

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2013

H

4

HOUSE BILL 14*
Committee Substitute Favorable 6/27/13
Third Edition Engrossed 7/9/13
Senate Finance Committee Substitute Adopted 7/16/13

Short Title: Rev Laws Technical, Clarifying, & Admin. Chg.

(Public)

Sponsors:

Referred to:

January 31, 2013

1 A BILL TO BE ENTITLED
2 AN ACT TO MAKE TECHNICAL, CLARIFYING, AND ADMINISTRATIVE CHANGES
3 TO THE REVENUE LAWS AND RELATED STATUTES, AS RECOMMENDED BY
4 THE REVENUE LAWS STUDY COMMITTEE.

5 The General Assembly of North Carolina enacts:

6
7 **REVENUE LAWS RECOMMENDATIONS**

8 **SECTION 1.(a)** G.S. 105-116(b) reads as rewritten:

9 "(b) ~~Report-Return~~ and Payment. – The tax imposed by this section is payable quarterly
10 or monthly as specified in this subsection. A return is due quarterly.

11 A water company or public sewerage company must pay tax quarterly when filing a return.
12 An electric power company must pay tax in accordance with the schedule and requirements that
13 apply to payments of sales and use tax under G.S. 105-164.16 and must file a return quarterly.

14 A quarterly return covers a calendar quarter and is due by the last day of the month that
15 follows the quarter covered by the return. A taxpayer must submit a return on a form provided
16 by the Secretary. The return must include the taxpayer's gross receipts from all property it
17 owned or operated during the reporting period in connection with its business taxed under this
18 section. A taxpayer must report its gross receipts on an accrual basis. A return must contain the
19 following information:

- 20 (1) The taxpayer's gross receipts for the reporting period from business inside
21 and outside this State, stated separately.
- 22 (2) The taxpayer's gross receipts from commodities or services described in
23 subsection (a) that are sold to a vendee subject to the tax levied by this
24 section or to a joint agency established under Chapter 159B of the General
25 Statutes or a city having an ownership share in a project established under
26 that Chapter.
- 27 (3) The amount of and price paid by the taxpayer for commodities or services
28 described in subsection (a) that are purchased from others engaged in
29 business in this State and the name of each vendor.
- 30 (4) For an electric power company the entity's gross receipts from the sale
31 within each city of the commodities and services described in subsection
32 (a)."

33 **SECTION 1.(b)** G.S. 105-120.2 reads as rewritten:

34 "§ 105-120.2. Franchise or privilege tax on holding companies.



1 (a) Every corporation, domestic and foreign, incorporated or, by an act, domesticated
 2 under the laws of this State or doing business in this State ~~which, that,~~ at the close of its taxable
 3 ~~year-year,~~ is a holding company as defined in subsection (c) of this section, shall, pursuant to
 4 the provisions of ~~G.S. 105-122;~~G.S. 105-122, do all of the following:

5 (1) ~~Make a report and statement, and~~File a return.

6 (2) Determine the total amount of its issued and outstanding capital stock,
 7 surplus and undivided ~~profits, and~~profits.

8 (3) Apportion such outstanding capital stock, surplus and undivided profits to
 9 this State.

10 (b) (1) Every corporation taxed under this section shall annually pay to the
 11 Secretary of Revenue, at the time the ~~report and statement are~~return is due, a
 12 franchise or privilege tax, ~~which is hereby levied,~~tax at the rate of one dollar
 13 and fifty cents (\$1.50) per one thousand dollars (\$1,000) of the amount
 14 determined under subsection (a) of this section, but in no case shall the tax
 15 be more than seventy-five thousand dollars (\$75,000) nor less than
 16 thirty-five dollars (\$35.00).

17 (2) Notwithstanding the provisions of subdivision (1) of this subsection, if the
 18 tax produced pursuant to application of this paragraph (2) exceeds the tax
 19 produced pursuant to application of subdivision (1), then the tax ~~shall be~~is
 20 levied at the rate of one dollar and fifty cents (\$1.50) per one thousand
 21 dollars (\$1,000) on the greater of the ~~amounts of~~following:

22 a. Fifty-five percent (55%) of the appraised value as determined for ad
 23 valorem taxation of all the real and tangible personal property in this
 24 State of each such corporation plus the total appraised value of
 25 intangible property returned for taxation of intangible personal
 26 property as computed under ~~G.S. 105-122(d); or~~G.S. 105-122(d).

27 b. The total actual investment in tangible property in this State of such
 28 corporation as computed under G.S. 105-122(d).

29"

30 **SECTION 1.(c)** G.S. 105-122 reads as rewritten:

31 **"§ 105-122. Franchise or privilege tax on domestic and foreign corporations.**

32 ...
 33 (d) After determining the proportion of its total capital stock, surplus and undivided
 34 profits as set out in subsection ~~(e)~~(c1) of this section, which amount shall not be less than
 35 fifty-five percent (55%) of the appraised value as determined for ad valorem taxation of all the
 36 real and tangible personal property in this State of each corporation nor less than its total actual
 37 investment in tangible property in this State, every corporation taxed under this section shall
 38 annually pay to the Secretary of Revenue, at the time the ~~report and statement are~~return is due,
 39 a franchise or privilege tax at the rate of one dollar and fifty cents (\$1.50) per one thousand
 40 dollars (\$1,000) of the total amount of capital stock, surplus and undivided profits as provided
 41 in this section. The tax imposed in this section shall not be less than thirty-five dollars (\$35.00)
 42 and ~~shall be~~is for the privilege of carrying on, doing business, and/or the continuance of
 43 articles of incorporation or domestication of each corporation in this State. Appraised value of
 44 tangible property including real estate is the ad valorem valuation for the calendar year next
 45 preceding the due date of the franchise tax return. The term "total actual investment in tangible
 46 property" as used in this section means the total original purchase price or consideration to the
 47 reporting taxpayer of its tangible properties, including real estate, in this State plus additions
 48 and improvements thereto less reserve for depreciation as permitted for income tax purposes,
 49 and also less any indebtedness incurred and existing by virtue of the purchase of any real estate
 50 and any permanent improvements made thereon. In computing "total actual investment in
 51 tangible personal property" ~~there shall also be deducted~~a corporation may deduct reserves for

1 the entire cost of any air-cleaning device or sewage or waste treatment plant, including waste
2 lagoons, and pollution abatement equipment purchased or constructed and installed which
3 reduces the amount of air or water pollution resulting from the emission of air contaminants or
4 the discharge of sewage and industrial wastes or other polluting materials or substances into the
5 outdoor atmosphere or into streams, lakes, or rivers, upon condition that the corporation
6 claiming this deduction shall furnish to the Secretary a certificate from the Department of
7 Environment and Natural Resources or from a local air pollution control program for
8 air-cleaning devices located in an area where the Environmental Management Commission has
9 certified a local air pollution control program pursuant to G.S. 143-215.112 certifying that said
10 Department or local air pollution control program has found as a fact that the air-cleaning
11 device, waste treatment plant or pollution abatement equipment purchased or constructed and
12 installed as above described has actually been constructed and installed and that the device,
13 plant or equipment complies with the requirements of the Environmental Management
14 Commission or local air pollution control program with respect to the devices, plants or
15 equipment, that the device, plant or equipment is being effectively operated in accordance with
16 the terms and conditions set forth in the permit, certificate of approval, or other document of
17 approval issued by the Environmental Management Commission or local air pollution control
18 program and that the primary purpose is to reduce air or water pollution resulting from the
19 emission of air contaminants or the discharge of sewage and waste and not merely incidental to
20 other purposes and functions. The cost of constructing facilities of any private or public utility
21 built for the purpose of providing sewer service to residential and outlying areas is treated as
22 deductible for the purposes of this section; the deductible liability allowed by this section ~~shall~~
23 ~~apply~~ applies only with respect to pollution abatement plants or equipment constructed or
24 installed on or after January 1, 1955.

25 ...

26 (f) The ~~report, statement~~ return and tax required by this section ~~shall be~~ are in addition
27 to all other reports required or taxes levied and assessed in this State.

28"

29 **SECTION 1.(d)** G.S. 105-127(a) reads as rewritten:

30 "(a) Every corporation, domestic or foreign, that is required to file a return with the
31 Secretary from which a report is required by law to be made to the Secretary of Revenue, shall,
32 unless otherwise provided, pay annually to said Secretary ~~annually~~ the franchise tax as required
33 by G.S. 105-122."

34 **SECTION 1.(e)** G.S. 105-134.2(b) reads as rewritten:

35 "(b) In lieu of the tax imposed by subsection (a) of this section, there is imposed for each
36 taxable year upon the North Carolina taxable income of every individual a tax determined
37 under tables, applicable to the taxable year, which may be prescribed by the Secretary. The
38 amounts of the tax determined under the tables shall be computed on the basis of the rates
39 prescribed by subsection (a) of this section. This subsection does not apply to an individual
40 ~~making filing~~ a return under section 443(a)(1) of the Code for a period of less than 12 months
41 on account of a change in the individual's annual accounting period, or to an estate or trust. The
42 tax imposed by this subsection shall be treated as the tax imposed by subsection (a) of this
43 section."

44 **SECTION 1.(f)** G.S. 105-164.19 reads as rewritten:

45 "**§ 105-164.19. Extension of time for making returns and payment.**

46 The Secretary for good cause may extend the time for ~~making filing~~ any return under the
47 provisions of this Article and may grant ~~such~~ additional time within which to ~~make such file the~~
48 return as he may deem ~~proper~~ proper, but the time for filing any ~~such~~ return shall not be
49 extended for more than 30 days after the regular due date of ~~such~~ the return. If the time for
50 filing a return ~~be~~ is extended, interest accrues at the rate established pursuant to

1 G.S. 105-241.21 from the time the return was due to be filed to the date of payment.~~payment~~
2 ~~shall be added and paid."~~

3 **SECTION 1.(g)** G.S. 105-164.30 reads as rewritten:

4 "**§ 105-164.30. Secretary or agent may examine books, etc.**

5 For the purpose of enforcing the collection of the tax levied by this Article, the Secretary or
6 his duly authorized agent is ~~hereby specifically authorized and empowered~~ to examine at all
7 reasonable hours during the day the books, papers, records, documents or other data of all
8 retailers or wholesale merchants bearing upon the correctness of any return or for the purpose
9 of ~~making~~ filing a return where none has been made as required by this Article, and may
10 require the attendance of any person and take his testimony with respect to any such matter,
11 with power to administer oaths to such person or persons. If any person summoned as a witness
12 ~~shall fail~~ fails to obey any summons to appear before the Secretary or his authorized agent, or
13 ~~shall refuse~~ refuses to testify or answer any material question or to produce any book, record,
14 paper, or other data when required to do so, ~~such~~ the Secretary or his authorized agent shall
15 report the failure or refusal ~~shall be reported~~ to the Attorney General or the district solicitor,
16 who shall thereupon institute proceedings in the superior court of the county where ~~such~~ the
17 witness resides to compel obedience to any summons of the Secretary or his authorized agent.
18 Officers who serve summonses or subpoenas, and witnesses attending, shall receive like
19 compensation as officers and witnesses in the superior courts, to be paid from the proper
20 appropriation for the administration of this Article.

