taxpayer of its
 12 tangible properties, including real estate, in this State plus additions and improvements thereto
 13 less reserve for depreciation as permitted for income tax purposes, and also less any
 14 indebtedness incurred and existing by virtue of the purchase of any real estate and any
 15 permanent improvements made thereon. In computing "total actual investment in tangible
 16 personal property" there shall also be deducted reserves for the entire cost of any air-cleaning
 17 device or sewage or waste treatment plant, including waste lagoons, and pollution abatement
 18 equipment purchased or constructed and installed which reduces the amount of air or water
 19 pollution resulting from the emission of air contaminants or the discharge of sewage and
 20 industrial wastes or other polluting materials or substances into the outdoor atmosphere or into
 21 streams, lakes, or rivers, upon condition that the corporation claiming this deduction shall
 22 furnish to the Secretary a certificate from the Department of Environment and Natural
 23 Resources or from a local air pollution control program for air-cleaning devices located in an
 24 area where the Environmental Management Commission has certified a local air pollution
 25 control program pursuant to G.S. 143-215.112 certifying that said Department or local air
 26 pollution control program has found as a fact that the air-cleaning device, waste treatment plant
 27 or pollution abatement equipment purchased or constructed and installed as above described
 28 has actually been constructed and installed and that the device, plant or equipment complies
 29 with the requirements of the Environmental Management Commission or local air pollution
 30 control program with respect to the devices, plants or equipment, that the device, plant or
 31 equipment is being effectively operated in accordance with the terms and conditions set forth in
 32 the permit, certificate of approval, or other document of approval issued by the Environmental
 33 Management Commission or local air pollution control program and that the primary purpose is
 34 to reduce air or water pollution resulting from the emission of air contaminants or the discharge
 35 of sewage and waste and not merely incidental to other purposes and functions. The cost of
 36 constructing facilities of any private or public utility built for the purpose of providing sewer
 37 service to residential and outlying areas is treated as deductible for the purposes of this section;
 38 the deductible liability allowed by this section shall apply only with respect to pollution
 39 abatement plants or equipment constructed or installed on or after January 1, 1955.

40 ...

41 (d2) Tax Rate. – The rate is the amount set in the table below for each one thousand
 42 dollars (\$1,000) of the total amount of capital stock, surplus, and undivided profits as provided
 43 in subsection (d) of this section. The tax imposed in this section may not be less than the
 44 amount set in the table below.

<u>Income Year</u>	<u>Tax Rate</u>	<u>Minimum Tax Due</u>
<u>2015</u>	<u>\$1.20</u>	<u>\$ 500</u>
<u>2016</u>	<u>\$0.90</u>	<u>\$1,000</u>
<u>2017</u>	<u>\$0.60</u>	<u>\$2,000."</u>

49 **SECTION 4.2.(b)** This section becomes effective for taxable years beginning on or
 50 after January 1, 2015, and applies to taxes due in that year or a subsequent year.

51 **SECTION 4.3.(a)** Article 3 of Chapter 105 of the General Statutes is repealed.

1 SECTION 4.3.(b) This section becomes effective for taxable years beginning on or
2 after January 1, 2018.

3
4 **PART V. ELIMINATE ANNUAL REPORT FILING FEES**

5 SECTION 5.(a) G.S. 55-1-22 reads as rewritten:

6 "**§ 55-1-22. Filing, service, and copying fees.**

7 (a) The Secretary of State shall collect the following fees when the documents
8 described in this subsection are delivered to the Secretary for filing:

Document	Fee
9 ...	
10 (23) Annual report-(paper)	25.00
11 (23a) Annual report (electronic)	No fee
12 ...	18.00

13
14 (b) The Secretary of State shall collect a fee of ten dollars (\$10.00) each time process is
15 served on the Secretary under this Chapter. The party to a proceeding causing service of
16 process is entitled to recover this fee as costs if the party prevails in the proceeding.

17 (c) The Secretary of State shall collect the following fees for copying, comparing, and
18 certifying a copy of any filed document relating to a domestic or foreign corporation:

- 19 (1) One dollar (\$1.00) a page for copying or comparing a copy to the original.
- 20 (2) Fifteen dollars (\$15.00) for a paper certificate.
- 21 (3) Ten dollars (\$10.00) for an electronic certificate.

22 (d) ~~The fee for the annual report in subdivision (23) of this section is nonrefundable."~~

23 **SECTION 5.(b)** G.S. 55-16-22 reads as rewritten:

24 "**§ 55-16-22. Annual report.**

25 (a) ~~Except as provided in subsections (a1) and (a2) of this section, each domestic~~
26 ~~corporation and each foreign corporation authorized to transact business in this State shall~~
27 ~~deliver an annual report to the Secretary of Revenue in paper form or, in the alternative,~~
28 ~~directly to the Secretary of State in electronic form as prescribed by the Secretary of State~~
29 ~~under this section.~~Requirement. – The following businesses must file an annual report with the
30 Secretary of State on a form prescribed by the Secretary and in the manner required by the
31 Secretary:

- 32 (1) A corporation that is incorporated under this Chapter.
- 33 (2) A corporation that has received a certificate of authority under this Chapter
34 authorizing the corporation to transact business in this State.
- 35 (3) A company that is an insurance company regulated under Chapter 58 of the
36 General Statutes.

37 (a1) ~~Each insurance company subject to the provisions of Chapter 58 of the General~~
38 ~~Statutes shall deliver an annual report to the Secretary of State.~~

39 (a2) ~~A domestic corporation governed by Chapter 55B of the General Statutes is exempt~~
40 ~~from this section.~~

41 (a3) ~~The annual report required by this section shall be in a form jointly prescribed by~~
42 ~~the Secretary of Revenue and the Secretary of State. The Secretary of Revenue shall provide~~
43 ~~the form needed to file an annual report. The Secretary of State shall prescribe the form needed~~
44 ~~to file an annual report electronically and shall provide this form by electronic means. The~~
45 ~~annual report shall set forth all of the following:~~

- 46 (1) ~~The name of the corporation and the state or country under whose law it is~~
47 ~~incorporated.~~
- 48 (2) ~~The street address, and the mailing address if different from the street~~
49 ~~address, of the registered office, the county in which its registered office is~~
50 ~~located, and the name of its registered agent at that office in this State, and a~~

1 ~~statement of any change of such registered office or registered agent, or~~
2 ~~both.~~

3 ~~(3) The address and telephone number of its principal office.~~

4 ~~(4) The names, titles, and business addresses of its principal officers.~~

5 ~~(4a) Repealed by Session Laws 1997 475, s. 6.1, effective January 1, 1998.~~

6 ~~(5) A brief description of the nature of its business.~~

7 ~~If the information contained in the most recently filed annual report has not changed, a~~
8 ~~certification to that effect may be made instead of setting forth the information required by~~
9 ~~subdivisions (2) through (5) of this subsection.~~

10 (b) Content. – An annual report must set out the information listed in this subsection.
11 The information must be current as of the date the business completes the report.~~Information in~~
12 ~~the annual report must be current as of the date the annual report is executed on behalf of the~~
13 ~~corporation.~~ If the information set out in the business' most recent annual report has not
14 changed, the business may certify on its annual report that the information has not changed in
15 lieu of restating the information. A business may amend an annual report at any time to correct,
16 update, or augment information included in a prior report.

17 The following information must be included on the annual report of a business:

18 (1) Its name.

19 (2) The state or country under whose law it is incorporated or, if it is an
20 insurance company and is not a corporation, the state or country under
21 whose law it is organized.

22 (3) The street address of its registered office in this State, the county in which
23 the registered office is located, and the name of the registered agent at the
24 registered office. If the registered office or registered agent differs from the
25 registered office or registered agent listed on the preceding annual report, the
26 report must indicate that the registered office or registered agent has
27 changed. A change in registered office or registered agent that is indicated
28 on an annual report is effective when the report is filed.

29 (4) The mailing address of its registered office, if the street address of the office
30 is not the mailing address.

31 (5) The address and telephone number of its principal office.

32 (6) The name, title, and business address of each of its principal officers.

33 (7) A brief description of the nature of its business.

34 (c) Due Date. – An annual report is due by the 15th day of the fourth month following
35 the close of the fiscal year of the business filing the report. An annual report is delinquent if it
36 is not filed within 120 days after it is due.~~eligible to be delivered to the Secretary of Revenue is~~
37 ~~due by the due date for filing the corporation's income and franchise tax returns. An extension~~
38 ~~of time to file a return is an extension of time to file an annual report. At the option of the filer,~~
39 ~~an annual report may be filed directly with the Secretary of State in electronic form. An annual~~
40 ~~report required to be delivered to the Secretary of State is due by the fifteenth day of the fourth~~
41 ~~month following the close of the corporation's fiscal year.~~

42 (d) Incomplete Report. – If the Secretary of State determines that an annual report filed
43 with the Secretary does not contain the information required by this section, the Secretary must
44 send a written notice to the business that the report is incomplete. An annual report that is
45 corrected to contain the information and filed with the Secretary within 30 days of the date of
46 the notice is considered timely filed.~~If an annual report does not contain the information~~
47 ~~required by this section, the Secretary of State shall promptly notify the reporting domestic or~~
48 ~~foreign corporation in writing and return the report to it for correction. If the report is corrected~~
49 ~~to contain the information required by this section and delivered to the Secretary of State within~~
50 ~~30 days after the effective date of notice, it is deemed to be timely filed.~~

(e) ~~Amendments to any previously filed annual report may be filed with the Secretary of State at any time for the purpose of correcting, updating, or augmenting the information contained in the annual report.~~

(f) ~~Expired.~~

(g) ~~When a statement of change of registered office or registered agent is filed in the annual report, the change shall become effective when the statement is received by the Secretary of State.~~

(h) ~~If the Secretary of State does not receive an annual report within 120 days of the date the return is due, the Secretary of State may presume that the annual report is delinquent. This presumption may be rebutted by receipt of the annual report from the Secretary of Revenue or by evidence of delivery presented by the filing corporation."~~

SECTION 5.(c) G.S. 57C-1-22(a)(25) reads as rewritten:

"(a) The Secretary of State shall collect the following fees when the documents described in this subsection are delivered to the Secretary of State for filing:

<u>Document</u>	<u>Fee</u>
...	
(25) Annual report	200.00 <u>No fee</u>
...."	

