

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2007

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SENATE BILL 2106  
Finance Committee Substitute Adopted 6/12/08

Short Title: Clarify Sales Tax Refund.

(Public)

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Sponsors:

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Referred to:

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May 28, 2008

1 A BILL TO BE ENTITLED  
2 AN ACT TO CLARIFY SALES AND USE TAX REFUNDS FOR NONPROFIT  
3 ENTITIES.

4 The General Assembly of North Carolina enacts:

5 SECTION 1. G.S. 105-164.14(b) reads as rewritten:

6 "§ 105-164.14. **Certain refunds authorized.**

7 (b) Nonprofit Entities and Hospital Drugs. – A nonprofit entity included in the  
8 following list is allowed a semiannual refund of sales and use taxes paid by it under this  
9 Article on direct purchases of tangible personal property and services, other than  
10 electricity, telecommunications service, and ancillary service, for use in carrying on the  
11 work of the nonprofit entity:

12 (1) Hospitals not operated for profit, including hospitals and medical  
13 accommodations operated by an authority created under the Hospital  
14 Authorities Law, Article 2 of Chapter 131E of the General Statutes.

15 (2) ~~Educational institutions not operated for profit.~~ An organization that is  
16 exempt from income tax under section 501(c)(3) of the Code, other  
17 than an organization that is properly classified in any of the following  
18 major group areas of the National Taxonomy of Exempt Entities:

19 a. Community Improvement and Capacity Building.

20 b. Public and Societal Benefit.

21 c. Mutual and Membership Benefit.

22 (3) ~~Churches, orphanages, and other charitable or religious institutions and~~  
23 ~~organizations not operated for profit.~~

24 (4) Qualified retirement facilities whose property is excluded from  
25 property tax under G.S. 105-278.6A.

26 Sales and use tax liability indirectly incurred by a nonprofit entity on building  
27 materials, supplies, fixtures, and equipment that become a part of or annexed to any  
28 building or structure that is owned or leased by the nonprofit entity and is being erected,  
29 altered, or repaired for use by the nonprofit entity for carrying on its nonprofit activities

1 is considered a sales or use tax liability incurred on direct purchases by the nonprofit  
2 entity.

3 A hospital that is not allowed a refund under this subsection of sales and use taxes  
4 paid on its direct purchases of tangible personal property is allowed a semiannual refund  
5 of sales and use taxes paid by it on medicines and drugs purchased for use in carrying  
6 out its work.

7 The refunds allowed under this subsection for certain nonprofit entities and for  
8 medicines and drugs purchased by hospitals do not apply to organizations, corporations,  
9 and institutions that are owned and controlled by the United States, the State, or a unit  
10 of local government, except hospital facilities created under Article 2 of Chapter 131E  
11 of the General Statutes and nonprofit hospitals owned and controlled by a unit of local  
12 government that elect to receive semiannual refunds under this subsection instead of  
13 annual refunds under subsection (c).

14 A request for a refund must be in writing and must include any information and  
15 documentation required by the Secretary. A request for a refund for the first six months  
16 of a calendar year is due the following October 15; a request for a refund for the second  
17 six months of a calendar year is due the following April 15."

18 **SECTION 2.** This act becomes effective July 1, 2008, and applies to  
19 purchases made on or after that date.