21 In the event any retailer or wholesale merchant ~~shall fail or refuse~~ fails or refuses to permit
22 ~~examination of the Secretary or his authorized agent to examine~~ his books, papers, accounts,
23 records, documents or other ~~data by the Secretary or his authorized agents as aforesaid, data,~~
24 the Secretary ~~shall have the power to proceed by citing said~~ may require the retailer or
25 wholesale merchant to show cause before the superior court of the county in which said
26 taxpayer resides or has its principal place of business as to why ~~such~~ the books, records, papers,
27 or documents should not be examined and ~~said~~ the superior court shall have jurisdiction to
28 enter an order requiring the production of all necessary books, records, papers, or documents
29 and to punish for contempt any person who violates the order.~~of such order any person~~
30 ~~violating the same."~~

31 **SECTION 1.(h)** G.S. 105-236(a)(9) reads as rewritten:

32 "(9) Willful Failure to File Return, Supply Information, or Pay Tax. – Any
33 person required to pay any tax, to ~~make~~ file a return, to keep any records, or
34 to supply any information, who willfully fails to pay the tax, ~~make~~ file the
35 return, keep the records, or supply the information, at the time or times
36 required by law, or rules issued pursuant thereto, ~~shall~~ is, in addition to
37 other penalties provided by law, ~~be~~ guilty of a Class 1 misdemeanor.
38 Notwithstanding any other provision of law, no prosecution for a violation
39 brought under this subdivision ~~shall be~~ is barred before the expiration of six
40 years after the date of the violation."

41 **SECTION 1.(i)** G.S. 105-258(a) reads as rewritten:

42 "(a) Secretary May Examine Data and Summon Persons. – The Secretary of
43 ~~Revenue~~.Revenue is authorized to do any of the following for the purpose of ascertaining the
44 correctness of any return, ~~making~~ filing a return where none has been ~~made,~~ filed, or
45 determining the liability of any person for a tax, or collecting any ~~tax:~~ such tax, ~~shall have the~~
46 ~~power~~

47 (1) ~~to examine,~~ Examine, personally, or by an agent designated by him, any
48 books, papers, records, or other data ~~which~~ that may be relevant or material
49 to ~~such inquiry,~~ and the Secretary may the inquiry.

50 (2) ~~summon~~ Summon any of the following persons to appear at a time and place
51 named in the summons, to produce such books, papers, records, or other

1 data, and to give such testimony under oath as may be relevant or material to
 2 the inquiry:

3 a. ~~the~~ Any person liable for the tax or required to perform the act, or
 4 any officer or employee of such person, or any person.

5 b. Any person having possession, custody, care or control of books of
 6 account containing entries relevant or material to the income and
 7 expenditures of the person liable for the tax or required to perform
 8 the act, or any other person having knowledge in the
 9 premises, premises, to appear before the Secretary, or his agent, at a
 10 time and place named in the summons, and to produce such books,
 11 papers, records or other data, and to give such testimony under oath
 12 as may be relevant or material to such inquiry, and the Secretary or
 13 his agent may

14 (3) administer Administer oaths to such person or persons. the persons listed in
 15 this subsection.

16 (4) If any person so summoned refuses to obey such summons or to give
 17 testimony when summoned, the Secretary may apply Apply to the Superior
 18 Court of Wake County for an order requiring such person or persons to
 19 comply with the summons of the Secretary, and the failure any person who
 20 refuses to obey the summons or to give testimony when summoned. Failure
 21 to comply with such the court order shall be punished as for contempt."

22 **SECTION 1.(j)** G.S. 105-263(b) reads as rewritten:

23 "(b) Extension. – The Secretary may extend the time in which a person must file a ~~report~~
 24 ~~or~~ return with the Secretary. To obtain an extension of time for filing a ~~report or~~ return, a
 25 person must comply with any application requirement set by the Secretary. An extension of
 26 time for filing a franchise tax return or an income tax return does not extend the time for paying
 27 the tax due or the time when a penalty attaches for failure to pay the tax. An extension of time
 28 for filing a ~~report or~~ any return other than a franchise tax return or an income tax return extends
 29 the time for paying the tax due and the time when a penalty attaches for failure to pay the tax.
 30 When an extension of time for filing a ~~report or~~ return extends the time for paying the tax
 31 expected to be due with the ~~report or~~ return, interest, at the rate established pursuant to
 32 G.S. 105-241.21, accrues on the tax due from the original due date of the ~~report or~~ return to the
 33 date the tax is paid."

34 **SECTION 2.(a)** G.S. 105-122(c1) reads as rewritten:

35 "(c1) Apportionment. – A corporation that is doing business in this State and in one or
 36 more other states must apportion its capital stock, surplus, and undivided profits to this State. A
 37 corporation must use the apportionment method set out in subdivision (1) of this subsection
 38 unless the Department has authorized it to use a different method under subdivision (2) of this
 39 subsection. The portion of a corporation's capital stock, surplus, and undivided profits
 40 determined by applying the appropriate apportionment method is considered the amount of
 41 capital stock, surplus, and undivided profits the corporation uses in its business in this State.

42 ...
 43 (2) Alternative. – A corporation that believes the statutory apportionment
 44 method set out in subdivision (1) of this subsection subjects a greater portion
 45 of its capital stock, surplus, and undivided profits to tax under this section
 46 than is attributable to its business in this State may make a written request to
 47 the Secretary for permission to use an alternative method. The request must
 48 set out the reasons for the corporation's belief and propose an alternative
 49 method. The corporation has the burden of establishing by clear, cogent, and
 50 convincing proof that the statutory apportionment method subjects a greater
 51 portion of the corporation's capital stock, surplus, and undivided profits to

1 tax under this section than is attributable to its business in this State and that
2 the proposed alternative method is a better method of determining the
3 amount of the corporation's capital stock, surplus, and undivided profits
4 attributable to the corporation's business in this State.

5 The Secretary must issue a written decision on a corporation's request for
6 an alternative apportionment method. If the decision grants the request, it
7 must describe the alternative method the corporation is authorized to use and
8 state the tax years to which the alternative method applies. A decision may
9 apply to no more than three tax years, ~~unless the provisions of subdivision~~
10 ~~(3) of this subsection applies.~~ years. A corporation may renew a request to
11 use an alternative apportionment method by following the procedure in this
12 subdivision. A decision of the Secretary on a request for an alternative
13 apportionment method is final and is not subject to administrative or judicial
14 review. A corporation authorized to use an alternative method may apportion
15 its capital stock, surplus, and undivided profits in accordance with the
16 alternative method or the statutory method."

17 **SECTION 2.(b)** G.S. 105-130.4(t1) reads as rewritten:

18 "(t1) Alternative Apportionment Method. – A corporation that believes the statutory
19 apportionment method that otherwise applies to it under this section subjects a greater portion
20 of its income to tax than is attributable to its business in this State may make a written request
21 to the Secretary for permission to use an alternative method. The request must set out the
22 reasons for the corporation's belief and propose an alternative method.

23 The statutory apportionment method that otherwise applies to a corporation under this
24 section is presumed to be the best method of determining the portion of the corporation's
25 income that is attributable to its business in this State. A corporation has the burden of
26 establishing by clear, cogent, and convincing proof that the proposed alternative method is a
27 better method of determining the amount of the corporation's income attributable to the
28 corporation's business in this State.

29 The Secretary must issue a written decision on a corporation's request for an alternative
30 apportionment method. If the decision grants the request, it must describe the alternative
31 method the corporation is authorized to use and state the tax years to which the alternative
32 method applies. A decision may apply to no more than three tax years, ~~unless the provisions of~~
33 ~~subsection (t2) of this section apply.~~ years. A corporation may renew a request to use an
34 alternative apportionment method by following the procedure in this subsection. A decision of
35 the Secretary on a request for an alternative apportionment method is final and is not subject to
36 administrative or judicial review. A corporation authorized to use an alternative method may
37 apportion its income in accordance with the alternative method or the statutory method. A
38 corporation may not use an alternative apportionment method except upon written order of the
39 Secretary, and any return in which any alternative apportionment method, other than the
40 method prescribed by statute, is used without permission of the Secretary is not a lawful
41 return."

42 **SECTION 3.** G.S. 105-163.41(c) reads as rewritten:

43 "(c) The period of the underpayment ~~shall run~~ runs from the date the installment was
44 required to be paid to the earlier of:

- 45 (1) The 15th day of the ~~3rd~~ fourth month following the close of the taxable year,
46 or
- 47 (2) With respect to any portion of the underpayment, the date on which the
48 portion is paid. An installment payment of estimated tax ~~shall be is~~
49 considered a payment of any previous underpayment only to the extent the
50 payment exceeds the amount of the installment determined under
51 subdivision (1) of subsection (b) for that installment date."

1 **SECTION 4.** G.S. 105-129.84(c) reads as rewritten:

2 "(c) Carryforward. – Unless a longer carryforward period applies, any unused portion of
3 a credit allowed under G.S. 105-129.87 or G.S. 105-129.88 may be carried forward for the
4 succeeding five years, and any unused portion of a credit allowed under G.S. 105-129.89 may
5 be carried forward for the succeeding 15 years. If the Secretary of Commerce makes a written
6 determination that the taxpayer is expected to purchase or lease, and place in service in
7 connection with an eligible business within a two-year period, at least one hundred fifty million
8 dollars (\$150,000,000) worth of business and real property, any unused portion of a credit
9 under this Article with respect to the establishment that satisfies that condition may be carried
10 forward for the succeeding 20 years. If the taxpayer does not make the required level of
11 investment, the taxpayer shall apply the ~~five-year~~ standard carryforward period rather than the
12 20-year carryforward period."

13 **SECTION 5.(a)** G.S. 105-134.6 reads as rewritten:

14 "**§ 105-134.6. Modifications to adjusted gross income.**

15 ...
16 (b) Other Deductions. – In calculating North Carolina taxable income, a taxpayer may
17 deduct any of the following items to the extent those items are included in the taxpayer's
18 adjusted gross income.