SECTION 5.(d) G.S. 59-35.2(a)(18) reads as rewritten:

"(a) The Secretary of State shall collect the following fees when the documents described in this subsection are submitted by a partnership to the Secretary of State for filing:

<u>Document</u>	<u>Fee</u>
...	
(18) Annual report	200.00 <u>No fee</u>
...."	

SECTION 5.(e) G.S. 59-1106(a)(22) reads as rewritten:

"(a) The Secretary of State shall collect the following fees when the documents described in this subsection are delivered to the Secretary of State for filing:

<u>Document</u>	<u>Fee</u>
...	
(22) Annual report for a limited liability limited partnership	200.00 <u>No fee</u>
...."	

SECTION 5.(f) G.S. 105-122.1 is repealed.

SECTION 5.(g) G.S. 105-228.90(a) reads as rewritten:

"(a) Scope. – This Article applies to Subchapters I, V, and VIII of this Chapter, ~~to the annual report filing requirements of G.S. 55-16-22,~~ to the primary forest product assessment levied under Article 12 of Chapter 113A of the General Statutes, and to inspection taxes levied under Article 3 of Chapter 119 of the General Statutes."

SECTION 5.(h) G.S. 105-256.1 is repealed.

SECTION 5.(i) G.S. 105-259(a) reads as rewritten:

"(a) Definitions. – The following definitions apply in this section:

- (1) Employee or officer. – The term includes a former employee, a former officer, and a current or former member of a State board or commission.
- (2) Tax information. – Any information from any source concerning the liability of a taxpayer for a tax, as defined in G.S. 105-228.90. The term includes the following:
 - a. Information contained on a tax return, a tax report, or an application for a license for which a tax is imposed.
 - b. Information obtained through an audit of a taxpayer or by correspondence with a taxpayer.

- c. Information on whether a taxpayer has filed a tax return or a tax report.
 - d. A list or other compilation of the names, addresses, social security numbers, or similar information concerning taxpayers.
- The term does not include (i) statistics classified so that information about specific taxpayers cannot be identified, (ii) ~~an annual report required to be filed under G.S. 55-16-22 or~~ (iii) identified or the amount of tax refunds paid to either a governmental entity listed in G.S. 105-164.14(c) or to a State agency."

SECTION 5.(j) This section becomes effective January 1, 2015. Subsection (f) of this section applies to returns due on or after April 15, 2015, for taxable years beginning on or after January 1, 2015. The remaining sections apply to annual reports due on or after January 1, 2015.

PART VI. ELIMINATE ARCHAIC STATE AND LOCAL PRIVILEGE LICENSE TAXES

SECTION 6.1.(a) Article 2 of Chapter 105 of the General Statutes is repealed.

SECTION 6.1.(b) This section becomes effective January 1, 2018, and applies as follows:

- (1) For taxes payable under G.S. 105-41, 105-88, or 105-102.3, the section applies to taxes imposed under those statutes for taxable years beginning on or after July 1, 2018.
- (2) For taxes payable under G.S. 105-102.6, the section applies to taxes due on or after January 31, 2018.
- (3) For taxes payable under G.S. 105-83, the section applies to obligation dealt in, bought, or discounted on or after January 1, 2018.

SECTION 6.2.(a) G.S. 153A-152 reads as rewritten:

"§ 153A-152. Privilege-No general authority for privilege license taxes.

(a) Authority.— ~~A county may levy privilege license taxes on trades, occupations, professions, businesses, and franchises to the extent authorized by Article 2 of Chapter 105 of the General Statutes and any other acts of the General Assembly. A county may levy privilege license taxes to the extent formerly authorized by the following sections of Article 2 of Chapter 105 of the General Statutes before they were repealed:~~

- ~~G.S. 105-50 Pawnbrokers.~~
- ~~G.S. 105-53 Peddlers, itinerant merchants, and specialty market operators.~~
- ~~G.S. 105-55 Installing elevators and automatic sprinkler systems.~~
- ~~G.S. 105-58 Fortune tellers, palmists, etc.~~
- ~~G.S. 105-65 Music machines.~~
- ~~G.S. 105-66.1 Electronic video games.~~
- ~~G.S. 105-80 Firearms dealers and dealers in other weapons.~~
- ~~G.S. 105-88 Loan agencies.~~
- ~~G.S. 105-89 Automobiles, wholesale supply dealers and service stations.~~
- ~~G.S. 105-89.1 Motorcycle dealers.~~
- ~~G.S. 105-90 Emigrant and employment agents.~~
- ~~G.S. 105-102.5 General business license.~~

(b) Telecommunications Restriction.— ~~A county may not impose a license, franchise, or privilege tax on a company taxed under G.S. 105-164.4(a) (4e). A county may not levy a license, franchise, or privilege tax on a trade, occupation, profession, business, or franchise~~

1 carried on within the county unless a statute or an act of the General Assembly authorizes the
2 county to do so."

3 **SECTION 6.2.(b)** G.S. 160A-211 reads as rewritten:

4 "**§ 160A-211. Privilege—No general authority for privilege license taxes.**

5 (a) Authority. — Except as otherwise provided by law, a city shall have power to levy
6 privilege license taxes on all trades, occupations, professions, businesses, and franchises carried
7 on within the city. A city may levy privilege license taxes on the businesses that were formerly
8 taxed by the State under the following sections of Article 2 of Chapter 105 of the General
9 Statutes only to the extent the sections authorized cities to tax the businesses before the sections
10 were repealed:

11 G.S. 105-36 Amusements—Manufacturing, selling, leasing, or
12 distributing moving picture films.

13 G.S. 105-36.1 Amusements—Outdoor theatres.

14 G.S. 105-37 Amusements—Moving pictures—Admission.

15 G.S. 105-41 Attorneys at law and other professionals.

16 G.S. 105-42 Private detectives and investigators.

17 G.S. 105-45 Collecting agencies.

18 G.S. 105-46 Undertakers and retail dealers in coffins.

19 G.S. 105-50 Pawnbrokers.

20 G.S. 105-51.1 Alarm systems.

21 G.S. 105-53 Peddlers, itinerant merchants, and specialty market
22 operators.

23 G.S. 105-54 Contractors and construction companies.

24 G.S. 105-55 Installing elevators and automatic sprinkler systems.

25 G.S. 105-61 Hotels, motels, tourist courts and tourist homes.

26 G.S. 105-62 Restaurants.

27 G.S. 105-65 Music machines.

28 G.S. 105-65.1 Merchandising dispensers and weighing machines.

29 G.S. 105-66.1 Electronic video games.

30 G.S. 105-74 Pressing clubs, dry cleaning plants, and hat blockers.

31 G.S. 105-77 Tobacco warehouses.

32 G.S. 105-80 Firearms dealers and dealers in other weapons.

33 G.S. 105-83 Installment paper dealers.

34 G.S. 105-85 Laundries.

35 G.S. 105-86 Outdoor advertising.

36 G.S. 105-88 Loan agencies.

37 G.S. 105-89 Automobiles, wholesale supply dealers, and service
38 stations.

39 G.S. 105-89.1 Motorecycle dealers.

40 G.S. 105-90 Emigrant and employment agents.

41 G.S. 105-91 Plumbers, heating contractors, and electricians.

42 G.S. 105-97 Manufacturers of ice cream.

43 G.S. 105-98 Branch or chain stores.

44 G.S. 105-99 Wholesale distributors of motor fuels.

45 G.S. 105-102.1 Certain cooperative associations.

46 G.S. 105-102.3 Banks.

47 G.S. 105-102.5 General business license.

48 (b) Barbershop and Salon Restriction. — A privilege license tax levied by a city on a
49 barbershop or a beauty salon may not exceed two dollars and fifty cents (\$2.50) for each
50 barber, manicurist, cosmetologist, beautician, or other operator employed in the barbershop or
51 beauty salon.

1 (e) ~~Prohibition.~~— A city may not impose a license, franchise, or privilege tax on a
2 person engaged in any of the businesses listed in this subsection. These businesses are subject
3 to a State tax for which the city receives a share of the tax revenue.

4 (1) ~~Supplying piped natural gas taxed under Article 5E of Chapter 105 of the~~
5 ~~General Statutes.~~

6 (2) ~~Providing telecommunications service taxed under G.S. 105-164.4(a)(4c).~~

7 (3) ~~Providing video programming taxed under G.S. 105-164.4(a)(6).~~

8 (d) ~~Repealed by Session Laws 2006-151, s. 12, effective January 1, 2007.~~ A city may
9 not levy a license, franchise, or privilege tax on a trade, occupation, profession, business, or
10 franchise carried on within the city unless a statute or an act of the General Assembly
11 authorizes the city to do so."

12 **SECTION 6.2.(c)** This section becomes effective July 1, 2018, and applies to taxes
13 imposed for fiscal years beginning on or after that date.

14 **SECTION 6.3.(a)** G.S. 93-12(12) and G.S. 105-259(b)(4) are repealed.

15 **SECTION 6.3.(b)** G.S. 53-165 reads as rewritten:

16 **"§ 53-165. Definitions.**

17 The following definitions apply in this Article:

18 (a)(1) ~~"Amount of the loan" shall mean the~~ Amount of the loan. – The aggregate of
19 the cash advance and the charges authorized by G.S. 53-173 and
20 G.S. 53-176.

21 (b)(2) ~~"Borrower" shall mean any~~ Borrower. – A person who borrows money from
22 any licensee or who pays or obligates himself to pay any money from, pays
23 or is obligated to pay money to, or otherwise furnishes any valuable
24 consideration to any licensee for any act of the licensee as a licensee.

25 (c)(3) ~~"Cash advance" shall mean the~~ Cash advance. – The amount of cash or its
26 equivalent that the a borrower actually receives or is paid out at his
27 discretion or on his behalf. the discretion of the borrower or on behalf of the
28 borrower.

29 (d)(4) ~~"Commission" shall mean the~~ Commission. – The State Banking
30 Commission.

31 (e)(5) ~~"Commissioner" shall mean the~~ Commissioner. – The Commissioner of
32 Banks.

