

Finance

See full summary documents for additional detail

Conform Eligible Expenses for NC 529 Plan to Federal Law – Medicaid & Health and Human Services Adjustments/Other Critical Needs.

SL 2026-1 (H696), Sec. 2.2

Section 2.2 of S.L. 2026-1 (House Bill 696) permits NC 529 accounts to be used for additional qualifying educational expenses added to the Internal Revenue Code by the federal One Big Beautiful Bill Act in 2025.

This section became effective April 30, 2026.

Lower Taxes for All NC.

SL 2026-4 (S1080)

S.L. 2026-4 (Senate Bill 1080) submits to the voters of North Carolina the question of whether to amend the State's Constitution to reduce the maximum allowable tax rate on incomes from 7% to 3.5%. The ballot question will be considered at the statewide general election on November 3, 2026, and the ballot question will read:

" Constitutional amendment to keep the State income tax rate from being raised higher than three and one-half percent (3.5%)."

This act became effective May 21, 2026. If approved by a majority of the voters, the amendment will limit the maximum allowable tax rate on both personal and corporate incomes to 3.5% for taxable years beginning on or after January 1, 2027.

Constitutional Amendment Property Tax Levy Limit.

SL 2026-5 (H1089)

S.L. 2026-5 (House Bill 1089) submits to the voters of North Carolina the question of whether to amend the State Constitution to require the General Assembly to enact limits on the amount by which the authorized property tax levy could be increased and allow for exceptions applicable to the limitations enacted.

The ballot question will be considered at the statewide general election to be held on November 3, 2026, and the ballot question will read:

"Constitutional amendment requiring limits on property tax increases by local governments."

This act became effective May 21, 2026. If approved by a majority of the voters in the November 3, 2026, election, the amendment to the North Carolina Constitution will become effective upon certification of the referendum results.

Educational Choice for Children Act (ECCA).

SL 2026-6 (H87)

S.L. 2026-6 (House Bill 87) and Section 8A.19 of S.L. 2026-41 (Senate Bill 257) authorize the State Education Assistance Authority (SEAA) to certify and submit a list of qualifying scholarship granting organizations to the United States Secretary of the Treasury (Secretary). The act voluntarily elects the State to (i) participate in the federal tax credit program under § 25F of the Internal Revenue Code and (ii) identify scholarship granting organizations located in the State. The federal tax credit program provides tax credits for individual contributions to scholarship granting organizations that provide elementary and secondary education scholarships.

SEAA must submit to the Secretary and publish on its website a list of the scholarship granting organizations located in the State that meet the federal requirements. SEAA can establish rules governing the process and documentation necessary for an organization to be included on the list and enter into agreements with other State agencies to meet these requirements.

SEAA must comply with all federal regulations regarding the administration of the federal tax credit program set in federal law to ensure that the State can participate in taxable years beginning after December 31, 2026. SEAA must establish any necessary rules by the later of July 1, 2026, or within 120 days of federal regulations being published.

Scholarship granting organizations can provide scholarships for home school expenses to the extent allowed under federal law.

Section 8A.19 of S.L. 2026-41 authorizes SEAA to use up to \$1 million for administering the federal tax credit for the 2026-2027 fiscal year. For any funds used to administer the federal tax credit, SEAA must report to the Joint Legislative Education Oversight Committee on all of the following:

- The source or sources of funds SEAA used and the amounts from every source.
- The funds needed to support administration of the federal tax credit in the 2027-2028 fiscal year and thereafter.

House Bill 87 was vetoed by the Governor on August 6, 2025, and that veto was overridden by the General Assembly on June 3, 2026. The election to have the State participate in the federal tax credit program became effective June 3, 2026. Section 8A.19 of S.L. 2026-41 became effective July 1, 2026.

Property Tax Reappraisal Moratorium.

SL 2026-8 (S889)

S.L. 2026-8 (Senate Bill 889), later modified by S.L. 2026-47 (Senate Bill 474), imposes a property tax reappraisal moratorium on certain counties meeting specified criteria, which will delay by one year the implementation of the general reappraisal conducted for 2026 by those counties. Specifically, this act does the following:

Section 1 initially required any county that (i) had a population of 15,000 or greater according to the latest federal decennial census and (ii) conducted a general reappraisal for 2026 and adopted a new schedule of values effective January 1, 2026, to postpone the implementation of its 2026 reappraisal. Instead, the schedule of values from the previous reappraisal must be used for the taxable year beginning July 1, 2026. The 2026 reappraisal will instead be implemented and deemed to have been conducted in 2027. Section 1 was initially effective June 19, 2026, and applied to nine counties that conducted reappraisals effective January 1, 2026: Anson, Bladen, Buncombe, Davidson, Guilford, Harnett, Onslow, Pender, and Scotland. Chowan, Clay, and Pamlico Counties also conducted 2026 reappraisals, but each fell below the 15,000-population limit.

However, Section 1 was modified by S.L. 2026-47 to adjust the counties subject to the moratorium. That act, effective July 7, 2026, rewrote Section 1 to instead provide that any county that conducted a general reappraisal for 2026 must postpone that reappraisal until 2027, unless any of the following exemptions apply:

- General Exemption – The moratorium does not apply to a county meeting any of the following criteria:
 - Has a population of less than 12,000 according to the latest federal decennial census.
 - Clay County is exempt under this metric; however, Chowan and Pamlico Counties no longer qualify for exemption.
 - Is in the third year following its notice of mandatory reappraisal advancement with a population of less than 150,000 according to the latest federal decennial census.
 - Harnett County is exempt under this metric.
 - Has levied a property tax rate, exclusive of any special tax area, in excess of \$0.95 per \$100 of property value at any point over the previous four taxable years.
 - Scotland County is exempt under this metric.
- Revenue-neutral property tax rate exemption – The moratorium does not apply to a county that meets all of the following criteria:
 - Is in a Helene affected area, as defined in Section 1.4 of S.L. 2025-2.
 - Is not otherwise exempt under a general exemption, above.
 - For the taxable year beginning July 1, 2026, adopts a property tax rate at or below the rate equal to its revenue-neutral property tax rate rounded up to the next whole cent.

- Buncombe County could have qualified for exemption under these criteria; however, it is subject to the moratorium because it did not adopt a property tax rate at or below the rounded revenue-neutral rate.

Therefore, after the passage of S.L. 2026-47, nine counties are subject to the property tax reappraisal moratorium: Anson, Bladen, Buncombe, Chowan, Davidson, Guilford, Onslow, Pamlico, and Pender.

Section 2 of S.L. 2026-8 requires an individual selected to serve as a county assessor to pay a \$20 fee in order to take the comprehensive examination required to maintain their eligibility to serve as a county assessor. This section is effective October 1, 2026, and applies to examinations conducted on or after that date.

Amend Eligibility Criteria for Animal Waste Fertilizer Conversion Cost-Share Eligibility. – NC Farm Act of 2025-2026.

SL 2026-11 (S401), Sec. 6

Section 6 of S.L. 2026-11 (Senate Bill 401) amends the definition of an "eligible entity" for a statewide cost-share program for deploying processes and technologies developed for conversion of animal waste to fertilizer to include any person converting sludge from an anaerobic lagoon or other liquid animal waste management system treating animal waste from a livestock operation into fertilizer products.

This section became effective June 22, 2026.

Allow Pesticide Board To Adjust Annual Assessment for Registered Pesticides – NC Farm Act of 2025-2026.

SL 2026-11 (S401), Sec. 11

Section 11 of S.L. 2026-11 (Senate Bill 401) allows the Pesticide Board, a receipt-supported board in the Department of Agriculture and Consumer Services, to set the amount of the annual assessment for each brand or grade of pesticide registered by an applicant, up to \$125 per assessment, by adopting a rule.

This section became effective June 22, 2026.

Propane Assessment Amendments – NC Farm Act of 2025-2026.

SL 2026-11 (S401), Sec. 18

Section 18 of S.L. 2026-11 (Senate Bill 401) increases the amount of the propane assessment by the North Carolina Propane Education & Research Foundation (Foundation) that raises funds for the purposes of promoting the common good, welfare, and advancement of the propane industry, from \$.002 to \$.003 per gallon and increases the vote share required to approve the

assessment from 50% to 75%. This section also allows the Foundation to use the proceeds of the assessment for workforce development.

The portion of the section pertaining to the amount and its approval becomes effective January 1, 2027, and applies to referenda conducted on or after that date. The remainder of the section became effective June 22, 2026.

Adjust Timing of Refund Request Period for Grade "A" Dairy Assessment. – NC Farm Act of 2025-2026.

SL 2026-11 (S401), Sec. 23

Section 23 of S.L. 2026-11 (Senate Bill 401) changes the dates during which a refund can be requested from the North Carolina Dairy Producers Association for the assessment on Grade "A" Milk from December 15 – December 31 to January 15 – January 31 of each year. A refund requested between January 15, 2027 and January 31, 2027 would be for the period running from December 1, 2025 to December 31, 2026.

This section became effective June 22, 2026.

Extend Sunset for Conservation Tax Credit – NC Farm Act of 2025-2026.