19 ...
20 (17b) An amount equal to twenty percent (20%) of the amount added to ~~federal~~
21 ~~taxable income as accelerated depreciation~~ under subdivision (c)(8b) of this
22 section. For the amount added to taxable income in the 2010 taxable year,
23 the deduction allowed by this subdivision applies to the first five taxable
24 years beginning on or after January 1, 2011. For the amount added to taxable
25 income in the 2011 taxable year, the deduction allowed by this subdivision
26 applies to the first five taxable years beginning on or after January 1, 2012.
27 For the amount added to ~~taxable~~ adjusted gross income in the 2012 taxable
28 year, the deduction allowed by this subdivision applies to the first five
29 taxable years beginning on or after January 1, 2013.

30 ...
31 (d) Other Adjustments. – In calculating North Carolina taxable income, a taxpayer must
32 make the following adjustments to adjusted gross income.

33 (1) The amount of inheritance or estate tax attributable to an item of income in
34 respect of a decedent required to be included in gross income under the
35 Code, adjusted as provided in G.S. 105-134.5, 105-134.6, and
36 ~~105-134.7, 105-134.6A,~~ may be deducted in the year the item of income is
37 included. The amount of inheritance or estate tax attributable to an item of
38 income in respect of a decedent is (i) the amount by which the inheritance or
39 estate tax paid under Article 1 or 1A of this Chapter on property transferred
40 to a beneficiary by a decedent exceeds the amount of the tax that would have
41 been payable by the beneficiary if the item of income in respect of a
42 decedent had not been included in the property transferred to the beneficiary
43 by the decedent, (ii) multiplied by a fraction, the numerator of which is the
44 amount required to be included in gross income for the taxable year under
45 the Code, adjusted as provided in G.S. 105-134.5, 105-134.6, and ~~105-134.7,~~
46 105-134.6A, and the denominator of which is the total amount of income in
47 respect of a decedent transferred to the beneficiary by the decedent. For an
48 estate or trust, the deduction allowed by this subdivision shall be computed
49 by excluding from the gross income of the estate or trust the portion, if any,
50 of the items of income in respect of a decedent that are properly paid,
51 credited, or to be distributed to the beneficiaries during the taxable year.

1 The Secretary may provide to a beneficiary of an item of income in
2 respect of a decedent any information contained on an inheritance or estate
3 tax return that the beneficiary needs to compute the deduction allowed by
4 this subdivision.

- 5 ...
- 6 (3) The taxpayer shall add to ~~taxable-adjusted gross~~ income the amount of any
7 recovery during the taxable year not included in ~~taxable-adjusted gross~~
8 income, to the extent the taxpayer's deduction of the recovered amount in a
9 prior taxable year reduced the taxpayer's tax imposed by this Part but, due to
10 differences between the Code and this Part, did not reduce the amount of the
11 taxpayer's tax imposed by the Code. The taxpayer may deduct from ~~taxable~~
12 adjusted gross income the amount of any recovery during the taxable year
13 included in ~~taxable-adjusted gross~~ income under section 111 of the Code, to
14 the extent the taxpayer's deduction of the recovered amount in a prior taxable
15 year reduced the taxpayer's tax imposed by the Code but, due to differences
16 between the Code and this Part, did not reduce the amount of the taxpayer's
17 tax imposed by this Part.
- 18 (4) A taxpayer may deduct from ~~taxable-adjusted gross~~ income the amount, not
19 to exceed two thousand five hundred dollars (\$2,500), contributed to an
20 account in the Parental Savings Trust Fund of the State Education Assistance
21 Authority established pursuant to G.S. 116-209.25. In the case of a married
22 couple filing a joint return, the maximum dollar amount of the deduction is
23 five thousand dollars (\$5,000).
- 24 (5) The taxpayer shall add to ~~taxable-adjusted gross~~ income the amount
25 deducted ~~from taxable income~~ in a prior taxable year under subdivision (4)
26 of this subsection to the extent this amount was withdrawn from the Parental
27 Savings Trust Fund of the State Education Assistance Authority established
28 pursuant to G.S. 116-209.25 and not used to pay for the qualified higher
29 education expenses of the designated beneficiary, unless the withdrawal was
30 made without penalty under section 529 of the Code due to the death or
31 permanent disability of the designated beneficiary.
- 32 (6) A taxpayer who is an eligible firefighter or an eligible rescue squad worker
33 may deduct from ~~taxable-adjusted gross~~ income the sum of two hundred fifty
34 dollars (\$250.00). In the case of a married couple filing a joint return, each
35 spouse may qualify separately for the deduction allowed under this
36 subdivision. In order to claim the deduction allowed under this subdivision,
37 the taxpayer must submit with the tax return any documentation required by
38 the Secretary. An individual may not claim a deduction as both an eligible
39 firefighter and as an eligible rescue squad worker in a single taxable year.
40 The following definitions apply in this subdivision:
- 41 a. Eligible firefighter. – An unpaid member of a volunteer fire
42 department who attended at least 36 hours of fire department drills
43 and meetings during the taxable year.
- 44 b. Eligible rescue squad worker. – An unpaid member of a volunteer
45 rescue or emergency medical services squad who attended at least 36
46 hours of rescue squad training and meetings during the taxable year.

47 "

48 **SECTION 5.(b)** G.S. 105-151(a) reads as rewritten:

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

1 ...
2 (2) The fraction of the gross income, as calculated under the Code and adjusted
3 as provided in G.S. 105-134.6 and ~~G.S. 105-134.7~~, G.S. 105-134.6A, that is
4 subject to income tax in another state or country shall be ascertained, and the
5 North Carolina net income tax before credit under this section shall be
6 multiplied by that fraction. The credit allowed is either the product thus
7 calculated or the income tax actually paid the other state or country,
8 whichever is smaller.

9"

10 **SECTION 5.(c)** G.S. 105-151.11(c) reads as rewritten:

11 "(c) Limitations. – A nonresident or part-year resident who claims the credit allowed by
12 this section shall reduce the amount of the credit by multiplying it by the fraction calculated
13 under G.S. 105-134.5(b) or (c), as appropriate. No credit shall be allowed under this section for
14 amounts deducted ~~from gross income~~ in calculating North Carolina taxable income under the
15 Code. ~~income.~~ The credit allowed by this section may not exceed the amount of tax imposed by
16 this Part for the taxable year reduced by the sum of all credits allowable, except for payments
17 of tax made by or on behalf of the taxpayer."

18 **SECTION 5.(d)** G.S. 105-151.30(e) reads as rewritten:

19 "(e) No Double Benefit. – A taxpayer who claims a credit under this section must add
20 back to ~~taxable adjusted gross income~~ any amount deducted under G.S. 105-134.6(a2) ~~the Code~~
21 for the donation of the oyster shells."

22 **SECTION 5.(e)** G.S. 105-152 reads as rewritten:

23 **"§ 105-152. Income tax returns.**

24 ...

25 (c) Information Required With Return. – The income tax return shall show the ~~taxable~~
26 adjusted gross income and adjustments required by this Part and any other information the
27 Secretary requires. The Secretary may require some or all individuals required to file an income
28 tax return to attach to the return a copy of their federal income tax return for the taxable year.
29 The Secretary may require a taxpayer to provide the Department with copies of any other return
30 the taxpayer has filed with the Internal Revenue Service and to verify any information in the
31 return.

32 (d) Secretary May Require Additional Information. – When the Secretary has reason to
33 believe that any taxpayer conducts a trade or business in a way that directly or indirectly
34 distorts the taxpayer's ~~taxable adjusted gross income~~ or North Carolina taxable income, the
35 Secretary may require any additional information for the proper computation of the taxpayer's
36 ~~taxable adjusted gross~~ income and North Carolina taxable income. In computing the taxpayer's
37 ~~taxable adjusted gross~~ income and North Carolina taxable income, the Secretary shall consider
38 the fair profit that would normally arise from the conduct of the trade or business.

39"

40 **SECTION 5.(f)** G.S. 105-160.1 reads as rewritten:

41 **"§ 105-160.1. Definitions.**

42 The definitions provided in Part 2 of this Article shall apply in this Part except where the
43 context clearly indicates a different meaning. In addition, as used in this Part, "taxable income"
44 is defined in sections 641 through 692 of the Code."

45 **SECTION 5.(g)** G.S. 105-160.2 reads as rewritten:

46 **"§ 105-160.2. Imposition of tax.**

47 The tax imposed by this Part ~~shall apply~~ applies to the taxable income of estates and trusts
48 as determined under the provisions of the Code except as otherwise provided in this Part. The
49 taxable income of an estate or trust ~~shall be~~ is the same as taxable income for such an estate or
50 trust under the provisions of the Code, adjusted as provided in G.S. 105-134.6 and
51 ~~G.S. 105-134.7~~, G.S. 105-134.6A, except that the adjustments provided in G.S. 105-134.6 and

1 ~~G.S. 105-134.7 shall be~~ G.S. 105-134.6A are apportioned between the estate or trust and the
 2 beneficiaries based on the distributions made during the taxable year. The tax ~~shall be is~~
 3 computed on the amount of the taxable income of the estate or trust that is for the benefit of a
 4 resident of this State, or for the benefit of a nonresident to the extent that the income (i) is
 5 derived from North Carolina sources and is attributable to the ownership of any interest in real
 6 or tangible personal property in this State or (ii) is derived from a business, trade, profession, or
 7 occupation carried on in this State. For purposes of the preceding sentence, taxable income and
 8 gross income ~~shall be is~~ computed subject to the adjustments provided in G.S. 105-134.6 and
 9 ~~G.S. 105-134.7.~~ G.S. 105-134.6A. The tax on the amount computed above ~~shall be is~~ at the
 10 rates levied in G.S. 105-134.2(a)(3). The fiduciary responsible for administering the estate or
 11 trust shall pay the ~~The tax computed under the provisions of this Part shall be paid by the~~
 12 ~~fiduciary responsible for administering the estate or trust.~~ Part."

13 **SECTION 6.(a)** The first sentence of G.S. 105-134.7(a)(3) is recodified as
 14 G.S. 105-134.6(c)(20).

15 **SECTION 6.(b)** G.S. 105-134.7(a)(6) is recodified as G.S. 105-134.6(c)(21) and
 16 reads as rewritten:

17 "(21) A loss or deduction that was incurred or paid and deducted from State
 18 taxable income in a taxable year beginning before January 1, 1989, and is
 19 carried forward and deducted in a taxable year beginning on or after January
 20 1, 1989, under the ~~Code shall be added to taxable income.~~ Code."

21 **SECTION 6.(c)** The second sentence of G.S. 105-134.7(a)(3) is recodified as
 22 G.S. 105-134.6(b)(24).