33 (f)(6) ~~"Deputy commissioner" shall mean the~~ Deputy commissioner. – The deputy
34 commissioner of banks.

35 (7) Installment paper dealer. – A person who buys or discounts notes or other
36 evidences of debt secured, at the time the debt is incurred, by personal
37 property located in this State.

38 (g)(8) ~~"License" shall mean the~~ License. – The certificate issued by the
39 Commissioner under the authority of this Article to conduct a consumer
40 finance business.

41 (h)(9) ~~"Licensee" shall mean a~~ Licensee. – A person to whom one or more licenses
42 have been issued.

43 (i)(10) ~~"Loanable assets" shall mean cash or bank deposits or installment loans~~
44 ~~made as a licensee pursuant to this Article or installment loans made as a~~
45 ~~licensee pursuant to the Article which this Article supersedes or such other~~
46 ~~loans payable on an installment basis as the Commissioner of Banks may~~
47 ~~approve, or any combination of two or more thereof.~~ Loanable assets. – Cash,
48 bank deposits, installment loans, or any combination of these.

49 (j)(11) ~~"Person" shall include any person,~~ Person. – An individual, a firm, a
50 partnership, association or corporation. an association, a limited liability
51 company, a corporation, or another group acting as a unit."

1 **SECTION 6.3.(c)** G.S. 53-172(a) reads as rewritten:

2 "(a) No licensee shall conduct the business of making loans under this Article within any
3 office, suite, room, or place of business in which any other business is solicited or transacted.
4 The business of making loans includes acting as an installment paper dealer and collecting a
5 loan made by a government regulated lender.

6 ~~Installment paper dealers as defined in G.S. 105-83, and the collection by a licensee of~~
7 ~~loans legally made in North Carolina, or another state by another government regulated lender~~
8 ~~or lending agency, shall not be considered as being any other business within the meaning of~~
9 ~~this section."~~

10 **SECTION 6.3.(d)** G.S. 53-191 reads as rewritten:

11 "**§ 53-191. Businesses exempted.**

12 ~~Nothing in this~~ This Article shall be construed to does not apply to any person, firm or
13 ~~corporation~~ person doing business under the authority of any law of this State or of the United
14 States relating to banks, trust companies, savings and loan associations, cooperative credit
15 unions, agricultural credit corporations or associations organized under the laws of North
16 Carolina, production credit associations organized under the ~~act of Congress known as the~~
17 federal Farm Credit Act of 1933, pawnbrokers lending or advancing money on specific articles
18 of personal property, industrial banks, the business of negotiating businesses that negotiate or
19 solicit loans on real estate as defined in G.S. 105-41, agent for another for compensation, nor to
20 or installment paper dealers as defined in G.S. 105-83 other than persons, firms and
21 corporations other than persons engaged in the business of accepting fees for endorsing or
22 otherwise securing loans or contracts for the repayment of loans."

23 **SECTION 6.3.(e)** G.S. 95-47.2(d)(3)c. reads as rewritten:

24 "(d) Upon the receipt of an application for a license the Commissioner:

25 ...

26 (3) Upon completion of the investigation, or 60 days after the application was
27 received, whichever is later, but in no case more than 75 days after the
28 application was received, shall determine whether or not a license should be
29 issued. The license shall be denied for any of the following reasons:

30 ...

31 c. If the employment agency will be operated on the same premises as a
32 ~~loan agency (as defined in G.S. 105-88) or collection agency (as~~
33 ~~defined in G.S. 58-70-15)~~ any of the following:

34 1. A business that makes loans and takes as security for
35 repayment of the loans an assignment of wages or any other
36 type of security.

37 2. A check cashing business regulated under Article 22 of
38 Chapter 53 of the General Statutes.

39 3. A pawnbroker business regulated under Chapter 91A of the
40 General Statutes.

41 4. A collection agency, as defined in G.S. 58-70-15."

42 **SECTION 6.3.(f)** This section becomes effective July 1, 2018.

43

44 **PART VII. ELECTRICITY AND PIPED NATURAL GAS TAX CHANGES**

45 **SECTION 7.1.(a)** G.S. 105-116, 105-116.1, 105-164.21A, and 159B-27(b), (c),
46 (d), and (e) are repealed.

47 **SECTION 7.1.(b)** G.S. 105-130.6A(a)(4) reads as rewritten:

48 "(a) Definitions. – The provisions of G.S. 105-130.6 govern the determination of
49 whether a corporation is a subsidiary or an affiliate of another corporation. In addition, the
50 following definitions apply in this section:

51 ...

1 (4) Electric power holding company. – A holding company with an affiliate or a
2 subsidiary that is engaged in the business of producing electric
3 power subject to the franchise tax on electric power companies levied in
4 G.S. 105-116.

5"

6 **SECTION 7.1.(c)** G.S. 105-164.4(a)(1f) and (a)(4a) are repealed.

7 **SECTION 7.1.(d)** G.S. 105-164.13(44) and Article 5E of Chapter 105 of the
8 General Statutes are repealed.

9 **SECTION 7.1.(e)** G.S. 105-164.4(a) is amended by adding a new subdivision to
10 read:

11 "(10) The combined general rate applies to the gross receipts derived from sales of
12 electricity and piped natural gas."

13 **SECTION 7.1.(f)** G.S. 160A-211 reads as rewritten:

14 "(c) Prohibition. – A city may not impose a license, franchise, or privilege tax on a
15 person engaged in any of the businesses listed in this subsection. These businesses are subject
16 to a ~~State tax~~ sales tax at the combined general rate for which the city receives a share of the tax
17 ~~revenue~~ revenue or they are subject to the local sales tax.

18 (1) ~~Supplying piped natural gas taxed under Article 5E of Chapter 105 of the~~
19 ~~General Statutes.~~ gas.

20 (2) Providing telecommunications service taxed under G.S. 105-164.4(a)(4c).

21 (3) Providing video programming taxed under G.S. 105-164.4(a)(6).

22 (4) Providing electricity. A city may continue to impose and collect the license,
23 franchise, or privilege taxes on an electric power company that it imposed
24 and collected on or before January 1, 1947, but it may not impose or collect
25 any greater franchise, privilege, or license taxes, in the aggregate, on an
26 electric power company that was imposed and collected on or before January
27 1, 1947."

28 **SECTION 7.1.(g)** This section becomes effective July 1, 2014, and applies to bills
29 issued on or after that date.

30 **SECTION 7.2.(a)** Pursuant to G.S. 62-31 and G.S. 62-32, the Utilities Commission
31 must adjust the rate set for the following utilities:

32 (1) Electricity to reflect the repeal of G.S. 105-116 and the resulting liability of
33 electric power companies for the tax imposed under G.S. 105-122 and for
34 the increase in the rate of tax imposed on sales of electricity under
35 G.S. 105-164.4.

36 (2) Piped natural gas to reflect the repeal of Article 5E of Chapter 105 of the
37 General Statutes, the repeal of the credit formerly allowed under
38 G.S. 105-122(d1), and the resulting liability of companies for the tax
39 imposed on sales of piped natural gas under G.S. 105-164.4.

40 **SECTION 7.2.(b)** This section is effective when it becomes law.

41 **SECTION 7.3.(a)** Part 8 of Article 5 of Chapter 105 of the General Statutes is
42 amended by adding a new section to read:

43 **"§ 105-164.44K. Distribution of part of tax on electricity to cities.**

44 (a) Distribution. – The Secretary must distribute to cities forty-four percent (44%) of
45 the net proceeds of the tax collected under G.S. 105-164.4 on electricity. Each city's share of
46 the amount to be distributed is its franchise tax share calculated under subsection (b) of this
47 section plus its ad valorem share calculated under subsection (c) of this section. The Secretary
48 must make the distribution within 75 days after the end of each quarter.

49 (b) Franchise Tax Share. – The quarterly franchise tax share of a city is the amount of
50 electricity gross receipts franchise tax distributed to the city under repealed G.S. 105-116.1 for

1 the same related quarter that was the last quarter in which taxes were imposed on electric power
2 companies under repealed G.S. 105-116.

3 The franchise tax share of a city that has dissolved, merged with another city, or divided
4 into two or more cities since it received a distribution under repealed G.S. 105-116.1 is adjusted
5 as follows:

6 (1) If a city dissolves and is no longer incorporated, the franchise tax share of
7 the city is added to the amount distributed under subsection (c) of this
8 section.

9 (2) If two or more cities merge or otherwise consolidate, their franchise tax
10 shares are combined.

11 (3) If a city divides into two or more cities, the franchise tax share of the city
12 that divides is allocated among the new cities in proportion to the total
13 amount of ad valorem taxes levied by each on property having a tax situs in
14 the city.

15 (c) Ad Valorem Share. – The ad valorem share of a city is its proportionate share of the
16 amount that remains for distribution after determining each city's franchise tax share under
17 subsection (b) of this section. A city's proportionate share is the amount of ad valorem taxes it
18 levies on property having a tax situs in the city compared to the ad valorem taxes levied by all
19 cities on property having a tax situs in the cities.

20 (d) Methodology. – The ad valorem method set out in G.S. 105-472(b)(2) applies in
21 determining the share of a city under this section based on ad valorem taxes, except that the
22 amount of ad valorem taxes levied by a city does not include ad valorem taxes levied on behalf
23 of a taxing district and collected by the city.

24 (e) Determination Final. – The determination made by the Department with respect to a
25 city's franchise tax share is final and is not subject to administrative or judicial review.

26 (f) Nature. – The General Assembly finds that the revenue distributed under this
27 section is local revenue, not a State expenditure, for the purpose of Section 5(3) of Article III of
28 the North Carolina Constitution. Therefore, the Governor may not reduce or withhold the
29 distribution."

30 **SECTION 7.3.(b)** Part 8 of Article 5 of Chapter 105 of the General Statutes is
31 amended by adding a new section to read:

32 **"§ 105-164.44L. Distribution of part of tax on piped natural gas to cities.**

33 (a) Distribution. – The Secretary must distribute to cities twenty percent (20%) of the
34 net proceeds of the tax collected under G.S. 105-164.4 on piped natural gas. Each city's share of
35 the amount to be distributed is its excise tax share calculated under subsection (b) of this
36 section plus its ad valorem share calculated under subsection (c) of this section. The Secretary
37 must make the distribution within 75 days after the end of each quarter.