SL 2026-11 (S401), Sec. 24

Section 24 of S.L. 2026-11 (Senate Bill 401) extends from January 1, 2027, to January 1, 2031, the sunset on the conservation tax credit, which provides a nonrefundable tax credit against State income taxes for certain eligible taxpayers that make a qualified donation of a real property interest to be used only for certain land uses, with prioritization given to credit requests for forestland or farmland preservation.

This section became effective June 22, 2026.

Incentivize Development Finance District Funding.

SL 2026-12 (S695)

S.L. 2026-12 (Senate Bill 695) creates a new property tax benefit as an alternative to the builder's inventory exclusion and applies to qualified development held for sale by a builder that is located within an incentive district. Ninety percent of the appraised value of a property classified under this new benefit is excluded from property taxation.

An incentive district is defined as an area (i) designated by a developer, (ii) submitted for approval to the local government, (iii) located in a blighted, deteriorated, or undeveloped area, or an area appropriate for rehabilitation, conservation, or economic development, and (iv) approved by resolution of the local government. The total land area within incentive districts in a local government unit may not exceed five percent of the local government unit's total area. Qualified

development is defined as land and any unoccupied improvement by a builder to the land; however, it does not include remodeling, renovating, rehabilitating, or refinishing existing structures or buildings.

A county is prohibited from creating an incentive district that includes land within a municipality unless the municipality agrees, by resolution, to the inclusion. If a municipality is creating the incentive district, the municipality is required to notify the county or counties in which the incentive district is located before approving the district. Unless a notified county, by resolution, disapproves the proposed district within 28 days after the date the notice is mailed, the municipality may proceed to approve the district.

The exclusion ends 10 years from the time the property first received the exclusion or when the property is sold, whichever occurs first. Property receiving the exclusion under this new benefit may not receive the builder's inventory exclusion.

This act becomes effective for taxes imposed for taxable years beginning on or after July 1, 2027.

Clarify Tourism-Related Expenditures.

SL 2026-15 (S484)

S.L. 2026-15 (Senate Bill 484) clarifies that when occupancy tax proceeds are authorized to be used for "tourism-related expenditures," those expenditures do not include services ordinarily provided to or that primarily benefit residents, such as the type of services typically funded through a local government's general fund, unless explicitly provided for by local act. This limitation applies to all counties and cities that levy an occupancy tax and prohibits occupancy tax proceeds from being spent on services such as solid waste collection or disposal, water supply, distribution, or treatment, fire protection, law enforcement, public safety services, emergency services, affordable housing, or education, unless explicitly authorized in the local act.

This legislation was in response to Costanzo v. Currituck County, a North Carolina Supreme Court case issued on May 22, 2026, in which a group of vacation rental property owners, who collect and remit occupancy taxes, challenged the County's use of funds for public safety services arguing that those services are not "tourism-related expenditures." The Court ultimately ruled in favor of the County, in large part because the local act deferred to the judgment of the Board of Commissioners in determining what constitutes a tourism-related expenditure. Moreover, the Court found the Commissioners' reasoning sound and in good faith because seasonal increases in tourists require additional public safety services and because tourists tend to avoid visiting areas that are not perceived to be safe. This legislation effectively overrules the opinion, at least with respect to Currituck County. However, consistent with the exception for explicit authorization, S.L. 2026-7 modifies Currituck County's local act to explicitly allow it to use a portion of occupancy tax proceeds for certain public safety services.

This act became law June 22, 2026, and applies to the expenditure of occupancy tax proceeds collected on or after that date.

Personal Income Tax Changes – Various Revenue Laws Changes.

SL 2026-31 (S595), Part I

Part I of S.L. 2026-31 (Senate Bill 595) makes various technical, clarifying, and substantive changes to the personal income tax laws, many of which were recommended by the Department of Revenue, including the following:

- Clarifying that the basis limitations for a shareholder's S Corporation stock and the associated State gain or loss are included as an adjustment to federal adjusted gross income on the shareholder's State income tax return. This provision is effective for taxable years beginning on or after January 1, 2026.
- Clarifying that the State net operating loss is only available to individuals, estates, and trusts and that taxed pass-through entities do not qualify. This provision became effective July 2, 2026, and applies retroactively to taxable years beginning on or after January 1, 2022.
- Allowing a taxpayer's federal excess business loss (EBL) to generate a State net operating loss carryforward to mirror the federal treatment of EBLs. This provision is effective for taxable years beginning on or after January 1, 2026.
- Eliminating the income tax on the undistributed income of estates and trusts where the income is not sourced to the State. Income of estates and trusts that is distributed to a resident beneficiary remains taxable because the income is part of federal adjusted gross income. This provision is effective for taxable years beginning on or after January 1, 2026.
- Setting the due dates for semiweekly withholding returns and payments to match the federal due dates. Under current law, semiweekly taxpayers are treated differently from quarterly and monthly taxpayers for the purpose of assessing penalties and interest. This provision became effective July 2, 2026.
- Creating a personal income tax deduction for a timberland casualty loss that occurred between September 24, 2024, and October 31, 2024, as the result of Hurricane Helene in a county that qualified for assistance under FEMA 4827 DR federal major disaster declaration as of September 28, 2024. The amount of the deduction is the difference in fair market value of the timberland before and after the loss less amounts received related to the loss, such as insurance payments, disaster payments, grants or other relief funding. The deduction may only be taken for the 2023 or 2024 tax year. This provision became effective July 2, 2026.
- Extending the waiver of interest afforded to taxpayers located in the counties affected by Hurricane Helene previously provided in [S.L. 2024-51](#) through September 25, 2025, to align with the federal extension [announced](#) on April 17, 2025, for individual income tax, corporate tax, franchise tax, and estate and trust tax. The extension also applies to withholdings for the third quarter of calendar year 2024 through the second quarter of calendar year 2025. This provision became effective July 2, 2026.
- Clarifying that a deduction for claim of right income is authorized only if the income was included in a taxpayer's State taxable income in a previous year. This provision is effective for taxable years beginning on or after January 1, 2026.

- Updating and correcting the law to allow certain partnerships to pass through tax credits to a partner. This provision is effective for taxable years beginning on or after January 1, 2026.

Conform to Federal System for Auditing Partnerships – Various Revenue Laws Changes.

SL 2026-31 (S595), Part II

Part II of S.L. 2026-31 (Senate Bill 595) provides a framework to conform the State individual income tax law to the federal system for centralized large partnership audits and allows partnerships to elect to pay tax at the partnership level.

The Bipartisan Budget Act of 2015, Public Law 114-74 (BBA), established new, centralized large partnership audit procedures at the federal level for tax years beginning after December 31, 2017, where partnerships are audited and taxes are collected at the entity level, replacing the prior system where the partners were individually assessed. Unless a partnership has 100 or fewer partners and opts out, the BBA requires an audit at the partnership level for purposes of determining whether an underpayment or overpayment of tax has occurred. However, partnerships with partners that are themselves partnerships, trusts, or disregarded entities cannot opt out.

The Multistate Tax Commission (MTC) developed model legislation for states to create a standardized process applicable to partnerships audited by the IRS under the BBA where, at the state level, the partnership may either transfer partnership items to the partners and have the partners pay the tax or elect to pay State tax at the partnership level. This Part generally follows the MTC model by transferring partnership items to partners and offering an election to pay tax at the partnership level. Specifically, when a partnership doing business in North Carolina receives a final federal partnership adjustment, the default rule is that the partnership has 90 days to file an amended state return reflecting the final federal adjustments with North Carolina modifications. The partnership must notify direct partners of their respective distributive shares of those adjustments, including any information necessary for the partners to prepare their State returns. Each direct partner subject to North Carolina tax has six months from the date the federal adjustment became final to file a State return reporting the partner's distributive share of the federal adjustments and to pay any additional tax due. Additionally, the Part sets out deadlines, makes provisions for tiered partnerships, allows for an election to pay at the partnership level, and provides other administrative guidance.

This Part becomes effective for taxable years beginning on or after January 1, 2026, and applies to federal partnership adjustments that become final on or after that date.

Sales Tax Changes – Various Revenue Laws Changes.

SL 2026-31 (S595), Part III

Part III of S.L. 2026-31 (Senate Bill 595) makes various technical, clarifying, and administrative changes to the sales tax laws, as recommended by the Department of Revenue (DOR), including:

- Providing a 60-day grace period to remote sellers with regard to registering with DOR upon exceeding the economic nexus threshold, which occurs when a remote retailer makes gross sales sourced to this State in excess of \$100,000.
- Allowing DOR to relieve certain taxpayers from the prepayment of sales and use tax requirement in situations where the taxpayer is holding the tax in trust for another person.

This Part became effective July 2, 2026.

Excise Tax Changes – Various Revenue Laws Changes.