23 **SECTION 6.(d)** G.S. 105-134.7(a)(7) is recodified as G.S. 105-134.6(d)(11).

24 **SECTION 6.(e)** G.S. 105-134.7(b) is recodified as G.S. 105-134.6(d)(12).

25 **SECTION 6.(f)** The remainder of G.S. 105-134.7 is repealed.

26 **SECTION 7.** G.S. 105-151.18 reads as rewritten:

27 **"§ 105-151.18. Credit for the disabled.**

28 (a) Disabled Taxpayer. – A taxpayer who (i) is retired on disability, (ii) at the time of
 29 retirement, was permanently and totally disabled, and (iii) claims a federal income tax credit
 30 under section 22 of the Code for the taxable year, is allowed as a credit against the tax imposed
 31 by this Part an amount equal to one-third of the amount of the federal income tax credit for
 32 which the taxpayer is eligible under section 22 of the Code.

33 (b) Disabled Dependent. – If a dependent or spouse for whom a taxpayer is allowed an
 34 exemption under the Code is permanently and totally disabled, the taxpayer is allowed a credit
 35 against the tax imposed by this Part. In order to claim the credit allowed by this subsection, the
 36 taxpayer must attach to the tax return on which the credit is claimed a statement from a
 37 physician or local health department certifying that the dependent or spouse for whom the
 38 credit is claimed is permanently and totally disabled, as defined in this section. The amount of
 39 the credit allowed ~~shall be is~~ determined as follows: For a taxpayer whose North Carolina
 40 adjusted gross income does not exceed the appropriate income amount provided in the table
 41 below, based on the taxpayer's filing status, the credit allowed is the appropriate initial credit
 42 provided in the table below. For a taxpayer whose North Carolina adjusted gross income does
 43 exceed the appropriate income amount, the credit allowed is the appropriate initial credit
 44 reduced by four dollars (\$4.00) for every one thousand dollars (\$1,000) by which the taxpayer's
 45 North Carolina adjusted gross income exceeds the appropriate income amount.

<u>Filing Status</u>	<u>Initial Credit</u>	<u>Income Amount</u>
Head of Household	\$64.00	\$16,000
Surviving Spouse or Joint Return	\$80.00	\$20,000
Single	\$48.00	\$12,000
Married Filing Separately	\$40.00	\$10,000

1 (c) Definitions. – The following definitions apply in this section:

2 (1) North Carolina ~~Adjusted Gross Income~~adjusted gross income. – Adjusted
3 gross income, as determined under the Code, adjusted as provided in
4 G.S. 105-134.6 and ~~G.S. 105-134.7~~G.S. 105-134.6A.

5 (2) Permanently and ~~Totally Disabled~~totally disabled. – Unable to engage in
6 any substantial gainful activity by reason of any medically determinable
7 physical or mental impairment that can be expected to result in death or that
8 has lasted or can be expected to last for a continuous period of not less than
9 12 months. For the purpose of this section, a minor is permanently and
10 totally disabled if the impact of the impairment on the minor's ability to
11 function is equivalent in severity to that which would make an adult unable
12 to engage in any substantial gainful activity.

13 (d) Limitations. – A nonresident or part-year resident who claims the credit allowed by
14 this section shall reduce the amount of the credit by multiplying it by the fraction calculated
15 under G.S. 105-134.5(b) or (c), as appropriate. The credit allowed under this section may not
16 exceed the amount of tax imposed by this Part for the taxable year reduced by the sum of all
17 credits allowable, except payments of tax made by or on behalf of the taxpayer."

18 **SECTION 8.** G.S. 105-164.3 reads as rewritten:

19 "**§ 105-164.3. Definitions.**

20 The following definitions apply in this Article:

21 ...

22 (37b) School instructional material. – Written material commonly used by a
23 student in a course of study as a reference and to learn the subject being
24 taught. The following is an all-inclusive list:

25 a. Reference books.

26 b. Reference maps and globes.

27 c. Textbooks.

28 d. Workbooks.~~Defined in the Streamlined Agreement.~~

29 ...

30 (44) Storage. – The keeping or retention in this State for any purpose, except sale
31 in the regular course of business, of tangible personal property or digital
32 property purchased from a retailer. The term does not include a purchaser's
33 storage of tangible personal property or digital property in any of the
34 following circumstances:

35 a. When the purchaser is able to document that at the time the purchaser
36 acquires the property the property is designated for the purchaser's
37 use outside the State and the purchaser subsequently takes it outside
38 the State and uses it solely outside the State.

39 b. When the purchaser acquires the property to process, fabricate,
40 manufacture, or otherwise incorporate it into or attach it to other
41 property for the purchaser's use outside the State and, after
42 incorporating or attaching the purchased property, the purchaser
43 subsequently takes the other property outside the State and uses it
44 solely outside the State.

45 ...

46 (45a) Streamlined Agreement. – The Streamlined Sales and Use Tax Agreement as
47 amended as of ~~December 19, 2011~~May 24, 2012.

48"

49 **SECTION 9.** G.S. 105-164.4(a)(3) reads as rewritten:

50 "(3) A tax at the general rate applies to the gross receipts derived from the rental
51 of an accommodation. The tax does not apply to (i) a private residence or

1 cottage that is rented for fewer than 15 days in a calendar year; (ii) an
2 accommodation rented to the same person for a period of 90 or more
3 continuous days; or (iii) an accommodation arranged or provided to a person
4 by a school, camp, or similar entity where a tuition or fee is charged to the
5 person for enrollment in the school, camp, or similar entity.

6 Gross receipts derived from the rental of an accommodation include the
7 sales price of the rental of the accommodation. The sales price of the rental
8 of an accommodation is determined as if the rental were a rental of tangible
9 personal property. The sales price of the rental of an accommodation
10 marketed by a facilitator includes charges designated as facilitation fees and
11 any other charges necessary to complete the rental.

12 A person who provides an accommodation that is offered for rent is
13 considered a retailer under this Article. A facilitator must report to the
14 retailer with whom it has a contract the sales price a consumer pays to the
15 facilitator for an accommodation rental marketed by the facilitator. A retailer
16 must notify a facilitator when an accommodation rental marketed by the
17 facilitator is completed ~~and, within three business days of receiving the~~
18 ~~notice, and~~ the facilitator must send the retailer the portion of the sales price
19 the facilitator owes the retailer and the tax due on the sales ~~price.~~ price no
20 later than 10 days after the end of each calendar month. A facilitator that
21 does not send the retailer the tax due on the sales price is liable for the
22 amount of tax the facilitator fails to send. A facilitator is not liable for tax
23 sent to a retailer but not remitted by the retailer to the Secretary. Tax
24 payments received by a retailer from a facilitator are held in trust by the
25 retailer for remittance to the Secretary. A retailer that receives a tax payment
26 from a facilitator must remit the amount received to the Secretary. A retailer
27 is not liable for tax due but not received from a facilitator. The requirements
28 imposed by this subdivision on a retailer and a facilitator are considered
29 terms of the contract between the retailer and the facilitator.

30 A person who, by written contract, agrees to be the rental agent for the
31 provider of an accommodation is considered a retailer under this Article and
32 is liable for the tax imposed by this subdivision. The liability of a rental
33 agent for the tax imposed by this subdivision relieves the provider of the
34 accommodation from liability. A rental agent includes a real estate broker, as
35 defined in G.S. 93A-2.

36 The following definitions apply in this subdivision:

- 37 a. Accommodation. – A hotel room, a motel room, a residence, a
38 cottage, or a similar lodging facility for occupancy by an individual.
39 b. Facilitator. – A person who is not a rental agent and who contracts
40 with a provider of an accommodation to market the accommodation
41 and to accept payment from the consumer for the accommodation."

42 **SECTION 10.** G.S. 105-164.6(c) reads as rewritten:

43 "(c) Credit. – A credit is allowed against the tax imposed by this section for the
44 following:

- 45 (1) The amount of sales or use tax paid on the item to this ~~State.~~ State, provided
46 the tax is stated and charged separately on the invoice or other document of
47 the retailer given to the purchaser at the time of the sale, except as otherwise
48 provided in G.S. 105-164.7, or provided the retailer remitted the tax
49 subsequent to the sale and the purchaser obtains such documentation.
50 Payment of sales or use tax to this State on an item by a retailer extinguishes
51 the liability of a purchaser for the tax imposed under this section.

- 1 (2) The amount of sales or use tax due and paid on the item to another state. If
2 the amount of tax paid to the other state is less than the amount of tax
3 imposed by this section, the difference is payable to this State. The credit
4 allowed by this subdivision does not apply to tax paid to a state that does not
5 grant a similar credit for sales or use taxes paid in North Carolina."

6 **SECTION 11.(a)** G.S. 105-164.13 reads as rewritten:

7 **"§ 105-164.13. Retail sales and use tax.**

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

11 ...

- 12 (26) Food and prepared food sold not for profit by public or private school
13 cafeterias within school buildings during the regular school day.

- 14 (26a) Food and prepared food sold not for profit by a public school cafeteria to a
15 child care center that participates in the Child and Adult Care Food Program
16 of the Department of Health and Human Services.

- 17 (27) ~~Meals~~ Prepared food and food ~~products~~ served to students in dining rooms
18 regularly operated by State or private educational institutions or student
19 organizations thereof.

20 ...

- 21 (31a) Food and prepared food sold by a church or religious organization not
22 operated for profit when the proceeds of the sales are actually used for
23 religious activities.

24 ...

- 25 (33a) Tangible personal property sold by a retailer to a purchaser ~~within or~~
26 ~~without~~ inside or outside this State, when the property is delivered by the
27 retailer in this State to a common carrier or to the United States Postal
28 Service for delivery to the purchaser or the purchaser's designees outside this
29 State and the purchaser does not subsequently use the property in this State.
30 This exemption includes printed material sold by a retailer to a purchaser
31 inside or outside this State when the printed material is delivered directly to
32 a mailing house, to a common carrier, or to the United States Postal Service
33 for delivery to a mailing house in this State that will preaddress and presort
34 the material and deliver it to a common carrier or to the United States Postal
35 Service for delivery to recipients outside this State designated by the
36 purchaser.

37 ...

- 38 (43a) Computer software that meets any of the following descriptions:

- 39 a. It is ~~designed~~ purchased to run on an enterprise server operating
40 system. The exemption includes a purchase or license of computer
41 software for high-volume, simultaneous use on multiple computers
42 that is housed or maintained on an enterprise server or end users'
43 computers. The exemption includes software designed to run a
44 computer system, an operating program, or application software.
45 b. It is sold to a person who operates a datacenter and is used within the
46 datacenter.
47 c. It is sold to a person who provides cable service, telecommunications
48 service, or video programming and is used to provide ancillary
49 service, cable service, Internet access service, telecommunications
50 service, or video programming.