38 (b) Excise Tax Share. – The quarterly excise tax share of a city that is not a gas city is
39 the amount of piped natural gas excise tax distributed to the city under repealed
40 G.S. 105-187.44 for the same related quarter that was the last quarter in which taxes were
41 imposed on piped natural gas under repealed Article 5E of this Chapter. The Secretary must
42 determine the excise tax share of a gas city and divide that amount by four to calculate the
43 quarterly distribution amount for a gas city. The excise tax share of a gas city is the amount the
44 gas city would have received under repealed G.S. 105-187.44 for the last year in which taxes
45 were imposed under repealed Article 5E of this Chapter if piped natural gas consumed by the
46 city or delivered by the city to a customer had not been exempt from tax under repealed
47 G.S. 105-187.41(c)(1) and (c)(2). A gas city must report the information required by the
48 Secretary to make the distribution under this section in the form, manner, and time required by
49 the Secretary. For purposes of this subsection, the term "gas city" has the same meaning as
50 defined in repealed G.S. 105-187.40.

The excise tax share of a city that has dissolved, merged with another city, or divided into two or more cities since it received a distribution under repealed G.S. 105-187.44 is adjusted as follows:

- (1) If a city dissolves and is no longer incorporated, the excise tax share of the city is added to the amount distributed under subsection (c) of this section.
- (2) If two or more cities merge or otherwise consolidate, their excise tax shares are combined.
- (3) If a city divides into two or more cities, the excise tax share of the city that divides is allocated among the new cities in proportion to the total amount of ad valorem taxes levied by each on property having a tax situs in the city.

(c) Ad Valorem Share. – The ad valorem share of a city is its proportionate share of the amount that remains for distribution after determining each city's excise tax share under subsection (b) of this section. A city's proportionate share is the amount of ad valorem taxes it levies on property having a tax situs in the city compared to the ad valorem taxes levied by all cities on property having a tax situs in the cities.

(d) Methodology. – The ad valorem method set out in G.S. 105-472(b)(2) applies in determining the share of a city under this section based on ad valorem taxes, except that the amount of ad valorem taxes levied by a city does not include ad valorem taxes levied on behalf of a taxing district and collected by the city.

(e) Determination Final. – The determination made by the Department with respect to a city's excise tax share is final and is not subject to administrative or judicial review.

(f) Nature. – The General Assembly finds that the revenue distributed under this section is local revenue, not a State expenditure, for the purpose of Section 5(3) of Article III of the North Carolina Constitution. Therefore, the Governor may not reduce or withhold the distribution."

SECTION 7.3.(c) This section is effective for quarters beginning on or after July 1, 2014.

PART VIII. ELIMINATE SALES TAX SPECIAL EXEMPTIONS

SECTION 8.1.(a) G.S. 105-164.13(13c), (28), (30), and (50) are repealed.

SECTION 8.1.(b) This section becomes effective October 1, 2013, and applies to sales made on or after that date.

SECTION 8.2.(a) G.S. 105-164.13(27) and (27a), 105-164.13C, and 105-164.13D are repealed.

SECTION 8.2.(b) This section becomes effective July 1, 2014, and applies to sales made on or after that date.

SECTION 8.3.(a) G.S. 105-37.1, 105-38.1, and 105-40 are repealed.

SECTION 8.3.(b) G.S. 105-164.4(a) is amended by adding the following new subdivision to read:

"§ 105-164.4. Tax imposed on retailers.

(a) A privilege tax is imposed on a retailer at the following percentage rates of the retailer's net taxable sales or gross receipts, as appropriate. The general rate of tax is four and three-quarters percent (4.75%).

...

- (9) The general rate of tax applies to admission charges to an entertainment activity listed in this subdivision. Offering any of these listed activities is a service. An admission charge includes a charge for a single ticket, a multi-occasion ticket, a seasonal pass, an annual pass, and a cover charge.

An admission charge does not include a charge for amenities. If charges for amenities are not separately stated on the face of an admission ticket, then the charge for admission is considered to be equal to the admission

1 charge for a ticket to the same event that does not include amenities and is
 2 for a seat located directly in front of or closest to a seat that includes
 3 amenities.

4 When an admission ticket is resold and the price of the admission ticket
 5 is printed on the face of the ticket, the tax does not apply to the face price.
 6 When an admission ticket is resold and the price of the admission ticket is
 7 not printed on the face of the ticket, the tax applies to the difference between
 8 the amount the reseller paid for the ticket and the amount the reseller charges
 9 for the ticket.

10 Admission charges to the following entertainment activities are subject
 11 to tax:

12 a. A live performance or other live event of any kind.

13 b. A movie.

14 c. A museum, a cultural site, a garden, an exhibit, a show, or a similar
 15 attraction or a guided tour at any of these attractions."

16 **SECTION 8.3.(c)** G.S. 105-164.13 is amended by adding the following new
 17 subdivision to read:

18 "**§ 105-164.13. Retail sales and use tax.**

19 The sale at retail and the use, storage, or consumption in this State of the following tangible
 20 personal property, digital property, and services are specifically exempted from the tax imposed
 21 by this Article:

22 ...

23 (60) Admission charges to any of the following recreational or entertainment
 24 activities:

25 a. An event that is held at an elementary or secondary school and is
 26 sponsored by the school.

27 b. A commercial agricultural fair that meets the requirements of
 28 G.S. 106-520.1, as determined by the Commissioner of Agriculture.

29 c. A festival or other recreational or entertainment activity that lasts no
 30 more than seven consecutive days and is sponsored by a nonprofit
 31 entity that is exempt from tax under Article 4 of this Chapter and
 32 uses the entire proceeds of the activity exclusively for the entity's
 33 nonprofit purposes. This exemption applies to no more than two
 34 activities sponsored by the entity during a calendar year.

35 d. A youth athletic contest sponsored by a nonprofit entity that is
 36 exempt from tax under Article 4 of this Chapter. For the purpose of
 37 this subdivision, a youth athletic contest is a contest in which each
 38 participating athlete is less than 20 years of age."

39 **SECTION 8.3.(d)** The following statutes are repealed:

40 G.S. 106-507

41 G.S. 106-516

42 G.S. 106-517

43 G.S. 106-518

44 G.S. 106-519

45 G.S. 106-520

46 G.S. 140-10.1

47 **SECTION 8.3.(e)** G.S. 105-164.9 is repealed.

48 **SECTION 8.3.(f)** G.S. 105-164.10 reads as rewritten:

49 "**§ 105-164.10. Retail bracket system.**

50 For the convenience of the retailer in collecting the tax due under this Article, the Secretary
 51 ~~shall~~ must prescribe tables that compute the tax due on sales by rounding off the amount of tax

1 due to the nearest whole cent. The Secretary ~~shall~~ must issue a separate table for each rate of
 2 tax that may apply to a sale, ~~including the general rate established in G.S. 105-164.4,~~
 3 ~~preferential rates, and combined State and local rates. Use of the tables prescribed by the~~
 4 ~~Secretary does not relieve a retailer of liability for the applicable rate of tax due on the gross~~
 5 ~~receipts or net taxable sales of the retailer.~~ sale."

6 **SECTION 8.3.(g)** This section becomes effective October 1, 2013, and applies to
 7 admissions purchased on or after that date. For admissions to a live event, the tax applies to the
 8 initial sale or resale of tickets occurring on or after that date; gross receipts received on or after
 9 October 1, 2013, for admission to a live event, for which the initial sale of tickets occurred
 10 before that date, other than gross receipts received by a ticket reseller, are taxable under
 11 G.S. 105-37.1.

12 **SECTION 8.4.(a)** G.S. 105-164.14(c) is repealed.

13 **SECTION 8.4.(b)** G.S. 105-164.14(b) reads as rewritten:

14 "(b) Nonprofit Entities and Hospital Drugs. – A nonprofit entity is allowed a semiannual
 15 refund of sales and use taxes paid by it under this Article on direct purchases of tangible
 16 personal property and services, other than electricity, telecommunications service, and ancillary
 17 service, for use in carrying on the work of the nonprofit entity. Sales and use tax liability
 18 indirectly incurred by a nonprofit entity on building materials, supplies, fixtures, and equipment
 19 that become a part of or annexed to any building or structure that is owned or leased by the
 20 nonprofit entity and is being erected, altered, or repaired for use by the nonprofit entity for
 21 carrying on its nonprofit activities is considered a sales or use tax liability incurred on direct
 22 purchases by the nonprofit entity. A request for a refund must be in writing and must include
 23 any information and documentation required by the Secretary. A request for a refund for the
 24 first six months of a calendar year is due the following October 15; a request for a refund for
 25 the second six months of a calendar year is due the following April 15. The aggregate annual
 26 refund amount allowed for a nonprofit entity under this subsection for a fiscal year may not
 27 exceed the amount set in the table below:

<u>Fiscal Year</u>	<u>Amount</u>
<u>Beginning July 1, 2014</u>	<u>\$7,500,000</u>
<u>Beginning July 1, 2015</u>	<u>\$5,000,000</u>
<u>Beginning July 1, 2016</u>	<u>\$1,000,000</u>
<u>Beginning on or after July 1, 2017</u>	<u>\$ 100,000.</u>

33 The refunds allowed under this subsection do not apply to an entity that is owned and
 34 controlled by the United States or to an entity that is owned or controlled by the State and is not
 35 listed in this subsection. A hospital that is not listed in this subsection is allowed a semiannual
 36 refund of sales and use taxes paid by it on medicines and drugs purchased for use in carrying
 37 out its work. The following nonprofit entities are allowed a refund under this subsection:

- 38 (1) Hospitals not operated for profit, including hospitals and medical
 39 accommodations operated by an authority or other public hospital described
 40 in Article 2 of Chapter 131E of the General Statutes.
- 41 (2) An organization that is exempt from income tax under section 501(c)(3) of
 42 the Code, other than an organization that is properly classified in any of the
 43 following major group areas of the National Taxonomy of Exempt Entities:
 44 a. Community Improvement and Capacity Building.
 45 b. Public and Societal Benefit.
 46 c. Mutual and Membership Benefit.
- 47 (2a) An organization that is exempt from income tax under the Code and is one
 48 of the following:
 49 a. A volunteer fire department.
 50 b. A volunteer emergency medical services squad.