SL 2026-31 (S595), Part IV

Part IV of S.L. 2026-31 (Senate Bill 595) makes various changes to the excise tax laws, including:

- Removing a requirement that nonresident spiritous liquor vendors register with the Department of Revenue because they do not remit tax as they sell directly to ABC stores, who are required to be registered with the Department.
- Clarifying the due date of tax for an intrastate motor carrier as being the last day of the month following the quarter in which the motor fuel or alternative fuel was used by the motor carrier.
- Creating a definition for "renewable diesel," which is a type of diesel fuel subject to motor fuels tax and is consistent with the definition used by the Federation of Tax Administrators, other states, and the industry. This section does not change the taxation of renewable diesel, which is already subject to tax.
- With respect to a supplier who owns tax-paid motor fuel and enters it into the terminal transfer system at a location other than an IRS-approved terminal, the following:
 - Allow the supplier a credit of the tax paid on the fuel, thereby reverting the fuel to non-tax-paid status while in the terminal transfer system. Generally, all fuel in the terminal transfer system is non-tax-paid and taxed at the terminal rack upon sale or export. This provision aligns the tax status of fuel in the terminal transfer system as non-tax-paid so that tax-paid fuel and non-tax-paid fuel are not intermixed.
 - Require the supplier to file a bond or an irrevocable letter of credit with the Secretary in the amount of \$2,000,000 as a condition for receiving a license.
- Authorizing the Secretary to cancel a motor fuel exporter license if the Secretary determines the exporter has ceased operating in this State for one year.
- Providing the Secretary with explicit authority to audit records and examine equipment of alternative fuel licensees.

- Excluding motor fuel licensees from the Administrative Procedures Act.
- Clarifying that "gross wagering revenue" includes the cash value of any bonuses or promotional credits when returned to an interactive sports wagering operator ("operator") in the form of a deposit or sports wager. This is consistent with how the Department has advised taxpayers and is consistent with how promotional credits are treated for federal excise tax purposes.
- Clarifying that the tax rate applicable to snuff is not applicable to other smokeless tobacco products. This clarification is needed because the definitions of "snuff" and "smokeless tobacco" overlap. This provision became effective July 1, 2026, and applies to sales occurring on or after that date.
- Clarifying the license that wholesale and retail dealers of alternative nicotine products must obtain.
- Clarifying that a distillery is required to remit excise tax on liquor sales occurring within a distillery estate district.
- Clarifying that a local ABC board must register with the Department of Revenue.
- Relieving resident breweries, resident wineries, and resident wine producers from having to file monthly informational reports with the Department. These permittees will still be required to file an annual informational report with the Department. This provision became effective July 1, 2026.

Except as otherwise stated, these provisions became effective July 2, 2026.

Administrative Changes – Various Revenue Laws Changes.

SL 2026-31 (S595), Part V

Part V of S.L. 2026-31 (Senate Bill 595) makes various changes with respect to the administration of the tax laws, including:

- Increasing from \$500 to \$2,000 the penalty for filing a frivolous return.
- Requiring the Secretary to request from an interactive sports wagering operator, no more than one time per calendar year, certain tax-related information for every registered player that received winnings of at least two thousand dollars (\$2,000) in the prior calendar year.
- Clarifying that certain tax information contained in an application for licensure is protected from public disclosure, even if a tax is not imposed on the license.
- Postponing from July 1, 2027, to July 1, 2030, the effective date of the graduated failure to pay penalty schedule.

This Part became effective July 2, 2026.

Property Tax Changes – Various Revenue Laws Changes.

SL 2026-31 (S595), Part VI

Part VI of S.L. 2026-31 (Senate Bill 595) makes the following changes to the property tax laws:

- Clarifies that the property tax exemption for burial property applies only to burial property set apart for human burial purposes. This provision became effective July 2, 2026.
- Authorizes a taxing unit to provide refunds for certain property taxes paid over the last 10 years if the governing body of that taxing unit adopts a resolution stating that the tax was an improperly collected fire tax and indicates the tax years involved and the properties or area where the improper tax was levied. A qualifying taxpayer that paid such a tax is required to request a refund via written statement to the governing body of the taxing unit. This provision became effective July 2, 2026, and expires July 1, 2027.
- Clarifies that a taxing unit may not impose property tax on the same property more than once per tax year. The provision does not impede a taxing unit's authority to correct a tax listing, if needed. This provision became effective July 2, 2026.

Provide Tax Parity for Short-Term Car Rentals to Include Peer-To-Peer Rentals – Various Revenue Laws Changes.

SL 2026-31 (S595), Part VII

Part VII of S.L. 2026-31 (Senate Bill 595) imposes the 8% alternate highway use tax and applicable local taxes to short-term motor vehicle rentals that are rented through a peer-to-peer vehicle sharing provider. Section 32.5 of S.L. 2026-46 (House Bill 1094) made a technical correction to G.S. 105-187.1(a), which was amended by this Part.

Prior to this change, peer-to-peer vehicle rentals were not subject to tax, whereas short-term rentals through traditional car rental companies are subject to an 8% gross receipts tax, plus applicable local taxes ranging from 1.5% to 8%. Additionally, under current law, airport operators charge rental car companies a fee that is a percentage of their airport-related gross revenues, which is usually about 10% for on-property locations, and may charge peer-to-peer vehicle sharing providers a "reasonable fee" for use of the airport's facility.

This Part is effective October 1, 2026, and applies to gross receipts derived from rentals or leases billed on or after that date.

Corporate and Franchise Tax Changes – Various Revenue Laws Changes.

SL 2026-31 (S595), Part VIII

Part VIII of S.L. 2026-31 (Senate Bill 595) makes various corporate income and franchise tax changes, including:

- With respect to the taxation of an S Corporation, clarifying that regardless of whether a shareholder's income is taxed at the entity level, the income must be taken into account by the shareholder when completing their individual income tax return. The shareholder may be entitled to adjustment deductions for income that was taxed at the entity level.
- Allowing a corporation to make an adjustment to its net worth for purposes of calculating its franchise tax liability by deducting any investment it has, whether direct or indirect, in

an insurance company that is subject to tax under Article 8B of Chapter 105, which imposes a gross premiums tax on insurance companies. This adjustment only applies if the corporation owns, directly or indirectly, more than 80% of the outstanding voting stock, voting capital interests, or ownership interests in the insurance company. This provision became effective retroactively for taxable years beginning on or after January 1, 2019, and is applicable to the calculation of franchise tax reported on the 2018 and later corporate income tax return.

- For taxable years beginning on or after January 1, 2026, establishing a tax credit in the amount of 40% of qualified rehabilitation expenditures for a taxpayer who is allowed a credit under section 47 of the Code for making qualified rehabilitation expenditures of at least \$10 million dollars with respect to an eligible corporate campus. An "eligible corporate campus" is one that meets all of the following conditions:
 - Is a certified historic structure or a State certified historic structure.
 - At one time served as a corporate headquarters.
 - Is located on a parcel or commonly-owned parcels comprising a minimum of 20 acres of land.
 - Is subject to a preservation agreement as defined in G.S. 121-35.
 - Has been listed on the National Register of Historic Places and certified as a local landmark by a county or municipality.
 - Has been at least eighty percent (80%) vacant for a period of at least two years immediately preceding the date the eligibility certification is issued.

Except as otherwise stated, this Part became effective July 2, 2026.

Tax Foreclosure Changes – Various Revenue Laws Changes.

SL 2026-31 (S595), Part X

Part X of S.L. 2026-31 (Senate Bill 595) makes two changes that impact tax and assessment collection procedures by local governments.

First, it clarifies that, for purposes of federal law, a tax foreclosure sale under G.S. 105-374 is considered a judicial sale. The reason for the clarification has to do with the manner in which a local government must provide notice to the federal government of a pending foreclosure action. There are different methods by which a local government must put the federal government on notice of a pending foreclosure action depending on whether it is a judicial sale or non-judicial sale. The term "judicial sale" is defined as excluding all tax foreclosure sales, which creates confusion as to what type of service of process is appropriate for the tax foreclosures under G.S. 105-374, which are truly judicial sales. Without the clarification, the federal government could make the argument that a tax foreclosure under G.S. 105-374, which is judicial in nature, must otherwise meet the service of process requirements for a non-judicial sale because of this exclusion. This provision became effective July 2, 2026.

Second, it gives local special assessments priority over federal tax liens. Current law states that assessments imposed by counties and by cities are subordinate to federal liens. As subordinate liens, special assessments will be paid from foreclosure sales proceeds after the payment of

federal liens. Sometimes the proceeds are insufficient to reach the local government and are then extinguished and cannot be collected. Federal law provides that local government special assessment liens may come ahead of federal liens if state law provides. This provision is effective October 1, 2026.

Credit Union Update – Various Revenue Laws Changes.

SL 2026-31 (S595), Part XI

Part XI of S.L. 2026-31 (Senate Bill 595) expands the powers of the Administrator of Credit Unions (Administrator), expands the powers of credit unions to offer additional financial services, expands the field of membership, expands investment authorities, lowers the number of people needed to organize a new credit union, expands the Administrator's authority for surety bonds, and updates language regarding minor accounts.