51 ...

(57) Fuel and electricity sold to a manufacturer for use in connection with the operation of a manufacturing facility. The exemption does not apply to electricity used at a facility at which the primary activity is not manufacturing.

...."

SECTION 11.(b) G.S. 105-164.13A reads as rewritten:

"§ 105-164.13A. **Service charges on food, beverages, or ~~meals-prepared food.~~**

When a service charge is imposed on food, beverages, or ~~meals-prepared food~~, so much of the service charge that does not exceed twenty percent (20%) of the sales price is considered a tip and is specifically exempted from the tax imposed by this Article if it meets both of the following conditions:

- (1) Is separately stated in the price list, menu, or written proposal and also in the invoice or bill.
- (2) Is turned over to the personnel directly involved in the service of the food, beverages, or ~~meals-prepared food~~, in accordance with G.S. 95-25.6."

SECTION 12. G.S. 105-164.14(b) reads as rewritten:

"(b) Nonprofit Entities and Hospital Drugs. – A nonprofit entity is allowed a semiannual refund of sales and use taxes paid by it under this Article on direct purchases of tangible personal property and services, other than electricity, telecommunications service, and ancillary service, for use in carrying on the work of the nonprofit entity. Sales and use tax liability indirectly incurred by a nonprofit entity through reimbursement to an authorized person of the entity for the purchase of tangible personal property and services, other than electricity, telecommunications service, and ancillary service, for use in carrying on the work of the nonprofit entity is considered a direct purchase by the entity. Sales and use tax liability indirectly incurred by a nonprofit entity on building materials, supplies, fixtures, and equipment that become a part of or annexed to any building or structure that is owned or leased by the nonprofit entity and is being erected, altered, or repaired for use by the nonprofit entity for carrying on its nonprofit activities is considered a sales or use tax liability incurred on direct purchases by the nonprofit entity. A request for a refund must be in writing and must include any information and documentation required by the Secretary. A request for a refund for the first six months of a calendar year is due the following October 15; a request for a refund for the second six months of a calendar year is due the following April 15.

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

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

- 1 (2b) An organization that is a single member LLC that is disregarded for income
2 tax purposes and satisfies all of the following conditions:
3 a. The owner of the LLC is an organization that is exempt from income
4 tax under section 501(c)(3) of the Code.
5 b. The LLC is a nonprofit entity that would be eligible for an exemption
6 under 501(c)(3) of the Code if it were not disregarded for income tax
7 purposes.
8 c. The LLC is not an organization that would be properly classified in
9 any of the major group areas of the National Taxonomy of Exempt
10 Entities listed in subdivision (2) of this subsection."

11 **SECTION 13.** G.S. 105-164.27A reads as rewritten:

12 **"§ 105-164.27A. Direct pay permit.**

13 (a) General. – A general direct pay permit authorizes its holder to purchase any tangible
14 personal property, digital property, or service without paying tax to the seller and authorizes the
15 seller to not collect any tax on a sale to the permit holder. A person who purchases an item
16 under a direct pay permit issued under this subsection is liable for use tax due on the purchase.
17 The tax is payable when the property is placed in use or the service is received. A direct pay
18 permit issued under this subsection does not apply to taxes imposed under G.S. 105-164.4 on
19 ~~electricity sales of electricity or the gross receipts derived from rentals of accommodations.~~

20 A person who purchases an item for storage, use, or consumption in this State whose tax
21 status cannot be determined at the time of the purchase because of one of the reasons listed
22 below may apply to the Secretary for a general direct pay permit:

- 23 (1) The place of business where the item will be stored, used, or consumed is
24 not known at the time of the purchase and a different tax consequence
25 applies depending on where the item is used.
26 (2) The manner in which the item will be stored, used, or consumed is not
27 known at the time of the purchase and one or more of the potential uses is
28 taxable but others are not taxable.

29 (a1) Direct Mail. – A person who purchases direct mail may apply to the Secretary for a
30 direct pay permit for the purchase of direct mail. A direct pay permit issued for direct mail does
31 not apply to any purchase other than the purchase of direct mail. A person who purchases direct
32 mail under a direct pay permit must file a return and pay the tax due monthly or quarterly to the
33 Secretary.

34 "

35 **SECTION 14.** G.S. 105-164.35 is repealed.

36 **SECTION 15.** G.S. 105-164.42L reads as rewritten:

37 **"§ 105-164.42L. ~~Databases on taxing jurisdictions.~~ Liability relief for erroneous**
38 **information or insufficient notice by Department.**

39 (a) The Secretary may develop databases that provide information on the boundaries of
40 taxing jurisdictions and the tax rates applicable to those taxing jurisdictions. A person who
41 relies on the information provided in these databases is not liable for underpayments of tax
42 attributable to erroneous information provided by the Secretary in those databases.

43 (b) The Secretary may develop a taxability matrix that provides information on the
44 taxability of certain items. A person who relies on the information provided in the taxability
45 matrix is not liable for underpayments of tax attributable to erroneous information provided by
46 the Secretary in the taxability matrix.

47 (c) A retailer is not liable for an underpayment of tax attributable to a rate change when
48 the State fails to provide for at least 30 days between the enactment of the rate change and the
49 effective date of the rate change if the conditions of this subsection are satisfied. However, if
50 the State establishes the retailer fraudulently failed to collect tax at the new rate or solicited

1 customers based on the immediately preceding effective rate, this liability relief does not apply.

2 Both of the following conditions must be satisfied for liability relief:

3 (1) The retailer collected tax at the immediately preceding rate.

4 (2) The retailer's failure to collect at the newly effective rate does not extend
5 beyond 30 days after the date of enactment of the new rate or the effective
6 date applicable under G.S. 105-164.15A."

7 **SECTION 16.** G.S. 105-187.52(b) reads as rewritten:

8 "(b) Credit. – A credit is allowed against the tax imposed by this Article for the amount
9 of a sales or use tax, privilege or excise tax, or substantially equivalent tax due and paid to
10 another ~~state~~–state or for the amount of sales and use tax paid to this State. The credit allowed
11 by this subsection does not apply to tax paid to another state that does not grant a similar credit
12 for the privilege tax paid in North Carolina."

13 **SECTION 17.** G.S. 105-236.1(a) reads as rewritten:

14 "(a) General. – The Secretary may appoint employees of the Unauthorized Substances
15 Tax Section of the Tax Enforcement Division to serve as revenue law enforcement officers
16 having the responsibility and subject-matter jurisdiction to enforce the excise tax on
17 unauthorized substances imposed by Article 2D of this Chapter.

18 The Secretary may appoint up to 11 employees of the Motor Fuels ~~Tax~~–Investigations
19 Section of the Tax Enforcement Division to serve as revenue law enforcement officers having
20 the responsibility and subject-matter jurisdiction to enforce the taxes on motor fuels imposed
21 by Articles 36B, 36C, and 36D of this Chapter and by Chapter 119 of the General Statutes.

22 The Secretary may appoint employees of the Criminal Investigations Section of the Tax
23 Enforcement Division to serve as revenue law enforcement officers having the responsibility
24 and subject-matter jurisdiction to enforce the following tax violations and criminal offenses:

25 (1) The felony and misdemeanor tax violations in G.S. 105-236.

26 (2) The misdemeanor tax violations in G.S. 105-449.117 and G.S. 105-449.120.

27 (3) The following criminal offenses when they involve a tax imposed under
28 Chapter 105 of the General Statutes:

29 a. G.S. 14-91 (Embezzlement of State Property).

30 b. G.S. 14-92 (Embezzlement of Funds).

31 c. G.S. 14-100 (Obtaining Property By False Pretenses).

32 c1. G.S. 14-113.20 (Identity Theft).

33 c2. G.S. 14-133.20A (Trafficking in Stolen Identities).

34 d. G.S. 14-119 (Forgery).

35 e. G.S. 14-120 (Uttering Forged Paper).

36 f. G.S. 14-401.18 (Sale of Certain Packages of Cigarettes)."

37 **SECTION 18.(a)** G.S. 105-256(a)(9) is repealed.

38 **SECTION 18.(b)** This section is effective when it becomes law and applies to
39 cases filed on or after January 1, 2012.

40 **SECTION 19.** G.S. 105-259(b) reads as rewritten:

41 "(b) Disclosure Prohibited. – An officer, an employee, or an agent of the State who has
42 access to tax information in the course of service to or employment by the State may not
43 disclose the information to any other person except as provided in this subsection. Standards
44 used or to be used for the selection of returns for examination and data used or to be used for
45 determining the standards may not be disclosed for any purpose. All other tax information may
46 be disclosed only if the disclosure is made for one of the following purposes:

47 ...

48 (15a) To furnish to ~~the head of the appropriate State or local, State, or federal law~~
49 ~~enforcement agency~~–agency, including a prosecutorial agency, information
50 concerning the commission of an offense under the jurisdiction of that

1 agency ~~discovered by when~~ the Department ~~during~~ has initiated a criminal
2 investigation of the taxpayer.

3 ...
4 (25) To provide public access to a database containing the names and registration
5 numbers of retailers who are registered to collect sales and use taxes under
6 Article 5 of this Chapter.

7 ...
8 (29) To provide to the Economic Investment Committee established pursuant to
9 G.S. 143B-437.48-G.S. 143B-437.54 information necessary to implement
10 Part 2F of Article 10 of Chapter 143B of the General Statutes-economic
11 development programs under the responsibility of the Committee.

12"

13 **SECTION 20.** Section 6A.3(d) of S.L. 2012-142 reads as rewritten:

14 "**SECTION 6A.3.(d)** Funding. – Of funds generated from increased revenues or cost
15 savings as compared to the baselines established by subdivision (1) of subsection (c) of this
16 section, in the General Fund, the Highway Fund, and that State portion of the Unauthorized
17 Substance Tax collections of the Special Revenue Fund, the sum of up to a total of sixteen
18 million dollars (\$16,000,000) may be ~~used~~ authorized by the Office of State Budget and
19 Management to make purchases related to the implementation of the additional public-private
20 arrangement authorized by this section, including payment for services from non-State
21 entities."