- (3) Repealed by Session Laws 2008-107, s. 28.22(a), effective July 1, 2008, and applicable to purchases made on or after that date.
- (4) Qualified retirement facilities whose property is excluded from property tax under G.S. 105-278.6A.
- (5) A university affiliated nonprofit organization that procures, designs, constructs, or provides facilities to, or for use by, a constituent institution of The University of North Carolina. For purposes of this subdivision, a nonprofit organization includes an entity exempt from taxation as a disregarded entity of the nonprofit organization."

SECTION 8.4.(c) G.S. 105-164.14(d) reads as rewritten:

"(d) Late Applications. – Refunds applied for more than ~~three years~~ one year after the due date are barred."

SECTION 8.4.(d) G.S. 105-467(b) reads as rewritten:

"(b) Exemptions and Refunds. – The State exemptions and exclusions contained in ~~G.S. 105-164.13, the State sales and use tax holidays contained in G.S. 105-164.13C and G.S. 105-164.13D, and the State refund provisions contained in G.S. 105-164.14 through G.S. 105-164.14B~~ G.S. 105-164.13 apply to the local sales and use tax authorized to be levied and imposed under this Article. The State refund provisions contained in G.S. 105-164.14 through G.S. 105-164.14B apply to the local sales and use tax authorized to be levied and imposed under this Article. ~~Except~~ The aggregate local refund amount allowed to a nonprofit entity under G.S. 105-164.14(b) for a fiscal year may not exceed the amount set in the table below:

<u>Fiscal Year</u>	<u>Amount</u>
<u>Beginning July 1, 2014</u>	<u>\$2,250,000</u>
<u>Beginning July 1, 2015</u>	<u>\$1,500,000</u>
<u>Beginning July 1, 2016</u>	<u>\$ 300,000</u>
<u>Beginning on or after July 1, 2017</u>	<u>\$ 30,000.</u>

(b1) **Additional Refunds.** – Except as provided in this subsection, a taxing county may not allow an exemption, exclusion, or refund that is not allowed under the State sales and use tax. A local school administrative unit and a joint agency created by interlocal agreement among local school administrative units pursuant to G.S. 160A-462 to jointly purchase food service-related materials, supplies, and equipment on their behalf is allowed an annual refund of sales and use taxes paid by it under this Article on direct purchases of tangible personal property and services, other than electricity, telecommunications service, and ancillary service. Sales and use tax liability indirectly incurred by the entity on building materials, supplies, fixtures, and equipment that become a part of or annexed to any building or structure that is owned or leased by the entity and is being erected, altered, or repaired for use by the entity is considered a sales or use tax liability incurred on direct purchases by the entity for the purpose of this subsection. A request for a refund shall be in writing and shall include any information and documentation required by the Secretary. A request for a refund is due within six months after the end of the entity's fiscal year. Refunds applied for more than ~~three years~~ one year after the due date are barred."

SECTION 8.4.(e) This section becomes effective July 1, 2014, and applies to purchases made on or after that date.

SECTION 8.5.(a) G.S. 105-164.4(a) reads as rewritten:

"(a) A privilege tax is imposed on a retailer at the following percentage rates of the retailer's net taxable sales or gross receipts, as appropriate. The general rate of tax is four and three-quarters percent (4.75%).

- ...
- (1a) The general rate of ~~two percent (2%)~~ applies to the sales price of each manufactured home sold at retail, including all accessories attached to the

1 manufactured home when it is delivered to the purchaser. ~~The maximum tax~~
 2 ~~is three hundred dollars (\$300.00) per article. Each section of a~~
 3 ~~manufactured home that is transported separately to the site where it is to be~~
 4 ~~erected is a separate article.~~

5 ...
 6 (8) The ~~general rate of two and one half percent (2.5%)~~ applies to the sales price
 7 of each modular home sold at retail, including all accessories attached to the
 8 modular home when it is delivered to the purchaser. The sale of a modular
 9 home to a modular homebuilder is considered a retail sale. A person who
 10 sells a modular home at retail is allowed a credit against the tax imposed by
 11 this subdivision for sales or use tax paid to another state on tangible personal
 12 property incorporated in the modular home. The retail sale of a modular
 13 home occurs when a modular home manufacturer sells a modular home to a
 14 modular homebuilder or directly to the end user of the modular home."

15 **SECTION 8.5.(b)** G.S. 105-164.44G is repealed.

16 **SECTION 8.5.(c)** G.S. 105-467(a) reads as rewritten:

17 "(a) Sales Tax. – The sales tax that may be imposed under this Article is limited to a tax
 18 at the rate of one percent (1%) of the following:

- 19 (1) A retailer's net taxable sales and gross receipts that are subject to the general
 20 rate of sales tax imposed by the State under ~~G.S. 105-164.4~~ G.S. 105-164.4
 21 except the tax does not apply to the sales price of a manufactured home or a
 22 modular home.
- 23 (2) through (4) Repealed by Session Laws 2011-330, s. 45, effective June 27,
 24 2011.
- 25 (5) The sales price of food that is not otherwise exempt from tax pursuant to
 26 G.S. 105-164.13 but is exempt from the State sales and use tax pursuant to
 27 G.S. 105-164.13B.
- 28 (5a) The sales price of a bundled transaction that includes food subject to tax
 29 under subdivision (5) of this subsection, if the price of the food exceeds ten
 30 percent (10%) of the price of the bundle. A retailer must determine the price
 31 of food in a bundled transaction in accordance with G.S. 105-164.4D.
- 32 (5b) The sales price of bread, rolls, and buns that are sold at a bakery thrift store
 33 and are exempt from State tax under G.S. 105-164.13(27a).
- 34 (6), (7) Repealed by Session Laws 2011-330, s. 45, effective June 27, 2011."

35 **SECTION 8.5.(d)** This section becomes effective October 1, 2014, and applies to
 36 sales made on or after that date.

37
 38 **PART IX. ELIMINATE SALES TAX ON FOOD AND AUTHORIZE COUNTIES**
 39 **TO LEVY A LOCAL SALES TAX ON FOOD**

40 **SECTION 9.1.(a)** G.S. 105-164.13 is amended by adding a new subdivision to
 41 read:

42 **"§ 105-164.13. Retail sales and use tax.**

43 The sale at retail and the use, storage, or consumption in this State of the following tangible
 44 personal property, digital property, and services are specifically exempted from the tax imposed
 45 by this Article:

- 46 ...
- 47 (38a) Food, unless the food is included in one of the food items listed below:
 - 48 a. Dietary supplements.
 - 49 b. Food sold through a vending machine.
 - 50 c. Prepared food.
 - 51 d. Soft drinks.

1 e. Candy.

2 **SECTION 9.1.(b)** G.S. 105-164.13B is repealed.

3 **SECTION 9.1.(c)** G.S. 105-467(a), as amended by Part VIII of this act, reads as
4 rewritten:

5 "(a) Sales Tax. – The sales tax that may be imposed under this Article is limited to a tax
6 at the rate of one percent (1%) ~~of the following:~~

7 ~~(1) Aof a retailer's net taxable sales and gross receipts that are subject to the general
8 rate of sales tax imposed by the State under G.S. 105-164.4 except the tax does not apply to the
9 sales price of a manufactured home or a modular home.~~

10 ~~(2) through (4) Repealed by Session Laws 2011 330, s. 45, effective June 27,
11 2011.~~

12 ~~(5) The sales price of food that is not otherwise exempt from tax pursuant to
13 G.S. 105-164.13 but is exempt from the State sales and use tax pursuant to
14 G.S. 105-164.13B.~~

15 ~~(5a) The sales price of a bundled transaction that includes food subject to tax
16 under subdivision (5) of this subsection, if the price of the food exceeds ten
17 percent (10%) of the price of the bundle. A retailer must determine the price
18 of food in a bundled transaction in accordance with G.S. 105-164.4D.~~

19 ~~(5b) The sales price of bread, rolls, and buns that are sold at a bakery thrift store
20 and are exempt from State tax under G.S. 105-164.13(27a).~~

21 ~~(6), (7) Repealed by Session Laws 2011-330, s. 45, effective June 27, 2011."~~

22 **SECTION 9.1.(d)** G.S. 105-469(a) reads as rewritten:

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

27 ~~(1) The Secretary must allocate one half of the net proceeds on a per capita
28 basis according to the most recent annual population estimates certified to
29 the Secretary by the State Budget Officer. The Secretary must then adjust the
30 amount allocated to each county as provided in G.S. 105-486(b). The
31 Secretary must include one half of the amount allocated under this
32 subdivision in the distribution made under Article 40 of this Chapter and
33 must include the remaining one half in the distribution made under Article
34 42 of this Chapter.~~

35 ~~(2) The Secretary must allocate the remaining net proceeds proportionately to
36 each taxing county based upon the amount of sales tax on food collected in
37 the taxing county in the 1997-1998 fiscal year under Article 39 of this
38 Chapter or under Chapter 1096 of the 1967 Session Laws relative to the total
39 amount of sales tax on food collected in all taxing counties in the 1997-1998
40 fiscal year under Article 39 of this Chapter and under Chapter 1096 of the
41 1967 Session Laws. The Secretary must include the amount allocated under
42 this subdivision in the distribution made under Article 39 of this Chapter."~~

43 **SECTION 9.1.(e)** This section becomes effective November 1, 2014, and applies
44 to sales made on or after that date.

45 **SECTION 9.2.(a)** Subchapter VIII of Chapter 105 of the General Statutes is
46 amended by adding a new Article to read:

47 "Article 47.

48 " Local Government Sales and Use Tax on Food.

49 "§ 105-540. Short title.

50 This Article is the Local Government Sales and Use Tax on Food Act.

51 "§ 105-541. Levy.