Article 14B – Supervision and Regulation:

- Allows the Administrator to assess a civil penalty not to exceed \$500.00 for violation of any section of Articles 14A to 15A of Chapter 54.
- Allows the Administrator to increase the penalty for a late report from \$75.00 to a range of \$75.00 – \$750.00 per day.
- Updates record keeping requirements.
- Removes the requirement for the Administrator to establish rules and regulations relating to the selection of attorneys for credit union loan closings.
- Requires administrative hearings to be conducted in accordance with Article 3A of Chapter 150B (Administrative Procedure Act), unless otherwise provided, and provides the procedure for an appeal.
- Expands the Administrator's ability to remove officers, directors, committee members, or employees, makes the removal immediate upon service of the notice of removal, and provides a procedure to appeal for those subject to removal.
- Allows the Administrator to temporarily waive compliance or suspend compliance requirements during a natural disaster or national, regional, State, or local emergency.
- Creates a new cease and desist authority, where the Administrator can issue and serve upon a credit union an order to cease and desist from one or more unsafe or unsound practices or violation if certain conditions are met.
- Gives the Administrator authority to conduct an investigation, with background checks, of any employee, officer, director, or committee member when the Administrator has reason to believe the person is likely to affect the safety or soundness of the credit union, or when considering:
 - Applications for new charters.
 - Changes to those positions in credit unions in a troubled condition.
 - A managing agent or manager in a conserved credit union.
- Makes technical and clarifying changes.

Article 14C – Powers of Credit Union:

- Expands financial services offered, such as safe deposit boxes, custodial services, correspondent services, and electronic transfer of funds.
- Streamlines the procedure to expel any member and provides a right to appeal to the credit union's board.
- Allows parity with federal credit unions upon 45-day written notice to the Administrator, subject to the Administrator's written disapproval, by allowing state-chartered credit unions to engage in any activity or exercise any power that it could if it were federally chartered.
- Makes technical and clarifying changes.

Article 14D – Membership:

- Allows multiple common bonds for membership of a credit union.
- Expands the field of membership by authorizing credit unions organized in North Carolina to extend membership to:
 - Individuals and families, in North Carolina, that earn income at or below the federal poverty threshold in North Carolina, if the account holder is at least 25 years of age.
 - Persons residing in census tracts in North Carolina where the center of population, as defined by the US Census Bureau, is more than nine miles from a bank branch. If the credit union does not already have a branch located in that census tract, one must be established.

Article 14I – Investments:

- Expands allowed investments, including the following:
 - Changes the aggregate amount allowed to be invested from 25% of reserve fund allocations to 12.5% of the credit union's net worth.
 - Small businesses involved in the development or exploitation of fintech products, in an aggregate amount not exceeding 1% of the credit union's net worth.
 - Common trust or mutual funds whose investment portfolios consist of securities otherwise permitted for credit unions.
 - Stock, securities, obligations, or other instruments approved by the Administrator.
- Eliminates mandatory divestment if the status or form of a credit union's investment changes during the life of the investment.
- Allows a credit union to make an otherwise impermissible investment to fund the credit union's employee benefit plan, subject to rules by the Administrator.
- Makes technical and clarifying changes.

Conforming Changes:

- Removes the old appeals process language.
- Inserts references to the new Hearings and Appeals section.

- Makes technical and clarifying changes.

Organization Procedure:

- Lowers the number of residents needed to organize a credit union from 12 to 7.

Duties of Administrator:

- Allows the Administrator to approve a form and adopt rules for blanket surety bond requirements.
- Makes technical and clarifying changes.

Minors:

- Allows the credit union to act on an account held by a minor as if the minor were of full legal age and legal capacity.
- Expands services to minors by allowing a credit union to offer safe deposit box services to a minor and deals with the minor as if the minor had full legal age and legal capacity.
- Makes technical and clarifying changes.

This Part became effective July 1, 2026.

IRC Update – Various Revenue Laws Changes.

SL 2026-31 (S595), Part XII

Part XII of S.L. 2026-31 (Senate Bill 595) updates from January 1, 2023, to July 5, 2025, the reference to the Internal Revenue Code used in defining and determining certain State tax provisions following the passage of the One Big Beautiful Bill Act (OBBBA) on July 4, 2025. Updating the Code reference results in conformity to changes made by OBBBA to various federal tax provisions that have an insignificant fiscal impact and would otherwise be administratively burdensome for taxpayers, tax preparers, and the Department of Revenue to decouple from.

This Part requires a decoupling adjustment to the allowance of full first-year expensing for domestic research and experimental (R&E) expenditures, which is similar to how the State treats bonus depreciation and Section 179 expensing. Under the Tax Cuts and Jobs Act (TCJA), domestic R&E expenditures were required to be amortized over 5 years. The OBBBA restored the pre-TCJA treatment so that a taxpayer may deduct the entire expenditure in the year in which the expenditure is paid or incurred. Rather than allowing full first-year depreciation, this provision requires a taxpayer to add-back to federal taxable income or adjusted gross income, as applicable, 80% of the amount deducted at the federal level, which reflects the excess of what the taxpayer would have deducted had the taxpayer amortized the expense over five years. The taxpayer is then allowed to deduct 25% of the add-back in each of the succeeding four taxable years. As a result, a taxpayer will be able to deduct the same amount of an asset's basis under State law as under federal law, it is just that the timing of the deduction will differ. This provision applies as follows:

- To taxable years beginning on or after January 1, 2022, for taxpayers who elect for federal income tax purposes the retroactive application of section 174A(a) of the Code for a taxable year beginning in 2022, 2023, or 2024.
- To taxable years beginning on or after January 1, 2025, for taxpayers who do not make the election.

Except as otherwise provided, this Part became effective July 2, 2026.

Rounding of Cash Transactions Due to Penny Elimination – Various Revenue Laws Changes.

SL 2026-31 (S595), Part XIV

Part XIV of S.L. 2026-31 (Senate Bill 595) provides retailers, including ABC stores and government entities when acting as retailers, with rounding procedures for cash transactions following the U.S. Treasury's announcement to cease production of the penny. Under this provision, a retailer is not required to round a cash transaction, except for ABC stores as described below, but if the retailer opts to do so, it must follow the methodology outlined in the statute.

For transactions ending in 1, 2, 6, or 7, the final digit must be rounded down to the nearest five cent interval. For transactions ending in 3, 4, 8, or 9, the final digit must be rounded up to the nearest five cent interval. The rounding adjustment does not apply to transactions ending in 0 or 5 or for which payment is made with any non-cash method. The rounding adjustment does not alter the sales price, the amount of tax owed or collected, or any surcharges, assessments, or fees imposed on the sale. Retailers are not authorized to round the amount of sales tax due and are not relieved from the duty to calculate and remit to the Department of Revenue the exact amount of sales tax shown on an invoice or receipt.

For ABC stores specifically:

- Rounding will be required for cash transactions beginning July 1, 2027.
- Any additional revenues due from rounding adjustments are to be included in "gross receipts" but are not to affect the calculation of the required statutory distributions.

Since property taxes are permitted to be paid in cash, the provision provides that for cash transactions, a taxing unit must round down to the nearest five-cent interval and treat the tax as fully paid.

Finally, the Part provides the following protections for retailers that round in accordance with the statutory provision:

- Declares it a reasonable business practice for sales tax purposes.
- Declares it is not an unfair and deceptive trade practice.
- Declares it is not a violation of the Weights and Measures Act of 1975.
- Declares that it cannot serve as the basis for a civil action.

This Part became effective July 2, 2026.

Require Gaming Operators to Withhold Taxes on Certain Winnings – Various Revenue Laws Changes.

SL 2026-31 (S595), Part XVI

Part XVI of S.L. 2026-31 (Senate Bill 595) requires gaming operators to withhold State income taxes on winnings when required to withhold federal income taxes under section 3402(q) of the Code. Section 3402(q) of the Code requires withholding when the proceeds from a wagering transaction are more than \$5,000 and are at least 300 times the amount wagered.

The individual income tax rate in effect would be used to determine the amount withheld. Interactive sports wagering operators licensed to accept sports wagers under Article 9 of Chapter 18C and advance deposit wagering (ADW) licensees licensed to accept pari-mutuel wagers under Article 10 of Chapter 18C would be responsible for withholding taxes.

This Part is effective January 1, 2027, and applies to winnings paid on or after that date.

Community Development Block Grants – 2026 Appropriations Act.

SL 2026-41 (S257), Sec. 11.1

Section 11.1 of S.L. 2026-41 (Senate Bill 257) allocates the federal block grant funds appropriated for the fiscal year ending June 30, 2027, for State Administration, Neighborhood Revitalization, Economic Development, Infrastructure, and Rural Community Development.

The Department of Commerce must report on the prior year use of these funds by September 1 annually to the chairs of the House of Representatives Appropriations Committee on Agriculture and Natural and Economic Resources; the chairs of the Senate Appropriations Committee on Agriculture, Natural, and Economic Resources; the chairs of the Joint Legislative Economic Development and Global Engagement Oversight Committee; and the Fiscal Research Division. The report must include information on categories of funding, application numbers and total dollar requests in each category, and a list of grant recipients by name, county, category, amount awarded, and project description.

This section became effective July 1, 2026.

Commerce Nonprofits/Reporting Requirements – 2026 Appropriations Act.