22 **SECTION 21.** G.S. 105-113.112 reads as rewritten:

23 "**§ 105-113.112. Confidentiality of information.**

24 (a) Information obtained by the Department in the course of administering the tax
25 imposed by this Article, including information on whether the Department has issued a revenue
26 stamp to a person, is confidential tax information and is subject to the ~~following restrictions on~~
27 ~~disclosure:~~

28 (1) ~~G.S. 105-259 prohibits the disclosure of the information, except in the~~
29 ~~limited circumstances provided in that statute.~~

30 (2) ~~The information provisions of G.S. 105-259.~~

31 (b) Information obtained by the Department from the taxpayer in the course of
32 administering the tax imposed by this Article, including information on whether the
33 Department has issued a revenue stamp to a person, may not be used as evidence, as defined in
34 G.S. 15A-971, by a prosecutor in a criminal prosecution of the taxpayer for an offense other
35 than an offense under this Article or under Article 9 of this Chapter, related to the
36 manufacturing, possession, transportation, distribution, or sale of the unauthorized substance.
37 Under this prohibition, no officer, employee, or agent of the Department may testify about
38 the this information in a criminal prosecution of the taxpayer for an offense related to the
39 manufacturing, possession, transportation, distribution, or sale of the unauthorized
40 substance other than an offense under this Article or under Article 9 of this Chapter. This
41 subdivision—subsection implements the protections against double jeopardy and
42 self-incrimination set out in Amendment V of the United States Constitution and the
43 restrictions in it apply regardless of whether information may be disclosed under G.S. 105-259.
44 This subdivision does not apply to information obtained from a source other than an employee,
45 officer, or agent of the Department. This subdivision does not prohibit testimony by an officer,
46 employee, or agent of the Department concerning an offense committed against that individual
47 in the course of administering this Article. An officer, employee, or agent of the Department
48 who provides evidence or testifies in violation of this subdivision is guilty of a Class 1
49 misdemeanor."

50 **SECTION 22.(a)** G.S. 105-113.4A reads as rewritten:

51 "**§ 105-113.4A. Licenses.**

1 (a) General. – To obtain a license required by this Article, an applicant must ~~apply to~~
2 file an application with the Secretary on a form provided by the Secretary and pay the tax due
3 for the license. An application must include the applicant's name, address, federal employer
4 identification number, and any other information required by the Secretary. A license is not
5 transferable or assignable and must be displayed at the place of business for which it is issued.

6 (b) Requirements. – An applicant for a license must meet the following requirements:

7 (1) If the applicant is a corporation, the applicant must either be incorporated in
8 this State or be authorized to transact business in this State.

9 (2) If the applicant for a license is a limited liability company, the applicant
10 must either be organized in this State or be authorized to transact business in
11 this State.

12 (3) If the applicant for a license is a limited partnership, the applicant must
13 either be formed in this State or be authorized to transact business in this
14 State.

15 (4) If the applicant for a license is an individual or a general partnership, the
16 applicant must designate an agent for service of process and give the agent's
17 name and address.

18 (c) Denial. – The Secretary may investigate an applicant for a license required under
19 this Article to determine if the information the applicant submits with the application is
20 accurate and if the applicant is eligible to be licensed under this Article. The Secretary may
21 refuse to issue a license to an applicant that has done any of the following:

22 (1) Submitted false or misleading information on its application.

23 (2) Had a license issued under this Article cancelled by the Secretary for cause.

24 (3) Had a tobacco products license or registration issued by another state
25 cancelled for cause.

26 (4) Been convicted of fraud or misrepresentation.

27 (5) Been convicted of any other offense that indicates the applicant may not
28 comply with this Article if issued a license.

29 (6) Failed to remit payment for a tax debt under this Chapter. The term "tax
30 debt" has the same meaning as defined in G.S. 105-243.1.

31 (7) Failed to file a return due under this Chapter.

32 ~~(b)~~(d) Refund. – A refund of a license tax is allowed only when the tax was collected or
33 paid in error. No refund is allowed when a license holder surrenders a license or the Secretary
34 revokes a license.

35 ~~(e)~~(e) Duplicate or Amended License. – Upon application to the Secretary, a license
36 holder may obtain without charge ~~one of the following:~~ a duplicate or amended license as
37 provided in this subsection. A duplicate or amended license must state that it is a duplicate or
38 amended license, as appropriate.

39 (1) A duplicate license, if the license holder establishes that the original license
40 has been lost, destroyed, or defaced.

41 (2) An amended license, if the license holder establishes that the location of the
42 place of business for which the license was issued has changed.

43 ~~A duplicate or amended license shall state that it is a duplicate or amended license, as~~
44 ~~appropriate.~~

45 (f) Information on License. – The Secretary must include the following information on
46 each license required by this Article:

47 (1) The legal name of the license holder.

48 (2) The name under which the license holder conducts business.

49 (3) The physical address of the place of business of the license holder.

50 (4) The account number assigned to the license by the Department.

51 (g) Records. – The Secretary must keep a record of the following:

- 1 (1) Applicants for a license under this Article.
- 2 (2) Persons to whom a license has been issued under this Article.
- 3 (3) Persons that hold a current license issued under this Article, by license
- 4 category.

5 (h) Lists. – The Secretary must provide the list required under subsection (g) of this
6 section upon request of a manufacturer that is a license holder under this Article. The list must
7 state the name, account number, and business address of each license holder on the list."

8 **SECTION 22.(b)** G.S. 105-113.4B reads as rewritten:

9 "**§ 105-113.4B. Reasons why the Secretary can cancel a license.**

10 (a) Reasons. – The Secretary may cancel a license issued under this Article upon the
11 written request of the license holder. The Secretary may summarily cancel the license of a
12 license holder when the Secretary finds that the license holder is incurring liability for the tax
13 imposed under this Article after failing to pay a tax when due under this Article. In addition,
14 the Secretary may cancel the license of a license holder that commits one or more of the
15 following acts after holding a hearing on whether the license should be cancelled:

- 16 (1) A violation of this Article. Fails to obtain a license required by this Article.
- 17 (2) Willfully fails to file a return required by this Article.
- 18 (3) Willfully fails to pay a tax when due under this Article.
- 19 (4) Makes a false statement in an application or return required under this
- 20 Article.
- 21 (5) Fails to keep records as required by this Article.
- 22 (6) Refuses to allow the Secretary or a representative of the Secretary to
- 23 examine the person's books, accounts, and records concerning tobacco
- 24 product.
- 25 (7) Fails to disclose the correct amount of tobacco product taxable in this State.
- 26 (8) Fails to file a replacement bond or an additional bond if required by the
- 27 Secretary under this Article.

28 ~~(2)~~(9) A violation of Violates G.S. 14-401.18.

29 (b) Procedure. – The Secretary must send a person whose license is summarily
30 cancelled a notice of the cancellation and must give the person an opportunity to have a hearing
31 on the cancellation within 10 days after the cancellation. The Secretary must give a person
32 whose license may be cancelled after a hearing at least 10 days' written notice of the date, time,
33 and place of the hearing. A notice of a summary license cancellation and a notice of hearing
34 must be sent by registered mail to the last known address of the license holder.

35 (c) Release of Bond. – When the Secretary cancels a license and the license holder has
36 paid all taxes and penalties due under this Article, the Secretary must take one of the following
37 actions concerning a bond or an irrevocable letter of credit filed by the license holder:

- 38 (1) Return an irrevocable letter of credit to the license holder.
- 39 (2) Return a bond to the license holder or notify the person liable on the bond
- 40 and the license holder that the person is released from liability on the bond."

41 **SECTION 22.(c)** G.S. 105-113.13 reads as rewritten:

42 "**§ 105-113.13. Secretary may investigate applicant for distributor's license and require a**
43 **bond, bond or irrevocable letter of credit.**

44 (a) Investigation. – The Secretary may investigate an applicant for a distributor's license
45 to determine if the information the applicant submits with the application is accurate and if the
46 applicant is eligible to be licensed as a distributor. The Secretary may decline to issue a
47 distributor's license to an applicant when the Secretary has reasonable cause to believe any of
48 the following:

- 49 (1) That the applicant has willfully withheld information requested by the
- 50 Secretary for the purpose of determining the applicant's eligibility for the
- 51 license.

1 ~~(2) That information submitted with the application is false or misleading.~~

2 ~~(3) That the application is not made in good faith.~~

3 ~~(b) Bond.~~—The Secretary may require a distributor to furnish a bond in an amount that
4 adequately protects the State from loss if the distributor fails to pay taxes due under this Part. A
5 bond shall be conditioned on compliance with this Part, shall be payable to the State, and shall
6 be in the form required by the Secretary. The Secretary shall set the bond amount based on the
7 anticipated tax liability of the distributor. The Secretary shall periodically review the
8 sufficiency of bonds required of the distributor and shall increase the amount of a required
9 bond if the bond amount no longer covers the anticipated tax liability of the distributor. The
10 Secretary shall decrease the amount of a required bond if the Secretary finds that a lower bond
11 amount will protect the State adequately from loss. For purposes of this section, a bond may
12 also include an irrevocable letter of credit."

13 **SECTION 22.(d)** This section becomes effective September 1, 2013.

14 **SECTION 23.(a)** G.S. 105-164.3 reads as rewritten:

15 "**§ 105-164.3. Definitions.**

16 The following definitions apply in this Article:

17 ~~(1)~~ Advertising and promotional direct mail. – Printed material that meets the
18 definition of "direct mail" and the primary purpose of which is to attract
19 public attention to a product, person, business, or organization, or to attempt
20 to sell, popularize, or secure financial support for a product, person,
21 business, or organization. As used in this subdivision, "product" means
22 tangible personal property, digital property, or a service.

23 ~~(1a)~~ Analytical services. – Testing laboratories that are included in national
24 industry 541380 of NAICS or medical laboratories that are included in
25 national industry 621511 of NAICS.

26 ~~(1a)~~ (1b) Ancillary service. – A service associated with or incidental to the
27 provision of a telecommunications service. The term includes detailed
28 communications billing, directory assistance, vertical service, and voice mail
29 service. A vertical service is a service, such as call forwarding, caller ID,
30 three-way calling, and conference bridging, that allows a customer to
31 identify a caller or manage multiple calls and call connections.

32 ~~(1b)~~ (1c) through ~~(1d)~~ (1e) Reserved for future codification purposes.

33 ~~(1e)~~ (1f) Audio work. – A series of musical, spoken, or other sounds, including a
34 ringtone.

35 ~~(1f)~~ (1g) Reserved for future codification purposes.

36 ~~(1g)~~ (1h) Audiovisual work. – A series of related images and any sounds
37 accompanying the images that impart an impression of motion when shown
38 in succession.

39 ~~(1h)~~ (1i) Reserved for future codification purposes.