1 (a) Authority. – If the majority of those voting in a referendum held pursuant to this
2 section vote for the levy of the tax on food, the board of commissioners of the county may, by
3 resolution, levy local sales and use taxes on food. In addition, the board of county
4 commissioners may, in the event no election has been held within five years under subsection
5 (b) of this section in which the tax has been defeated, after not less than 10 days' public notice
6 and after a public hearing held pursuant thereto, by resolution, impose and levy the local sales
7 and use tax on food to the same extent and with the same effect as if the levy of the tax had
8 been approved in an election held pursuant to subsection (b) of this section.

9 (b) Vote. – The board of commissioners of a county may direct the county board of
10 elections to conduct an advisory referendum on the question of whether to levy local sales and
11 use taxes in the county on food as provided in this Article. The election must be held in
12 accordance with the procedures of G.S. 163-287 on the same date as the general election in an
13 even-numbered year. The form of the question to be presented on a ballot for a special election
14 concerning the levy of the taxes authorized by this Article shall be:

15 " FOR AGAINST
16 Local sales and use taxes on food."

17 (c) Rate. – The local sales and use tax rate on food is the sum of the rates of the local
18 sales and use taxes authorized and levied by the county under Subchapter VIII of this Chapter
19 and under Chapter 1096 of the 1967 Session Laws.

20 **"§ 105-542. Administration.**

21 Except as provided in this Article, the adoption, levy, collection, administration, and repeal
22 of the tax authorized by this Article shall be in accordance with Article 39 of this Chapter.

23 **"§ 105-543. Distribution of tax.**

24 The Secretary must, on a monthly basis, allocate to each taxing county the net proceeds of
25 the sales and use taxes collected in that county on food. If the Secretary collects taxes under
26 this Article in a month and the taxes cannot be identified as being attributable to a particular
27 taxing county, the Secretary must allocate the net proceeds of these taxes among the taxing
28 counties in proportion to the amount of taxes collected in each county under this Article in that
29 month.

30 The Secretary must divide and distribute the funds allocated to a taxing county each month
31 under this section between the county and the municipalities located in the county in
32 accordance with the method by which the one percent (1%) sales and use taxes levied in that
33 county pursuant to Article 39 of this Chapter or Chapter 1096 of the 1967 Session Laws are
34 distributed. No municipality may receive any funds under this section if it was incorporated
35 with an effective date of on or after January 1, 2000, and is disqualified from receiving funds
36 under G.S. 136-41.2. No municipality may receive any funds under this section, incorporated
37 with an effective date on or after January 1, 2000, unless a majority of the mileage of its streets
38 are open to the public."

39 **SECTION 9.2.(b)** This section becomes effective January 1, 2015.

40
41 **PART X. SALES TAX PREFERENCES FOR FARMERS**

42 **SECTION 10.(a)** Part 3 of Article 5 of Chapter 105 of the General Statutes is
43 amended by adding a new section to read:

44 **"§ 105-164.13E. Exemption for farmer.**

45 The following tangible personal property, digital property, and services are exempt from
46 sales and use tax if purchased by a farmer and used for farming. A farmer qualifies for this
47 exemption if the farmer has an annual gross income of ten thousand dollars (\$10,000) or more
48 from farming operations for the preceding calendar year. For purposes of this section, a farmer
49 includes a dairy operator, a poultry farmer, an egg producer, a livestock farmer, a farmer of
50 crops, and a farmer of an aquatic species, as defined in G.S. 106-758.

51 (1) Fuel and electricity.

- 1 (2) Commercial fertilizer, lime, land plaster, plastic mulch, plant bed covers,
2 potting soil, baler twine, and seeds.
- 3 (3) Farm machinery, attachment and repair parts for farm machinery, and
4 lubricants applied to farm machinery. The term "machinery" includes
5 implements that have moving parts or are operated or drawn by an animal.
6 The term does not include implements operated wholly by hand or motor
7 vehicles required to be registered under Chapter 20 of the General Statutes.
- 8 (4) Any of the following substances when purchased for use on animals or
9 plants, as appropriate, held or produced for commercial purposes. This
10 exemption does not apply to any equipment or devices used to administer,
11 release, apply, or otherwise dispense these substances:
 - 12 a. Remedies, vaccines, medications, litter materials, and feeds for
13 animals.
 - 14 b. Rodenticides, insecticides, herbicides, fungicides, and pesticides.
 - 15 c. Defoliants for use on cotton or other crops.
 - 16 d. Plant growth inhibitors, regulators, or stimulators, including systemic
17 and contact or other sucker control agents for tobacco and other
18 crops.
 - 19 e. Semen.
- 20 (5) Baby chicks and poults sold for commercial poultry or egg production.
- 21 (6) Any of the following tobacco items:
 - 22 a. The lease or rental of tobacco sheets used in handling tobacco in the
23 warehouse and transporting tobacco to and from the warehouse.
 - 24 b. A metal flue sold for use in curing tobacco, whether the flue is
25 attached to a hand fired furnace or used in connection with a
26 mechanical burner.
 - 27 c. A bulk tobacco barn or rack, parts and accessories attached to the
28 tobacco barn or rack, and any similar apparatus, part, or accessory
29 used to cure or dry tobacco or another crop."

30 **SECTION 10.(b)** G.S. 105-164.13(1), (1b), (2a), (4a), and (4d) are repealed.

31 **SECTION 10.(c)** This section becomes effective July 1, 2014, and applies to sales
32 made on or after that date.

33
34 **PART XI. PHASED ELIMINATION OF VARIOUS SALES TAX EXEMPTIONS**
35 **AND REFUNDS**

36 **SECTION 11.1.(a)** Part 3 of Article 5 of Chapter 105 of the General Statutes is
37 amended by adding a new section to read:

38 "§ 105-164.14C. Phaseout of sales tax preferences.

39 (a) Refund Amount. – The refund amount allowed under this section for a fiscal year is
40 the percentage amount of sales and use taxes paid during the fiscal year as provided in the table
41 below:

<u>Fiscal Year</u>	<u>Percentage Allowed</u>
<u>Beginning July 1, 2014</u>	<u>75%</u>
<u>Beginning July 1, 2015</u>	<u>50%</u>
<u>Beginning July 1, 2016</u>	<u>25%</u>

46 (b) Administration. – A request for a refund must be in writing and must include any
47 information and documentation required by the Secretary. A request for a refund is due within
48 six months after the end of the State's fiscal year. Refunds applied for after the due date are
49 barred.

50 (c) Not an Overpayment. – Taxes for which a refund is allowed under this section is not
51 an overpayment of tax and do not accrue interest as provided in G.S. 105-241.21.

- 1 (d) Refund Allowed. – The following taxpayers are allowed an annual refund of sales
2 and use taxes paid under this Article in the amount provided in subsection (a) of this section.
- 3 (1) Farmer. – A farmer that qualifies for a sales tax exemption under
4 G.S. 105-164.13E is allowed a refund of the sales and use tax paid by the
5 farmer on the following items purchased for use in farming operations:
- 6 a. A container used for commercial fertilizer, lime, land plaster, plastic
7 mulch, plant bed covers, potting soil, baler twine, and seeds.
- 8 b. A container used in packaging and transporting the farmer's product
9 for sale.
- 10 c. A grain, feed, or soybean storage facility, and parts and accessories
11 attached to the facility.
- 12 d. A commercially manufactured facility to be used for commercial
13 purposes for housing, raising, or feeding animals or for housing
14 equipment necessary for these commercial activities. The refund also
15 applies to commercially manufactured equipment, and parts and
16 accessories for the equipment, used in the facility
- 17 e. Building materials, supplies, fixtures, and equipment that become a
18 part of and are used in the construction, repair, or improvement of an
19 enclosure or a structure specifically designed, constructed, and used
20 for housing, raising, or feeding animals or for housing equipment
21 necessary for one of these commercial activities. The refund also
22 applies to commercially manufactured equipment, and parts and
23 accessories for the equipment, used in the enclosure or a structure.
- 24 (2) Commercial logging. – A person engaged in the commercial logging
25 business is allowed a refund of the sales and use tax by it on the following:
- 26 a. Logging machinery. – Logging machinery is machinery used to
27 harvest raw forest products for transport to first market.
- 28 b. Attachments and repair parts for logging machinery.
- 29 c. Lubricants applied to logging machinery.
- 30 d. Fuel used to operate logging machinery.
- 31 (3) Wood chippers. – A person is allowed a refund of the sales and use tax paid
32 by it on a wood chipper that meets all of the following requirements:
- 33 a. It is designed to be towed by a motor vehicle.
- 34 b. It is assigned a 17-digit vehicle identification number by the National
35 Highway Transportation Safety Association.
- 36 c. It is sold to a person who purchases a motor vehicle in this State that
37 is to be registered in another state and who uses the purchased motor
38 vehicle to tow the wood chipper to the state in which the purchased
39 motor vehicle is to be registered.
- 40 (4) Telephone company. – A telephone company regularly engaged in providing
41 telecommunications service to subscribers on a commercial basis is allowed
42 a refund of the sales and use tax paid by it on central office equipment,
43 switchboard equipment, private branch exchange equipment, terminal
44 equipment other than public pay telephone terminal equipment, and parts
45 and accessories attached to the equipment.
- 46 (5) Radio or television company. – A radio or television company licensed by
47 the Federal Communications Commission is allowed a refund of the sales
48 and use tax paid by it on towers, broadcasting equipment, and parts and
49 accessories attached to the equipment.
- 50 (6) Cable service provider. – A cable service provider is allowed a refund of the
51 sales and use tax paid by it on broadcasting equipment and parts and

1 accessories attached to the equipment. For the purposes of this subdivision,
2 "broadcasting equipment" does not include cable.

3 (7) Commercial fishing. – A person listed in this subdivision is allowed a refund
4 of the sales and use tax paid by it on boats, fuel oil, lubricating oils,
5 machinery, equipment, nets, rigging, paints, parts, accessories, and supplies.

6 a. The holder of a standard commercial fishing license issued under
7 G.S. 113-168.2 for principal use in commercial fishing operations.

8 b. The holder of a shellfish license issued under G.S. 113-169.2 for
9 principal use in commercial shellfishing operations.

10 c. The operator of a for-hire boat, as defined in G.S. 113-174, for
11 principal use in the commercial use of the boat.