SL 2026-41 (S257), Sec. 11.2

Section 11.2 of S.L. 2026-41 (Senate Bill 257) requires North Carolina Biotechnology Center, High Point Market Authority, and RTI International, for each year that State funds are expended, to provide reports by September 1 of each year, and more frequently if requested, to the chairs of the Joint Legislative Oversight Committee on Agriculture and Natural and Economic Resources;

the chairs of the House of Representatives Appropriations Committee on Agriculture and Natural and Economic Resources; the chairs of the Senate Appropriations Committee on Agriculture, Natural, and Economic Resources (collectively, the Committees); and to the Fiscal Research Division. These reports must include information regarding prior State fiscal year program activities, objectives, and accomplishments, and prior State fiscal year itemized expenditures and fund sources. The report must also include a list and description of grants awarded if State funds are used to provide matching funds for competitive grants. Each of these three entities must provide a copy of its annual audited financial statement within 30 days of issuance of that statement to the Committees.

This section became effective July 1, 2026.

NC Arts Council Grants Administration – 2026 Appropriations Act.

SL 2026-41 (S257), Sec. 14.5

Section 14.5 of S.L. 2026-41 (Senate Bill 257) prohibits the Department of Natural and Cultural Resources (Department) and any organization distributing funds on behalf of the Department from adopting or applying a policy to distribute public funding through the North Carolina Arts Council or the Grassroots Art Program that is based on the racial, ethnic, or cultural identities of a recipient organization's officers or the members of its governing board.

This section became effective July 1, 2026.

Modify Reversion and Reporting Dates for Certain Human Trafficking Commission Grants – 2026 Appropriations Act.

SL 2026-41 (S257), Sec. 16.6

Section 16.6 of S.L. 2026-41 (Senate Bill 257) modifies the Human Trafficking Commission Competitive Grant Program by providing that the term of each grant is for two fiscal years comprising a State budget biennium and that grant funds and any interest earned on those funds in the possession or control of a grantee that are not expended, made subject to an encumbrance, or disbursed to a subgrantee by August 31 of the fiscal year following the grant term will revert to the State. Additionally, this section provides that grantees must report to the Human Trafficking Commission by August 31 of each year following a year in which a grantee received funds and that the Human Trafficking Commission must report to the General Assembly by October 31 of each year on the grants awarded in the previous year.

This section became effective July 1, 2026, and applies to grants awarded on or after that date.

Increase Department of Revenue Reimbursement for White Goods Disposal Administrative Expenses – 2026 Appropriations Act.

SL 2026-41 (S257), Sec. 36.1

Section 36.1 of S.L. 2026-41 (Senate Bill 257) increases the amount the Department of Revenue may retain for administering the distribution of the white goods disposal tax from \$425,000 to \$500,000.

This section became effective July 1, 2026.

Scrap Tire Disposal Tax Withholding Increase – 2026 Appropriations Act.

SL 2026-41 (S257), Sec. 36.2

Section 36.2 of S.L. 2026-41 (Senate Bill 257) increases the amount the Department of Revenue may retain for administering the distribution of the scrap tire disposal tax from \$425,000 to \$500,000.

This section became effective July 1, 2026.

Tax Fraud Analytics – 2026 Appropriations Act.

SL 2026-41 (S257), Sec. 36.3

Section 36.3 of S.L. 2026-41 (Senate Bill 257) provides that of the funds appropriated to the Department of Revenue (DOR) in the act, DOR must use \$5,400,000 in recurring funds for the 2026-2027 fiscal year to continue and to expand DOR's tax fraud analysis contract through the Government Data Analytics Center (GDAC).

This section became effective July 1, 2026.

Personal Income Tax Modifications – 2026 Appropriations Act.

SL 2026-41 (S257), Sec. 44.1

Section 44.1 of S.L. 2026-41 (Senate Bill 257) makes changes to the schedule of personal income tax rates by replacing the conditional rate reductions for taxable years 2027 through 2034 with set reduced rates and shifting to future years two additional rate reductions that become effective only if General Fund revenues meet certain thresholds. The revised personal income tax rate schedule is as follows:

- 2026: No change; remains at 3.99%
- 2027, 2028, and 2029: 3.49%
- 2030, 2031, and 2032: 3.24%
- 2033 and after: 2.99%

Beginning with the 2035 taxable year and through 2040, there could be up to two additional rate reductions if General Fund revenues meet the specified revenue trigger amounts. The first rate reduction would reduce the tax rate from 2.99% to 2.74%, and the second rate reduction would reduce the tax rate from 2.74% to 2.49%. In no event could the rate be lower than 2.49% during this time frame. Rate reductions become effective in the tax year following the listed fiscal years upon a trigger amount being exceeded.

This section became effective July 7, 2026.

Income Tax Deduction for Gambling Losses – 2026 Appropriations Act.

SL 2026-41 (S257), Sec. 44.2

Section 44.2 of S.L. 2026-41 (Senate Bill 257) allows an itemized deduction from State taxable income for nonprofessional gambling losses. The provision mirrors the federal deduction; therefore, a taxpayer that itemizes may deduct 90% of their gambling losses during the taxable year or an amount equal to their gambling gains during the taxable year, whichever is less.

This section is effective for taxable years beginning on or after January 1, 2025.

Hospital Sales Tax Refund Modifications – 2026 Appropriations Act.

SL 2026-41 (S257), Sec. 44.3

Section 44.3 of S.L. 2026-41 (Senate Bill 257), as amended by Section 11.2(a) of S.L. 2026-42 (House Bill 56), limits the application of the State and local sales and use tax refund caps available to certain nonprofit and public hospitals. The aggregate annual State sales and use tax refund an entity may receive is \$31,700,000, and the aggregate annual local sales and use tax refund an entity may receive is \$13,300,000.

This provision sought to address a lack of clarity regarding whether these caps were intended to apply at the "parent level," inclusive of purchases by a parent's affiliates, subsidiaries, or related facilities, or whether each of those entities is eligible for its own separate capped amount.

For a nonprofit or a public hospital, other than The University of North Carolina Health Care System, the hospital and all of its affiliates or related facilities are to be treated as one entity for purposes of the application of the sales tax refund caps. In other words, the highest level of the entity's organization, including all of its affiliates or related facilities, is eligible for up to the aggregate annual refund amount, but each affiliate or related facility is not eligible for its own separate capped amount.

The University of North Carolina Health System, each of its component units, each of its system affiliates, and each of its managed entities are treated as separate entities that are each allowed up to the aggregate annual refund amounts.

This provision became effective July 7, 2026, and applies to refunds issued for purchases made on or after that date. However, since the caps are annual amounts based on a fiscal year, and the law did not become effective until several days into the fiscal year, the technical clarification in Section 11.2(a) of S.L. 2026-42 (House Bill 56) provides that for purchases made from July 1, 2026 through July 6, 2026, the portion of the cap attributable to this period must be administered as the law existed prior to July 7, 2026, and for purchases made on and after July 7, 2026, through the end of the fiscal year, the portion of the cap attributable to this period must be administered in accordance with the law as amended and effective as of July 7, 2026.

Repeal Sales Tax Exemption on Electricity for Datacenters – 2026 Appropriations Act.

SL 2026-41 (S257), Sec. 44.4

Section 44.4 of S.L. 2026-41 (Senate Bill 257), as amended by Section 11.3(a) of S.L. 2026-42 (House Bill 56), repeals the sales and use tax exemption for electricity used in datacenters and holds cities harmless with respect to the portion of tax proceeds distributed to cities. To effectuate the hold harmless, the Department of Revenue must identify the amount of tax proceeds that are derived from sales of electricity to datacenters. Therefore, the provision requires purchasers of electricity for use at a datacenter to report within 30 days of the end of each quarter to the Secretary the amount of tax paid on electricity.

This section became effective July 7, 2026, and applies to the first billing period that starts on or after that date and is at least 30 days after that date.

Add the Insurance Regulatory Charge to the Gross Premiums Tax Rate – 2026 Appropriations Act.

SL 2026-41 (S257), Sec. 44.5

Section 44.5 of S.L. 2026-41 (Senate Bill 257), as amended by Section 6 of S.L. 2026-58 (House Bill 562) and expanded upon by Section 7.13 of S.L. 2026-61 (House Bill 268), changes the flow of funding for the Department of Insurance (Department). Currently, an annual Insurance Regulatory Charge (Charge) is levied on each insurance company, other than a captive insurance company, at the rate of 6.5% of a company's premium tax liability. The proceeds of the Charge are credited to the Insurance Regulatory Fund (Fund), which is used to reimburse the General Fund for various appropriations that support the operations of the Department.

This section eliminates the Charge and offsets the elimination by increasing the insurance premiums tax rates of the insurance companies subject to the Charge by a percentage equal to the Charge. It also eliminates the reimbursement of operating costs from the Fund to the General Fund. The effect of this section is to shift special fund revenue to the General Fund. The increased tax rates are as follows:

- Worker's Compensation: 2.6625% (previously 2.5%, a 6.5% increase)
- Prepaid health plans: 2.0235% (previously 1.9%, a 6.5% increase)

- Other insurance contracts: 2.0235% (previously 1.9%, a 6.5% increase)

To spend down the balance in the Fund, this section allows the Department to continue using available funds that were collected and placed in the Fund prior to January 1, 2027, for any of the allowable purposes set out in G.S. 58-6-25(d) prior to its amendment by this section. Moreover, Section 7.13 of S.L. 2026-61 explicitly authorizes the Department to use up to one million two hundred thousand (\$1,200,000) in nonrecurring funds from the available cash balance of the Fund for legal expenses incurred by the Department, which is an approved use of the Fund prior to its modification.