40 ~~(1i)~~ (1j) Bundled transaction. – A retail sale of two or more distinct and identifiable
41 products, at least one of which is taxable and one of which is exempt, for
42 one nonitemized price. Products are not sold for one nonitemized price if an
43 invoice or another sales document made available to the purchaser separately
44 identifies the price of each product. A bundled transaction does not include
45 the retail sale of any of the following:

- 46 a. A product and any packaging item that accompanies the product and
47 is exempt under G.S. 105-164.13(23).
48 b. A sale of two or more products whose combined price varies, or is
49 negotiable, depending on the products the purchaser selects.
50 c. A sale of a product accompanied by a transfer of another product
51 with no additional consideration.

1 d. A product and the delivery or installation of the product.

2 e. A product and any service necessary to complete the sale.

3 ~~(4j)~~(1k) Reserved for future codification purposes.

4 ~~(4k)~~(1l) Business. – An activity a person engages in or causes another to engage
5 in with the object of gain, profit, benefit, or advantage, either direct or
6 indirect. The term does not include an occasional and isolated sale or
7 transaction by a person who does not claim to be engaged in business.

8 ~~(4l)~~(1m) Reserved for future codification purposes.

9 ~~(4m)~~(1n) Cable service. – The one-way transmission to subscribers of video
10 programming or other programming service and any subscriber interaction
11 required to select or use the service.

12 ...

13 ~~(25a)~~ Other direct mail. – Any direct mail that is not advertising and promotional
14 mail regardless of whether advertising and promotional direct mail is
15 included in the same mailing.

16 ~~(25a)~~(25b) Over-the-counter drug. – A drug that contains a label that identifies the
17 product as a drug as required by 21 C.F.R. § 201.66. The label includes
18 either of the following:

19 a. A "Drug Facts" panel.

20 b. A statement of its active ingredients with a list of those ingredients
21 contained in the compound, substance, or preparation.

22"

23 **SECTION 23.(b)** G.S. 105-164.4B(d) reads as rewritten:

24 "(d) Exceptions. – This section does not apply to the following:

25 (1) Telecommunications services. – Telecommunications services are sourced in
26 accordance with G.S. 105-164.4C.

27 (2) Direct mail. – ~~Direct mail that meets one of the following descriptions is~~
28 ~~sourced to the location where the property is delivered, and direct mail that~~
29 ~~does not meet one of these descriptions is sourced to the location from which~~
30 ~~the direct mail was shipped:~~

31 a. ~~Direct mail purchased pursuant to a direct pay permit.~~

32 b. ~~When the purchaser provides the seller with information to show the~~
33 ~~jurisdictions to which the direct mail is to be delivered.~~
34 is sourced in accordance with G.S. 105-164.4E.

35 (3) Florist wire sale. – A florist wire sale is sourced to the business location of
36 the florist that takes an order for the sale. A "florist wire sale" is a sale in
37 which a retail florist takes a customer's order and transmits the order to
38 another retail florist to be filled and delivered."

39 **SECTION 23.(c)** Article 5 of Chapter 105 of the General Statutes is amended by
40 adding the following new section to read:

41 **"§ 105-164.4E. Direct Mail.**

42 (a) Advertising and Promotional Direct Mail. – The following sourcing principles apply
43 to advertising and promotional direct mail.

44 (1) To the location where the direct mail is delivered if it is purchased pursuant
45 to a direct pay permit issued under G.S. 105-164.27A(a1), or if it is
46 purchased with an exemption certificate claiming direct mail and bearing the
47 direct mail permit number issued under G.S. 105-164.27A(a1).

48 (2) To the location where the direct mail is delivered if the purchaser provides
49 the seller with information to show the jurisdictions to which the direct mail
50 is to be delivered.

- 1 (3) To the location from which the direct mail was shipped if subdivision (1) or
 2 (2) of this subsection does not apply.
- 3 (b) Other Direct Mail. – The following sourcing principles apply to other direct mail:
- 4 (1) To the location indicated by an address for the purchaser that is available
 5 from the business records of the seller that are maintained in the ordinary
 6 course of the seller's business when use of this address does not constitute
 7 bad faith.
- 8 (2) To the jurisdictions where the direct mail is delivered if it is purchased
 9 pursuant to a direct pay permit issued under G.S. 105-164.27A(a1), or if it is
 10 purchased with an exemption certificate claiming direct mail and bearing the
 11 direct mail permit number issued under G.S. 105-164.27A(a1).
- 12 (c) Relief From Liability. – In the absence of bad faith, a seller is relieved of:
- 13 (1) All obligations to collect, pay, or remit any tax on any direct mail
 14 transaction where the purchaser issues a direct pay permit issued under
 15 G.S. 105-164.27A(a1), or if it is purchased with an exemption certificate
 16 claiming direct mail and bearing the direct mail permit number issued under
 17 G.S. 105-164.27A(a1).
- 18 (2) Further obligation to collect any additional tax on the sale of advertising and
 19 promotional direct mail where the seller sourced the sale according to
 20 delivery information provided by the purchaser."

21 22 **ADDITIONAL CHANGES**

23 **SECTION 30.** G.S. 62A-54(a) reads as rewritten:

24 "(a) Retail Collection. – A seller of prepaid wireless telecommunications service shall
 25 collect the 911 service charge for prepaid wireless telecommunications service from the
 26 consumer on each retail transaction occurring in this State. The 911 service charge for prepaid
 27 wireless telecommunications service is in addition to the sales tax imposed on the sale or
 28 recharge of prepaid telephone calling service under ~~G.S. 105-164.4(4d)~~G.S. 105-164.4(a)(4d).
 29 The amount of the 911 service charge for prepaid wireless telecommunications service must be
 30 separately stated on an invoice, receipt, or other reasonable notification provided to the
 31 consumer by the seller at the time of the retail transaction. For purposes of this Article, a retail
 32 transaction is occurring in this State if the sale is sourced to this State under
 33 G.S. 105-164.4B(a)."

34 **SECTION 31.** G.S. 66-255 reads as rewritten:

35 "**§ 66-255. Specialty market or operator of an event registration list.**

36 A specialty market operator or operator of an event where space is provided to a vendor
 37 must maintain a daily registration list of all specialty market or other vendors selling or offering
 38 goods for sale at the specialty ~~market~~ market or other event. The registration list must clearly
 39 and legibly show each ~~specialty market~~ vendor's name, permanent address, and certificate of
 40 registration number. The specialty market operator or other event operator must require each
 41 ~~specialty market~~ vendor to exhibit a valid certificate of registration for visual inspection by the
 42 specialty market operator or other event operator at the time of registration, and must require
 43 each ~~specialty market~~ vendor to keep the certificate of registration conspicuously and
 44 prominently displayed, so as to be visible for inspection by patrons of the ~~specialty~~
 45 ~~market~~ vendor at the places or locations at which the goods are offered for sale. Each daily
 46 registration list maintained pursuant to this section must be retained by the specialty market
 47 operator or other event operator for no less than two years and must at any time be made
 48 available upon request to any law enforcement ~~officer~~ officer or the Secretary of Revenue or
 49 the Secretary's duly authorized agent. For purposes of the registration list, the exemptions in
 50 G.S. 66-256 do not apply."

51 **SECTION 32.** G.S. 105-129.16H is amended by adding a new subsection to read:

"(d) Sunset. – This section is repealed as of the date that G.S. 105-129.16A is repealed. The repeal applies to donations made for renewable energy property placed in service on or after the date the section is repealed."

SECTION 33. G.S. 105-129.26(c) reads as rewritten:

"(c) Forfeiture. – If the owner of a ~~large or~~ major recycling facility fails to make the required minimum investment or create the required number of new jobs within the period certified by the Secretary of Commerce under this section, the recycling facility no longer qualifies for the applicable recycling facility tax benefits provided in this Article and in Article 5 of this Chapter and forfeits all tax benefits previously received under those Articles. Forfeiture does not occur, however, if the failure was due to events beyond the owner's control. Upon forfeiture of tax benefits previously received, the owner is liable under Part 1 of Article 4 of this Chapter for a tax equal to the amount of all past taxes under Articles 3, 4, and 5 previously avoided as a result of the tax benefits received plus interest at the rate established in G.S. 105-241.21, computed from the date the taxes would have been due if the tax benefits had not been received. The tax and interest are due 30 days after the date of the forfeiture. An owner that fails to pay the tax and interest is subject to the penalties provided in G.S. 105-236."

SECTION 34.(a) G.S. 105-130.5, as amended by S.L. 2013-10, reads as rewritten:

"§ 105-130.5. Adjustments to federal taxable income in determining State net income.

(a) The following additions to federal taxable income shall be made in determining State net income:

...
 (15) ~~For taxable years 2002-2005, the applicable percentage of the amount allowed as a special accelerated depreciation deduction under section 168(k) or section 1400L of the Code, as set out in the table below. In addition, a taxpayer who was allowed a special accelerated depreciation deduction under section 168(k) or section 1400L of the Code in a taxable year beginning before January 1, 2002, and whose North Carolina taxable income in that earlier year reflected that accelerated depreciation deduction must add to federal taxable income in the taxpayer's first taxable year beginning on or after January 1, 2002, an amount equal to the amount of the deduction allowed in the earlier taxable year. These adjustments do not result in a difference in basis of the affected assets for State and federal income tax purposes. The applicable percentage is as follows:~~

Taxable Year	Percentage
2002	100%
2003	70%
2004	70%
2005	0%

(15a) ~~The applicable percentage of the amount allowed as a special accelerated depreciation deduction under section 168(k) or 168(n) of the Code for property placed in service after December 31, 2007, but before January 1, 2010. The applicable percentage under this subdivision is eighty five percent (85%).~~

~~In addition, a taxpayer who was allowed a special accelerated depreciation deduction in taxable year 2007 or 2008 for property placed in service during that year, and whose North Carolina taxable income for that year reflected that accelerated depreciation deduction must make the adjustments set out below. These adjustments do not result in a difference in basis of the affected assets for State and federal income tax purposes.~~

~~a. A taxpayer must add to federal taxable income in the taxpayer's 2008 taxable year an amount equal to the applicable percentage of the~~