12 (8) Commercial laundries and dry cleaners. – A commercial laundry or dry
13 cleaning establishment is allowed a refund of the sales and use tax paid by it
14 on the following:

15 a. Articles or materials used for the identification of garments being
16 laundered or dry cleaned, wrapping paper, bags, hangers, starch,
17 soaps, detergents, cleaning fluids and other compounds or chemicals
18 applied directly to the garments in the direct performance of the
19 laundering or the pressing and cleaning service.

20 b. Laundry and dry-cleaning machinery, parts and accessories attached
21 to the machinery, and lubricants applied to the machinery.

22 c. Fuel used in the direct performance of the laundering or the pressing
23 and cleaning service.

24 (9) Packaging items. – A manufacturer, producer, or retailer is allowed a refund
25 of the sales and use tax paid by it on wrapping paper, labels, wrapping twine,
26 paper, cloth, plastic bags, cartons, packages and containers, cores, cones or
27 spools, wooden boxes, baskets, coops and barrels, including paper cups,
28 napkins, and drinking straws and like articles, when such materials are used
29 for packaging, shipment or delivery of tangible personal property which is
30 sold either at wholesale or retail and when such articles constitute a part of
31 the sale of such tangible personal property and are delivered with it to the
32 customer.

33 (10) Commercial printer and publisher. – A commercial printer or a commercial
34 publisher is allowed a refund of the sales and use tax paid by it on paper, ink,
35 and other tangible personal property for use as ingredients or component
36 parts of free distribution periodicals and sales by printers of free distribution
37 periodicals to the publishers of these periodicals. As used in this subdivision,
38 the term "free distribution periodical" means a publication that is
39 continuously published on a periodic basis monthly or more frequently, is
40 provided without charge to the recipient, and is distributed in any manner
41 other than by mail.

42 (11) Railroad company. – A railroad company is allowed a refund of the sales
43 and use tax paid by it on diesel fuel for use in rolling stock other than motor
44 vehicles. The definitions in G.S. 105-333 apply in this subdivision.

45 (12) Passenger air carrier. – An interstate passenger air carrier is allowed a refund
46 of the sales and use tax paid by it on fuel in excess of two million five
47 hundred thousand dollars (\$2,500,000). The amount of sales and use tax paid
48 does not include a refund allowed to the interstate passenger air carrier under
49 G.S. 105-164.14(a)."

50 **SECTION 11.1.(b)** G.S. 105-164.13(1a), (4c), (4f), (4g), (5b), (5c), (5d), (9), (10),
51 (11a), (23)a, and (39) are repealed.

1 **SECTION 11.1.(c)** G.S. 105-467(b), as amended in Part VIII of this act, reads as
2 rewritten:

3 "(b) Exemptions and Refunds. – The State exemptions and exclusions contained in
4 G.S. 105-164.13 apply to the local sales and use tax authorized to be levied and imposed under
5 this Article. The State refund provisions contained in G.S. 105-164.14 through
6 ~~G.S. 105-164.14B-105-164.14C~~ apply to the local sales and use tax authorized to be levied and
7 imposed under this Article. The amount of a refund allowed under G.S. 105-164.14C is the
8 same percentage refund amount allowed for a State refund under that section. The aggregate
9 local refund amount allowed to a nonprofit entity under G.S. 105-164.14(b) for a fiscal year
10 may not exceed the amount set in the table below:

Fiscal Year	Amount
Beginning July 1, 2014	\$1,500,000
Beginning July 1, 2015	\$ 300,000
Beginning on or after July 1, 2016	\$ 30,000."

11 **SECTION 11.1.(d)** This section becomes effective July 1, 2014, and applies to
12 sales and purchases made on or after that date.

13 **SECTION 11.2.(a)** G.S. 105-164.14C, as enacted by this Part, is repealed.

14 **SECTION 11.2.(b)** G.S. 105-467(b), as amended by this Part, reads as rewritten:

15 "(b) Exemptions and Refunds. – The State exemptions and exclusions contained in
16 G.S. 105-164.13 apply to the local sales and use tax authorized to be levied and imposed under
17 this Article. The State refund provisions contained in G.S. 105-164.14 through ~~105-164.14C~~
18 ~~105-164.14B~~ apply to the local sales and use tax authorized to be levied and imposed under this
19 Article. ~~The amount of a refund allowed under G.S. 105-164.14C is the same percentage refund~~
20 ~~amount allowed for a State refund under that section.~~ The aggregate local refund amount
21 allowed to a nonprofit entity under G.S. 105-164.14(b) for a fiscal year may not exceed the
22 amount set in the table below:

Fiscal Year	Amount
Beginning July 1, 2014	\$1,500,000
Beginning July 1, 2015	\$ 300,000
Beginning on or after July 1, 2016	\$ 30,000."

23 **SECTION 11.2.(c)** This section becomes effective July 1, 2017, and applies to
24 purchases made on or after that date.

25 **PART XII. ELIMINATE ESTATE TAX**

26 **SECTION 12.(a)** Article 1A of Chapter 105 of the General Statutes is repealed.

27 **SECTION 12.(b)** G.S. 105-241.10 reads as rewritten:

28 "**§ 105-241.10. Limit on refunds and assessments after a federal determination.**

29 The limitations in this section apply when a taxpayer files a timely return reflecting a
30 federal determination that affects the amount of State tax payable and the general statute of
31 limitations for requesting a refund or proposing an assessment of the State tax has expired. A
32 federal determination is a correction or final determination by the federal government of the
33 amount of a federal tax due. A return reflecting a federal determination is timely if it is filed
34 within the time required by G.S. ~~105-32.8,~~ 105-130.20, 105-159, 105-160.8, or 105-163.6A, as
35 appropriate. The limitations are:

- 36 (1) Refund. – A taxpayer is allowed a refund only if the refund is the result of
37 adjustments related to the federal determination.
- 38 (2) Assessment. – A taxpayer is liable for additional tax only if the additional
39 tax is the result of adjustments related to the federal determination. A
40 proposed assessment may not include an amount that is outside the scope of
41 this liability."

42 **SECTION 12.(c)** G.S. 105-236(a)(5) reads as rewritten:

43 "(a) Penalties. – The following civil penalties and criminal offenses apply:

1 ...
2 (5) Negligence. –

3 ...

4 e. ~~Estate tax deficiencies. — This subdivision does not apply to estate~~
5 ~~tax deficiencies that are the result of valuation understatements.~~

6 "

7 **SECTION 12.(d)** This section becomes effective January 1, 2013, and applies to
8 the estates of decedents dying on or after that date.

9
10 **PART XIII. DEED STAMP TAX PROCEEDS CREDITED TO GENERAL FUND**

11 **SECTION 13.(a)** G.S. 105-228.30(b) reads as rewritten:

12 "(b) The register of deeds of each county must remit the proceeds of the tax levied by
13 this section to the county finance officer. The finance officer of each county must credit
14 one-half of the proceeds to the county's general fund and remit the remaining one-half of the
15 proceeds, less taxes refunded and the county's allowance for administrative expenses, to the
16 Department of Revenue on a monthly basis. A county may retain two percent (2%) of the
17 amount of tax proceeds allocated for remittance to the Department of Revenue as compensation
18 for the county's cost in collecting and remitting the State's share of the tax. ~~Of the funds~~
19 ~~remitted to it pursuant to this section, the Department of Revenue must credit seventy five~~
20 ~~percent (75%) to the Parks and Recreation Trust Fund established under G.S. 113-44.15 and~~
21 ~~twenty five percent (25%) to the Natural Heritage Trust Fund established under~~
22 ~~G.S. 113-77.7.~~The Department of Revenue shall credit the funds remitted to it under this
23 subsection to the General Fund."

24 **SECTION 13.(b)** G.S. 113-44.15(a) reads as rewritten:

25 "(a) Fund Created. – There is established a Parks and Recreation Trust Fund in the State
26 Treasurer's Office. The Trust Fund shall be a ~~nonreverting~~ special revenue fund consisting of
27 gifts and grants to the Trust Fund, ~~monies credited to the Trust Fund pursuant to~~
28 ~~G.S. 105-228.30(b),~~Fund and other monies appropriated to the Trust Fund by the General
29 Assembly. Investment earnings credited to the assets of the Fund shall become part of the
30 Fund."
31

32 **SECTION 13.(c)** G.S. 113-77.9 reads as rewritten:

33 **"§ 113-77.9. Acquisition of lands with funds from the Natural Heritage Trust Fund.**

34 ...

35 (b) Land Acquisition and Debt Service. – The Trustees may authorize expenditures
36 from the Fund for the following purposes:

37 (1) To acquire land that represents the ecological diversity of North Carolina,
38 including natural features such as riverine, montane, coastal, and geologic
39 systems and other natural areas to ensure their preservation and conservation
40 for recreational, scientific, educational, cultural, and aesthetic purposes, and
41 to retire debt incurred for this purpose under Article 9 of Chapter 142 of the
42 General Statutes.

43 (2) To acquire land as additions to the system of parks, State trails, aesthetic
44 forests, fish and wildlife management areas, wild and scenic rivers, and
45 natural areas for the beneficial use and enjoyment of the public, and to retire
46 debt incurred for this purpose under Article 9 of Chapter 142 of the General
47 Statutes.

48 (3) ~~Subject to the limitations of subsection (b2) of this section, to acquire land~~
49 ~~that contributes to the development of a balanced State program of historic~~
50 ~~properties.~~

51 ...

1 (b2) ~~Historic Properties.—The Trustees may authorize expenditure of up to twenty five~~
2 ~~percent (25%) of the funds credited to the Fund pursuant to G.S. 105-228.30 during the~~
3 ~~preceding fiscal year to acquire land under subdivision (3) of subsection (b) of this section. No~~
4 ~~other funds in the Fund may be used for expenditures to acquire land under subdivision (3) of~~
5 ~~subsection (b) of this section.~~

6 (b3) ~~Debt.—Of the funds credited annually to the Fund pursuant to G.S. 105-228.30, the~~
7 ~~Trustees may authorize expenditure of up to sixty percent (60%) to reimburse the General Fund~~
8 ~~for debt service on special indebtedness to be issued or incurred under Article 9 of Chapter 142~~
9 ~~of the General Statutes for the purposes provided in subdivisions (b)(1) and (2) of this section.~~
10 ~~In order to authorize expenditure of funds for debt service reimbursement, the Trustees must~~
11 ~~identify to the State Treasurer and the Department of Administration the specific natural~~
12 ~~heritage projects for which they would like special indebtedness to be issued or incurred and~~
13 ~~the annual amount they intend to make available, and request the State Treasurer to issue or~~
14 ~~incur the indebtedness. After special indebtedness has been issued or incurred for a natural~~
15 ~~heritage project requested by the Trustees, the Trustees must direct the State Treasurer to credit~~
16 ~~to the General Fund each year the actual aggregate principal and interest payments to be made~~
17 ~~in that year on the special indebtedness, as identified by the State Treasurer.~~

18"

19 **SECTION 13.(d)** This section becomes effective July 1, 2013, and applies to
20 transfers made on or after that date.