Section 44.5 of S.L. 2026-41 (Senate Bill 257), as amended by Section 6 of S.L. 2026-58 (House Bill 562), is effective for taxable years beginning on or after January 1, 2027, and applies to funds collected for those taxable years. For amounts collected from the Charge after January 1, 2027, but attributable to taxable years beginning before that date, those funds must be placed in the Fund and used for the designated Fund purposes prior to the modifications by this section. Section 7.13 of S.L. 2026-61 is also effective January 1, 2027.

Vapor Product and Consumable Product Licensing and Registry Changes – 2026 Appropriations Act.

SL 2026-41 (S257), Sec. 44.6

Part IX of S.L. 2026-31 (Senate Bill 595), Section 44.6 of S.L. 2026-41 (Senate Bill 257), and Section 12.2 of S.L. 2026-61 (House Bill 268) collectively make several changes related to the registration, sale, and taxation of vapor products and consumable products, create new requirements for distributors and retailers of these products, and modify the enforcement of and penalties applicable to this industry. Specifically, these sections do the following as it relates to vapor products and consumable products:

- Make the following changes with respect to the registry, which is maintained by the Department of Revenue (Department) and requires every manufacturer of vapor products and consumable products to certify that its products are eligible to be sold at retail in this State:
 - Expand the universe of permissible vapor and consumable products that may appear on the registry, effective July 1, 2026. This expansion is accomplished through two main changes. First, the provision repeals the defined term "timely filed premarket tobacco product application," which previously limited permissible products to those for which an order was granted or a Premarket Tobacco Product Application was accepted for filing prior to September 9, 2020. At least four marketing authorizations have been issued since 2025, including the first authorization for flavored vapor products, so this change would allow the sale of products that received marketing authorizations by the Food and Drug Administration (FDA) within the last year. Second, the provision adds language to allow the registration of products that are commercially marketed and not subject

- to federal enforcement priority under a published FDA enforcement policy as long as the product is the subject of a filed and pending premarket application.
- Require manufacturers to submit documentation to the Department certifying compliance with any changes to federal requirements for vapor and consumable products within 30 days of the date mandated for compliance with the federal requirements. Failure to submit is grounds for removal from directory. The requirement to submit documentation to the Department became effective July 7, 2026. This provision was further clarified in Section 12.2(b) of S.L. 2026-61, which became effective August 11, 2026. The consequence of removal from the directory for failure to substantiate is effective October 1, 2026.
- Require the Department to make minor changes to the directory, such as including stock keeping unit numbers (SKUs) for products and publishing updates on the first day of every month. This provision is effective October 1, 2026.
- Make the following changes with respect to civil penalties, criminal offenses, and age verification requirements:
 - Effective October 1, 2026, accelerate civil penalties for violations of registry requirements as follows:
 - For first offenses, a penalty range of \$500 to \$750, a mandatory reinspection within 30 days, and a 30-day license suspension along with seizure, forfeiture, and destruction of property.
 - For second and subsequent offenses, a penalty range of \$1,000 to \$1,500 and license revocation.
 - Effective October 1, 2026, it is a Class 2 misdemeanor to sell or distribute consumable products containing nicotine analogues to persons under 18. Effective December 1, 2027, it is a Class 1 misdemeanor to allow entry of a person under the age of 21 in a specialty retailer of vapor products establishment.
 - Effective October 1, 2026, internet sales of products containing nicotine analogues require age verification. Effective December 1, 2027, specialty retailers of vapor products are required to verify age for entry into their establishments using a third-party age verification service that electronically scans identification.
- Make the following changes with respect to compliance and enforcement:
 - Shift compliance and enforcement provisions from the Department to a collective of various State and local law enforcement officials, and establish an interagency task force led by the State Bureau of Investigation (SBI), with the other agencies being the Department, the Department of Agriculture, the Secretary of State, the Alcohol Law Enforcement Division of the Department of Public Safety, the Department of Justice, and representatives of local law enforcement agencies. This provision became effective July 7, 2026.
 - Require at least one unannounced compliance check per year and follow-up checks within 30 days of a violation. This provision became effective July 7, 2026.
 - Require the applicable law enforcement entity to report violations to the Department for the purpose of maintaining a database of violations and imposing civil penalties. This provision became effective July 7, 2026.
- Make the following changes as it relates to the taxation, sale, and retailer licensure of these products:

- Add a definition of "nicotine analogue" to the excise tax statutes, effective October 1, 2026. A nicotine analogue is a chemical compound similar in structure and effect to nicotine but is a distinct substance that is neither naturally occurring nicotine nor synthetic nicotine. The addition of this definition, which also impacts the definitions of "vapor product" and "consumable product," has at least two downstream substantive effects. First, it expands the excise tax base on tobacco products to include consumable products containing a nicotine analogue. Second, it effectively bans the retail sale of vapor and consumable products containing nicotine analogues. To be sold legally, vapor and consumable products must appear on the registry of approved products, which requires FDA approval or pending FDA action. Since the FDA does not regulate nicotine analogues, products containing nicotine analogues cannot appear on the registry and, therefore, may not be legally sold. These changes are also effective October 1, 2026.
- Create a new category of retail dealer for vapor products classified as a "specialty retailer of vapor products" that must register with the Department and pay a \$1,000 per location license tax in addition to other applicable license requirements. These are dealers that primarily sell vapor products based on a certain percentage of their inventory, or floor and shelf space, consisting of vapor products or having the name of the store tied to vapor products. Under prior law, only dealers selling or storing non-tax-paid products or online sellers required to collect sales tax were required to be licensed. The addition of the term "specialty retailer of vapor products" is effective October 1, 2026, but the licensing requirement is not effective until July 1, 2027.

Increase Excise Tax on Sports Wagering Operators and Modify Distribution of Proceeds – 2026 Appropriations Act.

SL 2026-41 (S257), Sec. 44.7

Section 44.7 of S.L. 2026-41 (Senate Bill 257) makes the following changes to the sports wagering tax:

- Effective July 7, 2026, and applicable to gross wagering revenue received on or after that date, increases the sports wagering excise tax rate from 18% to 23%.
- Effective July 1, 2026, and applicable to distributions of tax proceeds on or after that date, makes various changes to the tax distribution formula, notably limiting the North Carolina Major Events, Games, and Attractions Fund to \$30,000,000 annually and reworking the distribution formula as it pertains to State public universities by defining classes of public universities in the State and limiting the amount distributed annually to qualifying universities in each class. Distributions to the newly created classes are made from tax proceeds remaining after all priority distributions are made under G.S. 105-113.128. A university that qualifies under more than one class is eligible to receive distributions from each qualifying class, subject to the class's respective limitation. The classes are as follows:

- Class I – 2.2% of remaining tax proceeds are distributed to public universities in the State with primarily NCAA Division I athletics. Distributions under this class are limited to \$400,000 per university annually.
- Class II – 19.5% of remaining tax proceeds are distributed to public universities in the State with primarily NCAA Division I or Division II athletics. Distributions under this class are limited to \$2,900,000 per university annually.
- Effective July 1, 2027, and applicable to distributions of tax proceeds on or after that date, adds an additional class of public universities to the distribution of remaining proceeds:
 - Class III – 5.7% of remaining tax proceeds are distributed to public universities in the State with football programs that compete in the NCAA Division I Football Bowl Subdivision (FBS). Distributions under this class are limited to \$2,500,000 per university annually.

Prediction Market Trading Fees Tax – 2026 Appropriations Act.

SL 2026-41 (S257), Sec. 44.9

Section 44.9 of S.L. 2026-41 (Senate Bill 257) creates a 6% tax on the net trading fee revenue of a prediction market operator that is apportionable to the State. The tax is due annually. A prediction market is defined as a platform through which a consumer may buy, sell, or exchange event contracts. An event contract is defined as a swap that is based on the occurrence, extent of an occurrence, or contingency for which the event or contingency involves sports.

Net trading revenue starts with prediction market revenue, which is defined as (i) trading or taker fees, (ii) fees charged to liquidity providers placing resting orders, and (iii) commissions charged to certain entities. That amount is reduced by (i) broker or market maker compensation, (ii) promotional incentives, funds, or rebates, (iii) platform fees or clearing fees, and (iv) withdrawal fees. The end result is the net trading revenue of the prediction market operator. Net trading revenue is apportionable to the State if it involves the trading of an event contract by a resident of North Carolina, who is domiciled and present in the State at the time of the trade.

This section is effective January 1, 2027, and applies to net trading fee revenue received on or after that date.

Clarify Trust Qualifications for Present-Use Value – 2026 Appropriations Act.

SL 2026-41 (S257), Sec. 44.10

Section 44.10 of S.L. 2026-41 (Senate Bill 257) removes the present-use value (PUV) classification requirement that land in a trust must have been transferred into the trust by an individual that owned the land and created the trust. Effectively, this allows the transfer of land from any source into the trust. The trust is still required to have the appropriate beneficiaries to qualify, and the land in the trust must otherwise meet the PUV requirements (size, ownership, income, and sound management) to qualify for the benefit.

