

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1999

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HOUSE BILL 1433
Committee Substitute Favorable 6/22/99

Short Title: Use Tax Payment/Other Changes.

(Public)

Sponsors:

Referred to:

April 29, 1999

A BILL TO BE ENTITLED

AN ACT TO PROVIDE FOR INDIVIDUALS TO PAY THEIR ANNUAL USE TAX WITH THEIR INCOME TAX FORMS, TO PROMOTE ELECTRONIC FILING, AND TO IMPROVE TAX COLLECTION.

The General Assembly of North Carolina enacts:

Section 1. G.S. 105-164.16(d) reads as rewritten:

"(d) Use Tax on Out-of-State Purchases. ~~Notwithstanding subsection (b), Use tax payable by an individual who purchases tangible personal property outside the State for a nonbusiness purpose shall file a use tax return is due on an annual basis. The For an individual who is not required to file an individual income tax return under Part 2 of Article 4 of this Chapter, the annual reporting period ends on the last day of the calendar year. The return is due by the due date, including any approved extensions, for filing the individual's income tax return.~~ year and a use tax return is due by the following April 15. For an individual who is required to file an individual income tax return, the annual reporting period ends on the last day of the individual's income tax year, and the use tax must be paid on the income tax return as provided in G.S. 105-269.14."

Section 2. Article 9 of Chapter 105 of the General Statutes is amended by adding a new section to read:

"§ 105-269.14. Payment of use tax with individual income tax.

1 (a) Requirement. – An individual who owes use tax that is payable on an annual
2 basis pursuant to G.S. 105-164.16(d) and who is required to file an individual income tax
3 return under Part 2 of Article 4 of this Chapter must pay the use tax with the individual
4 income tax return for the taxable year. The Secretary must provide appropriate space and
5 information on the individual income tax form and instructions. The information must
6 include the following:

7 (1) An explanation of an individual's obligation to pay use tax on items
8 purchased from mail order, Internet, or other sellers that do not collect
9 State and local sales and use taxes on the items.

10 (2) A method to help an individual determine the amount of use tax the
11 individual owes. The method must list categories of items, such as
12 personal computers and clothing, that are commonly sold by mail order
13 or Internet and must include a table that gives the average amounts of
14 use tax payable by taxpayers in various income ranges.

15 (b) Distribution. – The Secretary must distribute one-third of the net use tax
16 proceeds collected under this section to counties and cities in proportion to their total
17 distributions under Articles 39, 40, and 42 of this Chapter and Chapter 1096 of the 1967
18 Session Laws for the most recent period for which data is available. The provisions of
19 G.S. 105-472, 105-486, and 105-501 do not apply to tax proceeds distributed under this
20 section."

21 Section 3. To pay for the costs of programming, form revision, and resources
22 for taxpayer assistance to implement Sections 1 and 2 of this act, the Secretary of
23 Revenue may draw up to one hundred fifty thousand dollars (\$150,000) for the 1999-
24 2000 fiscal year from net collections that would otherwise be credited to the General
25 Fund under G.S. 105-269.14, enacted by Section 2 of this act.

26 Section 4. During the 1999-2000 fiscal year, the Secretary of Revenue shall
27 implement a program to allow those taxpayers required under G.S. 105-164.16 to report
28 and pay sales and use taxes on a semimonthly basis to file the semimonthly return
29 electronically. To pay for this program, the Secretary may draw up to five hundred
30 thousand dollars (\$500,000) for the 1999-2000 fiscal year from net collections that would
31 otherwise be credited to the General Fund under G.S. 105-269.14, enacted by Section 2
32 of this act.

33 Section 5.(a) The Secretary of Revenue shall contract during the 1999-2001
34 fiscal biennium for the collection of delinquent tax debts owed by nonresidents and
35 foreign entities. To implement this section, the Secretary may draw funds for the 1999-
36 2000 fiscal year from net collections that would otherwise be credited to the General
37 Fund under G.S. 105-269.14, enacted by Section 2 of this act. The Secretary of Revenue
38 shall report annually to the Revenue Laws Study Committee on its collections pursuant to
39 this contract during the biennium.

40 Section 5.(b) The following definitions apply in this section:

41 (1) Delinquent tax debt. – The amount of tax due as stated in a final notice
42 of assessment issued to the taxpayer by the Secretary of Revenue when
43 the taxpayer no longer has a right to contest the debt.

- 1 (2) Foreign entity. – A foreign corporation as defined in G.S. 55-1-40, a
2 foreign limited liability company as defined in G.S. 57C-1-03, a foreign
3 limited partnership as defined in G.S. 59-102, or a general partnership
4 formed under the laws of a jurisdiction other than this State.

5 Section 6. The Department of Revenue shall conduct a study to identify and
6 evaluate proposals for more efficient collection of taxes, including using electronic
7 commerce and other technology to increase efficiency. The study shall include an
8 analysis of the most efficient tax collection methods used in other states. The State
9 Controller shall cooperate with the Department of Revenue in this study. The
10 Department shall report the results of its study, including findings, recommendations, and
11 estimated revenue gains of each recommendation, to the Revenue Laws Study Committee
12 by May 1, 2000. To implement this section, the Secretary of Revenue may draw up to
13 fifty thousand dollars (\$50,000) for the 1999-2000 fiscal year from net collections that
14 would otherwise be credited to the General Fund under G.S. 105-269.14, enacted by
15 Section 2 of this act.

16 Section 7. Article 3 of Chapter 143 of the General Statutes is amended by
17 adding a new section to read:

18 **"§ 143-59.1. Contracts with certain foreign vendors.**

19 The Secretary of Administration and other entities to which this Article applies shall
20 not contract for goods or services with a vendor if the vendor or an affiliate of the vendor
21 meets one or more of the conditions of G.S. 105-164.8(b) but refuses to collect the
22 use tax levied under Article 5 of Chapter 105 of the General Statutes on its sales
23 delivered to North Carolina. The Secretary of Revenue shall provide the Secretary of
24 Administration periodically with a list of vendors to which this section applies. For the
25 purpose of this section, the term 'affiliate' has the meaning provided in G.S. 105-
26 163.010."

27 Section 8. G.S. 105-259(b) is amended by adding two new subdivisions to
28 read:

29 "(22) To provide the Secretary of Administration pursuant to G.S. 143-
30 59.1 a list of vendors and their affiliates who meet one or more of
31 the conditions of G.S. 105-164.8(b) but refuse to collect the use tax
32 levied under Article 5 of this Chapter on their sales delivered to
33 North Carolina.

34 "(23) To provide public access to a database containing the names and
35 account numbers of taxpayers who are not required to pay sales and
36 use taxes under Article 5 of this Chapter to a retailer because of an
37 exemption or because they are authorized to pay the tax directly to
38 the Department of Revenue."

39 Section 9. Sections 1 and 2 of this act are effective for taxable years beginning
40 on or after January 1, 1999. The remainder of this act becomes effective July 1, 1999.