21 22 **PART XIV. SCRAP TIRE DISPOSAL TAX PROCEEDS CREDITED TO GENERAL** 23 **FUND**

24 **SECTION 14.(a)** G.S. 105-187.19(b) reads as rewritten:

25 "(b) Each quarter, the Secretary shall credit eight percent (8%) of the net tax proceeds to
26 the Solid Waste Management Trust Fund, seventeen percent (17%) of the net tax proceeds to
27 the Scrap Tire Disposal Account, two and one-half percent (2.5%) of the net tax proceeds to the
28 Inactive Hazardous Sites Cleanup Fund, and two and one-half percent (2.5%) of the net tax
29 proceeds to the Bernard Allen Memorial Emergency Drinking Water Fund. thirty percent (30%)
30 of the net tax proceeds to the General Fund. The Secretary shall distribute the remaining
31 seventy percent (70%) of the net tax proceeds among the counties on a per capita basis
32 according to the most recent annual population estimates certified to the Secretary by the State
33 Budget Officer."

34 **SECTION 14.(b)** G.S. 130A-309.63 is repealed.

35 **SECTION 14.(c)** Part 2B of Article 9 of Chapter 130A of the General Statutes is
36 amended by adding a new section to read:

37 **"§ 130A-309.64. Scrap Tire Disposal Program; other Department activities related to**
38 **scrap tires.**

39 (a) The Department may make grants to units of local government to assist them in
40 disposing of scrap tires. To administer the grants, the Department shall establish procedures for
41 applying for a grant and the criteria for selecting among grant applicants. The criteria shall
42 include the financial ability of a unit of local government to provide for scrap tire disposal, the
43 severity of a unit of local government's scrap tire disposal problem, the effort made by a unit of
44 local government to ensure that only tires generated in the normal course of business in this
45 State are provided free disposal, and the effort made by a unit of local government to provide
46 for scrap tire disposal within the resources available to it.

47 (b) A unit of local government is not eligible for a grant under subsection (a) of this
48 section unless its costs for disposing of scrap tires for the six-month period preceding the date
49 the unit of local government files an application for a grant exceeded the amount the unit of
50 local government received during that period from the proceeds of the scrap tire tax under

1 G.S. 105-187.19. A grant to a unit of local government for scrap tire disposal may not exceed
2 the unit of local government's unreimbursed cost for the six-month period.

3 (c) The Department may support a position to provide local governments with
4 assistance in developing and implementing scrap tire management programs designed to
5 complete the cleanup of nuisance tire collection sites and prevent scrap tires generated from
6 outside of the State from being presented for free disposal in the State.

7 (d) The Department may clean up scrap tire collection sites that the Department has
8 determined are a nuisance. The Department may use funds to clean up a nuisance tire collection
9 site only if no other funds are available for that purpose.

10 (e) The Department shall include in the report to be delivered to the Environmental
11 Review Commission on or before January 15 of each year pursuant to G.S. 130A-309.06(c) a
12 description of the implementation of the North Carolina Scrap Tire Disposal Act under this Part
13 for the fiscal year ending the preceding June 30. The description of the implementation of the
14 North Carolina Scrap Tire Disposal Act shall include a list of the recipients of grants under
15 subsection (a) of this section and the amount of each grant for the previous 12-month period.
16 The report also shall include the amount of funds used to clean up nuisance sites under
17 subsection (d) of this section.

18 (f) The Department may adopt any rules necessary to implement this section."

19 **SECTION 14.(d)** G.S. 130A-309.06(c) reads as rewritten:

20 "(c) The Department shall report to the Environmental Review Commission on or before
21 15 January of each year on the status of solid waste management efforts in the State. The report
22 shall include:

23 ...

24 (10) A description of the implementation of the North Carolina Scrap Tire
25 Disposal Act that includes ~~the beginning and ending balances in the Scrap~~
26 ~~Tire Disposal Account for the reporting period, the amount credited to the~~
27 ~~Scrap Tire Disposal Account during the reporting period, and the amount of~~
28 ~~revenue used for grants and to clean up nuisance tire collection sites, as~~
29 ~~required by G.S. 130A-309.63(e), under the provisions of G.S. 130A-309.64.~~

30"

31 **SECTION 14.(e)** G.S. 130A-309.09C(g) reads as rewritten:

32 "(g) In addition to any other penalties provided by law, a unit of local government that
33 does not comply with the requirements of G.S. 130A-309.09A(b) and G.S. 130A-309.09B(a)
34 shall not be eligible for grants from the Solid Waste Management Trust Fund, ~~the Scrap Tire~~
35 ~~Disposal Account, Fund~~ or the White Goods Management Account and shall not receive the
36 proceeds of the scrap tire disposal tax imposed by Article 5B of Chapter 105 of the General
37 Statutes or the proceeds of the white goods disposal tax imposed by Article 5C of Chapter 105
38 of the General Statutes to which the unit of local government would otherwise be entitled. The
39 Secretary shall notify the Secretary of Revenue to withhold payment of these funds to any unit
40 of local government that fails to comply with the requirements of G.S. 130A-309.09A(b) and
41 G.S. 130A-309.09B(a). Proceeds of the scrap tire disposal tax that are withheld pursuant to this
42 subsection shall be credited to the ~~Scrap Tire Disposal Account~~ General Fund and may be used
43 as provided in ~~G.S. 130A-309.63~~ G.S. 130A-309.64. Proceeds of the white goods disposal tax
44 that are withheld pursuant to this subsection shall be credited to the White Goods Management
45 Account and may be used as provided in G.S. 130A-309.83."

46 **SECTION 14.(f)** Any tax proceeds remaining in the Scrap Tire Disposal Account,
47 repealed under subsection (b) of this section, as of the effective date of this section shall
48 continue to be used for the same purposes and in the same manner as the Scrap Tire Disposal
49 Account, except the funds in the Scrap Tire Disposal Account shall not be used for grants to
50 encourage the use of processed scrap tire materials.

51 **SECTION 14.(g)** This section becomes effective July 1, 2013.

PART XV. REPEAL TOBACCO DISCOUNT

SECTION 15.(a) G.S. 105-113.21 reads as rewritten:

"§ 105-113.21. Discount; refund.

...

(a1) ~~Discount. — A distributor who files a timely report under G.S. 105-113.18 and who sends a timely payment may deduct from the amount due with the report a discount of two percent (2%). This discount covers expenses incurred in preparing the records and reports required by this Part, and the expense of furnishing a bond.~~

(b) Refund. — A distributor in possession of packages of stale or otherwise unsalable cigarettes upon which the tax has been paid may return the cigarettes to the manufacturer as provided in this subsection and apply to the Secretary for refund of the tax. The application ~~shall~~ must be in the form prescribed by the Secretary and ~~shall~~ must be accompanied by an affidavit from the manufacturer stating the number of cigarettes returned to the manufacturer by the applicant. The Secretary ~~shall~~ must refund the tax ~~paid, less the discount allowed, paid~~ on the unsalable cigarettes. The distributor must return the cigarettes to the manufacturer of the cigarettes or to the affiliated manufacturer who is contracted by the manufacturer of the cigarettes to serve as the manufacturer's agent for the purposes of validating quantities and disposing of unsalable cigarettes."

SECTION 15.(b) G.S. 105-113.39 reads as rewritten:

"§ 105-113.39. Discount; refund.

(a) ~~Discount. — A wholesale dealer or a retail dealer who is primarily liable under G.S. 105-113.35(b) for the excise taxes imposed by this Part, who files a timely report under G.S. 105-113.37, and who sends a timely payment may deduct from the amount due with the report a discount of two percent (2%). This discount covers expenses incurred in preparing the records and reports required by this Part and the expense of furnishing a bond.~~

(b) Refund. — A wholesale dealer or retail dealer who is primarily liable under G.S. 105-113.35(b) for the excise taxes imposed by this Part and is in possession of stale or otherwise unsalable tobacco products upon which the tax has been paid may return the tobacco products to the manufacturer and apply to the Secretary for refund of the tax. The application ~~shall~~ must be in the form prescribed by the Secretary and ~~shall~~ must be accompanied by an affidavit from the manufacturer listing the tobacco products returned to the manufacturer by the applicant. The Secretary ~~shall~~ must refund the tax ~~paid, less the discount allowed, paid~~ on the listed products."

SECTION 15.(c) This section becomes effective July 1, 2014, and applies to returns filed for periods beginning on or after that date.

PART XVI. EFFECTIVE DATE

SECTION 16.(a) This act does not affect the rights or liabilities of the State, a taxpayer, or another person arising under a statute amended or repealed by this act before the effective date of its amendment or repeal; nor does it affect the right to any refund or credit of a tax that accrued under the amended or repealed statute before the effective date of its amendment or repeal.

SECTION 16.(b) G.S. 105-237.1(a) reads as rewritten:

"(a) Authority. — The Secretary may compromise a taxpayer's liability for a tax that is collectible under G.S. 105-241.22 when the Secretary determines that the compromise is in the best interest of the State and makes one or more of the following findings:

...

(6) The taxpayer is a retailer or a person under Article 5 of this Chapter; the assessment is for sales or use tax the retailer failed to collect or the person failed to pay on an item taxable under G.S. 105-164.4(a)(9) and the retailer

1 or person made a good-faith effort to comply with the sales and use tax laws.
2 This subdivision expires for assessments issued after July 1, 2020."
3 **SECTION 16.(c)** Except as otherwise provided, this act is effective when it
4 becomes law.