This section further provides that an owner of property that (1) was removed from PUV between January 1, 2026, and July 6, 2026, and (2) now qualifies for the continued use exception under G.S. 105-277.3(b2)(1) because of the change under this section, may apply for reinstatement into the PUV program. If the application is approved, any deferred taxes paid as a result of the revocation must be refunded.

This section is effective retroactive to January 1, 2026, and applies to property that lost its present-use value classification on or after that date.

Department of Labor Positions – 2026 Budget Technical Corrections.

SL 2026-42 (H56), Sec. 4.3

Section 4.3 of S.L. 2026-42 (House Bill 56) provides that funds allocated to the Occupational Safety and Health Division (OSH) of the Department of Labor for OSH consultative services positions in the 2026 Appropriations Act, S.L. 2026-41, can be used by the Commissioner of Labor for the purpose of supporting additional positions to perform work considered by the Commissioner of Labor to be necessary and advisable to carry out the statutory duties conferred on the Department of Labor.

This section became effective July 1, 2026.

Virtual Currency Kiosk Consumer Protection Act.

SL 2026-45 (H920)

S.L. 2026-45 (House Bill 920) creates the Virtual Currency Kiosk Consumer Protection Act, which requires any virtual currency kiosk operator in North Carolina to be licensed under the Money Transmitters Act and be subject to the supervision of the Office of the Commissioner of Banks.

This act creates a regulatory framework for the virtual currency kiosk industry and does the following:

- Creates definitions, including the following:
 - Existing virtual currency customer – A person whose first transaction with a licensee to transmit virtual currency occurred more than 30 days ago.
 - New virtual currency customer – A person that has no previous transactions with a licensee to transmit virtual currency or a person whose first transaction with a licensee to transmit virtual currency occurs within the past 30 days.
 - Virtual currency – Any type of digital unit that is used as a medium of exchange or a form of digitally stored value or that is incorporated into payment system technology.
 - Virtual currency kiosk – Any fully automated electronic machine owned, operated, or used by a virtual currency kiosk operator that enables the owner or operator to facilitate the transfer of fiat currency to a public key that is recorded on the blockchain, as directed by the customer.

- Makes all information or records obtained by the Commissioner of Banks (Commissioner) during an examination, investigation, or report of a virtual currency kiosk operator confidential and subject to confidential treatment under certain conditions.
- Requires a virtual currency kiosk operator to provide the Commissioner with all records reasonably required to ensure compliance with this act.
- Requires virtual currency kiosk operators to make a risk disclosure, prior to entering into an initial transaction for a customer, of all material risks associated with its products, services and activities and with virtual currency generally.
- Requires virtual currency kiosk operators to make a terms and conditions disclosure of all relevant terms and conditions associated with its products, services and activities and virtual currency generally when opening an account and prior to an initial transaction,
- Requires virtual currency kiosk operators to make a warning disclosure, prior to entering into a transaction with a customer, about scams and fraud.
- Requires virtual currency kiosks to display an interactive fraud-screen requirement that restates the warning disclosure and asks the customer whether the warning applies to their situation. If the customer selects that the warning does apply, the kiosk must immediately terminate the transaction. This fraud screening cannot be bypassed by the customer.
- Requires virtual currency kiosk operators to make certain disclosures before each transaction in a clear and conspicuous manner that include all fees and expenses associated with the transaction, the exchange rates, the spread, and any customer liability.
- Prohibits kiosk operators from implementing any QR-code, barcode, or other scan-based login mechanism.
- Provides permitted authentication customer authentication methods at virtual currency kiosks.
- Requires receipts from transactions at a virtual currency kiosk to include specific details, such as the name and contact information for the owner of the virtual currency kiosk or kiosk operator, the customer's name, the unique identifier of the virtual currency kiosk operator, and any tax collected. The receipt must be in physical written form, unless the customer requests to receive it electronically.
- Requires virtual currency kiosk operators to provide, at a minimum, live customer service at all times that the operator's virtual currency kiosks are available for public use via a toll-free number, which must be displayed on the kiosk or its screen.
- Mandates each virtual currency kiosk operator establishes and maintains written anti-fraud policies and compliance policies and procedures.
- Makes the virtual currency kiosk operator designate and employ a qualified, full-time compliance officer and a qualified, full-time consumer protection officer, neither of whom can own more than 20% of the virtual currency kiosk operator business.
- Mandates that virtual currency kiosk operations submit detailed quarterly reports to the Commissioner detailing the location of each virtual currency kiosk located within the State.
- Requires any virtual currency kiosk operator who owns, operates, solicits, markets, advertises, or facilitates virtual currency kiosks in the State to have a money transmitter license under the Money Transmitters Act.

- Sets daily transaction limits:
 - \$2,000 for a new virtual currency customer.
 - \$5,000 for an existing virtual currency customer.
- Allows full refunds for a customer if the following conditions are met:
 - The customer reported the fraudulent nature of the transaction to the Commissioner within 30 days.
 - The Commissioner determined that the transaction was fraudulent.
 - The person was a new virtual currency customer at the time of the transaction.
- Allows refunds of fees imposed by the operator if the following conditions are met:
 - The customer reported the fraudulent nature of the transaction to the Commissioner within 30 days.
 - The Commissioner determined that the transaction was fraudulent.
 - The person was an existing virtual currency customer at the time of the transaction.
- Allows the cancellation of a transaction, with a full and immediate refund, if cancelled before the transaction is complete. A receipt of the cancelled transaction must be provided.
- Prohibits the aggregate fees and charges to a customer from exceeding 12% of the dollar equivalent of the virtual currency involved in the transaction or series of transactions.
- Requires a virtual kiosk operator to impose a 48-hour hold on all transactions initiated by a customer whose first transaction occurred within the past 7 days. During the hold period, the virtual kiosk operator must do the following:
 - Accept the transaction request and record all required information.
 - Not allow any virtual currency to be transmitted, transferred, or made available to the customer.
 - Display a notice informing the customer that the transaction will not be completed until the expiration of the 48-hour hold.
- Makes any violation of this act an unfair trade practice.
- Allows the Commissioner to impose a civil penalty on a virtual currency kiosk operator that violates that violates the provisions of this act.
- Makes it a Class 1 misdemeanor to facilitate or induce a fraudulent virtual currency kiosk transaction.
- Allows local governments the ability to regulate virtual currency kiosks in their jurisdictions through zoning, land-use controls, development regulations, or other ordinances as long as they do not conflict with the provisions of this act.
- Allows the administrative authority and enforcement provisions of the Money Transmitters Act to apply to virtual currency kiosks.

This act contains a severability clause that provides that if any provision of the act or its application to any person or circumstance is held invalid, then the invalidity does not affect other provisions or applications of the act that can given effect without the invalid provision or application.

Finally, this act directs the Commissioner must adopt procedures for determining when a virtual currency transaction is fraudulent and rules to implement the provisions of this act by January 1, 2027.

The portion of the act that directs the Commissioner to adopt procedures for fraud determination and rules to implement the provisions of this act became effective July 7, 2026. The remainder of this act becomes effective January 1, 2027 and applies to offenses committed on or after that date.

Adjust Counties/Reappraisal Moratorium.

SL 2026-47 (S474)

S.L. 2026-47 (Senate Bill 474), which modified Section 1 of S.L. 2026-8 (Senate Bill 889), imposes a property tax reappraisal moratorium on counties meeting certain criteria, which will delay by one year the implementation of the general reappraisal conducted for 2026 by those counties.

Section 1 of S.L. 2026-8 required any county that (i) had a population of 15,000 or greater according to the latest federal decennial census and (ii) conducted a general reappraisal for 2026 and adopted a new schedule of values effective January 1, 2026, to postpone that reappraisal and instead implement the reappraisal in 2027. Therefore, S.L. 2026-8 subjected nine counties to the property tax reappraisal moratorium: Anson, Bladen, Buncombe, Davidson, Guilford, Harnett, Onslow, Pender, and Scotland. Chowan, Clay, and Pamlico Counties also conducted 2026 reappraisals, but each fell below the 15,000-population limit.

S.L. 2026-47 modified Section 1 of S.L. 2026-8 to adjust the counties subject to the property tax reappraisal moratorium by requiring any county that conducted a general reappraisal for 2026 to postpone that reappraisal until 2027, unless any of the following exemptions apply:

- General Exemption – The moratorium does not apply to a county meeting any of the following criteria:
 - Has a population of less than 12,000 according to the latest federal decennial census.
 - Clay County is exempt under this metric; however, Chowan and Pamlico Counties no longer qualify for exemption.
 - Is in the third year following its notice of mandatory reappraisal advancement with a population of less than 150,000 according to the latest federal decennial census.
 - Harnett County is exempt under this metric.
 - Has levied a property tax rate, exclusive of any special tax area, in excess of \$0.95 per \$100 of property value at any point over the previous four taxable years.
 - Scotland County is exempt under this metric.
- Revenue-neutral property tax rate exemption – The moratorium does not apply to county that meets all of the following criteria:
 - Is in a Helene affected area, as defined in Section 1.4 of S.L. 2025-2.
 - Is not otherwise exempt under a general exemption, above.

- For the taxable year beginning July 1, 2026, adopts a property tax rate at or below the rate equal to its revenue-neutral property tax rate rounded up to the next whole cent.
 - Buncombe County could have qualified for exemption under these criteria; however, it is subject to the moratorium because it did not adopt a property tax rate at or below the rounded revenue-neutral rate.

Therefore, after the passage of S.L. 2026-47, nine counties are subject to the property tax reappraisal moratorium: Anson, Bladen, Buncombe, Chowan, Davidson, Guilford, Onslow, Pamlico, and Pender.

S.L. 2026-47 also provides that if its passage affects a county that already passed its 2026-2027 fiscal year budget ordinance, the county must amend its budget ordinance to reflect the updated law. Buncombe County was also provided the option of amending its budget to qualify under the revenue-neutral rate exemption.

This act became effective July 7, 2026.

Voluntary Portable Benefits Act. – Regulatory Reform Act of 2026.

SL 2026-59 (S445), Sec. 17.6

Section 17.6 of S.L. 2026-59 (Senate Bill 445) authorizes a person or entity who hires an independent contractor (hiring party) to voluntarily contribute funds into a portable benefit account to be owned and used by the independent contractor to purchase a variety of benefits traditionally provided to employees, such as health insurance, life insurance, disability insurance, and retirement benefits. The provision creates a framework for the administration and use of portable benefit accounts, including defined terms, permitted uses of funds, and safeguards for the independent contractor while explicitly stating that the making of contributions is not evidence of an employer-employee relationship.

This section does the following as it relates to the tax implications of portable benefit accounts:

- Creates an income tax deduction for independent contractors for contributions they receive in a portable benefit account to the extent the amount is included in the independent contractor's adjusted gross income.
- Requires an add-back to an independent contractor's adjusted gross income if the independent contractor used money from the account for purposes other than permitted use.
- Exempts a hiring party from having to make any withholdings for contributions to a portable benefit account for an independent contractor who meets the definition of a payee. A payee is a nonresident contractor, an Individual Taxpayer Identification Number (ITIN) contractor, a person who fails to provide a taxpayer identification number, or a person who fails to provide a valid taxpayer identification number.
- Allows the Secretary of Revenue to request, no more than once per calendar year, information from a portable benefit provider, including a portable benefit account

owner's name, tax identification number, records of contributions and distributions from any portable benefit account owned by an account owner, and other information as deemed necessary for compliance purposes.

This section is effective January 1, 2027, and applies to taxable years beginning on or after that date.

Competitive Speech Debate and Grant Program – 2026 Budget Technical Corrections - II.

SL 2026-61 (H268), Sec. 3.26

Section 3.26 of S.L. 2026-61 (House Bill 268) enacts Section 7.64 of S.L. 2026-41 (Senate Bill 257) and establishes the Competitive Speech and Debate Team Grant Program (Grant Program) for the 2026-2027 school year to allow public schools serving students in grades 9 through 12 to form competitive speech and debate teams to participate in speech and debate competitions. Any public school unit that has a school that serves students in grades 9 through 12 is eligible to apply for a grant to develop, maintain, or expand a competitive speech and debate team.

The Department of Public Instruction (DPI) must administer the Grant Program by developing and publishing an application process. Applications must contain a proposed budget for the speech and debate team. DPI is directed to determine the amount of each award up to a maximum of \$10,000 per team per school year and must award grants to the selected applicants by October 31, 2026.

Awarded grants can be used for any of the following purposes:

- To provide stipends for coaches. However, each team award can only include two stipends, one lead team coach stipend of up to \$2,500 and one assistant team coach stipend of \$1,500.
- To make payments associated with participation in a speech and debate league or competition.
- To travel to and from speech and debate competitions.

Speech and debate teams receiving funds through the Grant Program are required to participate in the Tarheel Forensic League and the National Speech and Debate Association.

If a student is enrolled in a school that does not offer a speech and debate team, the student is eligible to participate on the speech and debate team at the public school located geographically closest to where the student resides that has a team and is participating in the Grant Program. A student joining a team under this provision is responsible for transportation to and from the school where the team meets.

A school can enforce guidelines for student participation on the speech and debate team, such as academic performance requirements. Furthermore, a speech and debate team can conduct a

selection process for the team as long as the student is able to participate in the selection process as if the student were enrolled in that school.

By May 15, 2027, DPI must report the following information to the Joint Legislative Education Oversight Committee and the Fiscal Research Division:

- The public school units that received grants and the amount of each grant.
- A description of how the grants were used.
- The public school units that applied for grants but did not receive one.
- The extent to which students participating in speech and debate programs funded by the Grant Program experienced measurable improvement in academic performance.
- Any other information DPI deems relevant to evaluating the impact and effectiveness of the Grant Program.

This section became effective July 1, 2026.

Sports Championship Events Incentive – 2026 Budget Technical Corrections - II.

SL 2026-61 (H268), Sec. 5.3

Section 5.3 of S.L. 2026-61 (House Bill 268) provides that the Piedmont Triad Charitable Foundation (Foundation) will receive \$10 million in nonrecurring funds for the 2026-2027 fiscal year as a directed grant from the Department of Commerce (Department) if the Foundation enters into (i) an agreement with the Department that meets certain requirements and (ii) an agreement with PGA TOUR, Inc. (PGA). The Department will receive funds from the Economic Development Project Reserve for the directed grant to the Foundation for securing the required qualifying events.

A "qualifying event" means a PGA Tour Championship Series Event that is held for the highest tier ranking of professional golfers who qualify through PGA qualifications from the previous year, that is held in the City of Greensboro, and that is in addition to any event meeting the same criteria held in the same year in the State.

The Department and the Foundation must enter into a binding agreement, which constitutes a continuing contractual obligation of the State and the Foundation, for hosting at least four annual, consecutive qualifying events. The PGA must also enter into a binding agreement with the Foundation requiring the PGA to hold at least four annual, consecutive qualifying events. All qualifying events must be held after January 1, 2028, and before December 31, 2031.

The agreement between the Department and Foundation must do the following:

- Include the performance criteria, remedies, and other safeguards required by the Department to secure the State's benefit derived from holding the required qualifying events.

- Require the Foundation to repay a proportionate amount of the directed grant if the Foundation fails to meet and maintain the applicable performance criteria on which the directed grant was based.

If the requirements of the agreement continue to be met, the section states that it is the intent of the General Assembly to appropriate additional funds in future acts of the General Assembly in the amount of \$30 million over an additional three fiscal years to continue holding qualifying events.

The Foundation must report to the Department annually on June 1 of each year following the year the agreement is entered into on the qualifying events that have been fulfilled. This report can cease in the year after the year in which the Foundation reports all such qualifying event requirements have been fulfilled.

On September 1 of each year that requirements set forth in the agreement remain unfulfilled, the Department must report to the committees or subcommittees responsible for appropriations for natural and economic resources in both the House of Representatives and the Senate, to the Joint Legislative Economic Development and Global Engagement Oversight Committee, and to the Fiscal Research Division. The report must include an executive summary of the performance criteria, remedies, and safeguards required by the Department, a description of the current status of the project, the amount of grant paid under the agreement, and the number and classification of events required and held in this State.

This section became effective July 1, 2026.

Relief at the Pump.

SL 2026-62 (H3)

S.L. 2026-62 does the following:

- Effective October 10, 2026, immediately suspend through November 30, 2026, the motor fuel tax on all motor fuels, including gasoline, diesel, and alternative fuel. The Department of Revenue and the Department of Agriculture and Consumer Services must notify affected parties as soon as practicable.
- Require that the full benefit of the suspension be passed on to the ultimate purchaser of motor fuel. However, no retailer is required to reduce the price per gallon of motor fuel if the retailer's cost already includes the motor fuel tax because the tax accrued prior to the effective date of the suspension.
- Hold harmless the funds and accounts that would otherwise receive the motor fuel tax proceeds by directing the State Controller to transfer, on a monthly basis, those amounts from the Inflation Reserve.
- Effective October 9, 2026, through December 31, 2026, waive the enforcement of the civil and criminal penalties applicable to a person who uses dyed diesel fuel in a highway vehicle if the use is for farming or agricultural purposes. For purposes of this waiver, farming or agricultural purposes includes crop cultivation, livestock rearing, forestry,

aquaculture, and related agribusiness activities. This waiver aligns with the civil penalty relief that the Governor directed the Department of Revenue to provide.

- For the period beginning October 1, 2026, through December 31, 2026, exempt from motor fuel tax the use of dyed diesel used to operate a highway vehicle by farmers, commercial loggers, commercial fishermen, and wildlife managers if those individuals have been issued a sales tax exemption certificate by the Department of Revenue.
- Direct the Secretary of Revenue to disregard the suspension of the motor fuel tax when setting the motor fuel tax rate that becomes effective on January 1, 2027, to the extent the rate is an adjustment of the rate from the preceding calendar year.

Except as otherwise provided, this act became effective October 9, 2026.