- 1 accelerated depreciation deduction reflected in the taxpayer's 2007
2 North Carolina taxable income.
- 3 b. A taxpayer must add to federal taxable income in the taxpayer's 2009
4 taxable year an amount equal to the applicable percentage of the
5 accelerated depreciation deduction reflected in the taxpayer's 2008
6 North Carolina taxable income.
- 7 (15b) ~~For taxable years 2010 through 2013, eighty five percent (85%) of the~~
8 amount allowed as a special accelerated depreciation deduction under
9 section 168(k) or 168(n) of the Code for property placed in service during
10 the taxable year. In addition, for taxable year 2010, a taxpayer who placed
11 property in service during the 2009 taxable year and whose North Carolina
12 taxable income for the 2009 taxable year reflected a special accelerated
13 depreciation deduction allowed for the property under section 168(k) of the
14 Code must add eighty five percent (85%) of the amount of the special
15 accelerated depreciation deduction. These adjustments do not result in a
16 difference in basis of the affected assets for State and federal income tax
17 purposes.
- 18 ...
- 19 (23) ~~For taxable years 2010 and 2011, eighty five percent (85%) of the amount~~
20 by which the taxpayer's expense deduction under section 179 of the Code for
21 property placed in service in taxable year 2010 or 2011 exceeds the amount
22 that would have been allowed for the respective taxable year under section
23 179 of the Code as of May 1, 2010. For purposes of this subdivision, the
24 definition of section 179 property has the same meaning as under section
25 179 of the Code as of January 1, 2011. These adjustments do not result in a
26 difference in basis of the affected assets for State and federal income tax
27 purposes.
- 28 (23a) ~~For taxable years 2012 and 2013, eighty five percent (85%) of the amount~~
29 by which the taxpayer's expense deduction under section 179 of the Code for
30 property placed in service in taxable year 2012 or 2013 exceeds the amount
31 that would have been allowed for the respective taxable year under section
32 179 of the Code as of May 1, 2010. For purposes of this subdivision, the
33 definition of section 179 property has the same meaning as under section
34 179 of the Code as of January 2, 2013. These adjustments do not result in a
35 difference in basis of the affected assets for State and federal income tax
36 purposes.
- 37 (24) The amount required to be added under G.S. 105-130.5B when the State
38 decouples from federal accelerated depreciation and expensing.
- 39 (b) The following deductions from federal taxable income shall be made in determining
40 State net income:
- 41 ...
- 42 (21) ~~In each of the taxpayer's first five taxable years beginning on or after~~
43 January 1, 2005, an amount equal to twenty percent (20%) of the amount
44 added to taxable income in a previous year as accelerated depreciation under
45 subdivision (a)(15) of this section.
- 46 (21a) ~~An amount equal to twenty percent (20%) of the amount added to federal~~
47 taxable income as accelerated depreciation under subdivision (a)(15a) of this
48 section. For a taxpayer who made the addition for accelerated depreciation in
49 the 2008 taxable year, the deduction allowed by this subdivision applies to
50 the first five taxable years beginning on or after January 1, 2009. For a
51 taxpayer who made the addition for accelerated depreciation in the 2009

1 taxable year, the deduction allowed by this subdivision applies to the first
2 five taxable years beginning on or after January 1, 2010.

3 (21b) ~~An amount equal to twenty percent (20%) of the amount added to federal
4 taxable income as accelerated depreciation under subdivision (a)(15b) of this
5 section. For the amount added to taxable income in the 2010 taxable year,
6 the deduction allowed by this subdivision applies to the first five taxable
7 years beginning on or after January 1, 2011. For the amount added to taxable
8 income in the 2011 taxable year, the deduction allowed by this subdivision
9 applies to the first five taxable years beginning on or after January 1, 2012.
10 For the amount added to taxable income in the 2012 taxable year, the
11 deduction allowed by this subdivision applies to the first five taxable years
12 beginning on or after January 1, 2013. For the amount added to taxable
13 income in the 2013 taxable year, the deduction allowed by this subdivision
14 applies to the first five taxable years beginning on or after January 1, 2014.~~

15 ...
16 (26) ~~An amount equal to twenty percent (20%) of the amount added to federal
17 taxable income under subdivision (a)(23) of this section. For the amount
18 added to taxable income in the 2010 taxable year, the deduction allowed by
19 this subdivision applies to the first five taxable years beginning on or after
20 January 1, 2011. For the amount added to taxable income in the 2011 taxable
21 year, the deduction allowed by this subdivision applies to the first five
22 taxable years beginning on or after January 1, 2012.~~

23 (26a) ~~An amount equal to twenty percent (20%) of the amount added to federal
24 taxable income under subdivision (a)(23a) of this section. For the amount
25 added to taxable income in the 2012 taxable year, the deduction allowed by
26 this subdivision applies to the first five taxable years beginning on or after
27 January 1, 2013. For the amount added to taxable income in the 2013 taxable
28 year, the deduction allowed by this subdivision applies to the first five
29 taxable years beginning on or after January 1, 2014.~~

30 (27) The amount allowed as a deduction under G.S. 105-130.5B as a result of an
31 add-back for federal accelerated depreciation and expensing.

32"

33 **SECTION 34.(b)** Part 1 of Article 4 of Chapter 105 of the General Statutes is
34 amended by adding a new section to read:

35 **"§ 105-130.5B. Adjustments when State decouples from federal accelerated depreciation
36 and expensing.**

37 (a) Special Accelerated Depreciation. – A taxpayer who takes a special accelerated
38 depreciation deduction for property under section 168(k) or 168(n) of the Code must add to the
39 taxpayer's federal taxable income eighty-five percent (85%) of the amount taken for that year
40 under those Code provisions. A taxpayer is allowed to deduct twenty percent (20%) of the
41 add-back in each of the first five taxable years following the year the taxpayer is required to
42 include the add-back in income.

43 (b) 2009 Depreciation Exception. – A taxpayer who placed property in service during
44 the 2009 taxable year and whose North Carolina taxable income for the 2009 taxable year
45 reflected a special accelerated depreciation deduction allowed for the property under section
46 168(k) of the Code must add eighty-five percent (85%) of the amount of the special accelerated
47 depreciation deduction to its federal taxable income for the 2010 taxable year. A taxpayer is
48 allowed to deduct this add-back under subsection (a) of this section as if it were for property
49 placed in service in 2010.

50 (c) Section 179 Expense. – For purposes of this subdivision, the definition of section
51 179 property has the same meaning as under section 179 of the Code as of January 2, 2013. A

1 taxpayer who places section 179 property in service during a taxable year listed in the table
 2 below must add to the taxpayer's federal taxable income eighty-five percent (85%) of the
 3 amount by which the taxpayer's expense deduction under section 179 of the Code exceeds the
 4 dollar and investment limitation listed in the table below for the taxable year.

5 A taxpayer is allowed to deduct twenty percent (20%) of the add-back in each of the first
 6 five taxable years following the year the taxpayer is required to include the add-back in income.

<u>Taxable Year of 85% Add-Back</u>	<u>Dollar Limitation</u>	<u>Investment Limitation</u>
<u>2010</u>	<u>\$250,000</u>	<u>\$800,000</u>
<u>2011</u>	<u>\$250,000</u>	<u>\$800,000</u>
<u>2012</u>	<u>\$250,000</u>	<u>\$800,000</u>
<u>2013</u>	<u>\$25,000</u>	<u>\$125,000</u>

13 (d) Asset Basis. – The adjustments made in this section do not result in a difference in
 14 basis of the affected assets for State and federal income tax purposes, except as modified in
 15 subsection (e) of this section.

16 (e) Bonus Asset Basis. – In the event of an actual or deemed transfer of an asset
 17 occurring on or after January 1, 2013, wherein the tax basis of the asset carries over from the
 18 transferor to the transferee for federal income tax purposes, the transferee must add any
 19 remaining deductions allowed under subsection (a) of this section to the basis of the transferred
 20 asset and depreciate the adjusted basis over any remaining life of the asset. Notwithstanding the
 21 provisions of subsection (a) of this section, the transferor is not allowed any remaining future
 22 bonus depreciation deductions associated with the transferred asset.

23 (f) Prior Transactions. – For any transaction meeting the requirements of subsection (e)
 24 of this section prior to January 1, 2013, the transferor and transferee can make an election to
 25 make the basis adjustment allowed in that subsection on the transferee's 2013 tax return, to the
 26 extent that the transferor has not taken the bonus depreciation deduction on a prior return and
 27 provided that the transferor certifies in writing to the transferee that the transferor will not take
 28 any remaining deductions allowed under subsection (a) of this section for tax years beginning
 29 on or after January 1, 2013, for depreciation associated with the transferred asset."

30 **SECTION 34.(c)** G.S. 105-134.6, as amended by S.L. 2013-10, reads as rewritten:
 31 "**§ 105-134.6. Modifications to adjusted gross income.**

32 ...
 33 (b) Other Deductions. – In calculating North Carolina taxable income, a taxpayer may
 34 deduct any of the following items to the extent those items are included in the taxpayer's
 35 adjusted gross income.

36 ...
 37 ~~(17) In each of the taxpayer's first five taxable years beginning on or after~~
 38 ~~January 1, 2005, an amount equal to twenty percent (20%) of the amount~~
 39 ~~added to taxable income in a previous year as accelerated depreciation under~~
 40 ~~subdivision (c)(8) of this section.~~

41 ~~(17a) An amount equal to twenty percent (20%) of the amount added to federal~~
 42 ~~taxable income as accelerated depreciation under subdivision (c)(8a) of this~~
 43 ~~section. For a taxpayer who made the addition for accelerated depreciation in~~
 44 ~~the 2008 taxable year, the deduction allowed by this subdivision applies to~~
 45 ~~the first five taxable years beginning on or after January 1, 2009. For a~~
 46 ~~taxpayer who made the addition for accelerated depreciation in the 2009~~
 47 ~~taxable year, the deduction allowed by this subdivision applies to the first~~
 48 ~~five taxable years beginning on or after January 1, 2010.~~

49 ~~(17b) An amount equal to twenty percent (20%) of the amount added to federal~~
 50 ~~taxable income as accelerated depreciation under subdivision (c)(8b) of this~~
 51 ~~section. For the amount added to adjusted gross income in the 2010 taxable~~

year, the deduction allowed by this subdivision applies to the first five taxable years beginning on or after January 1, 2011. For the amount added to taxable income in the 2011 taxable year, the deduction allowed by this subdivision applies to the first five taxable years beginning on or after January 1, 2012. For the amount added to taxable income in the 2012 taxable year, the deduction allowed by this subdivision applies to the first five taxable years beginning on or after January 1, 2013. For the amount added to adjusted gross income in the 2013 taxable year, the deduction allowed by this subdivision applies to the first five taxable years beginning on or after January 1, 2014.

...

(21) An amount equal to twenty percent (20%) of the amount added to federal taxable income under subdivision (c)(15) of this section. For the amount added to taxable income in the 2010 taxable year, the deduction allowed by this subdivision applies to the first five taxable years beginning on or after January 1, 2011. For the amount added to taxable income in the 2011 taxable year, the deduction allowed by this subdivision applies to the first five taxable years beginning on or after January 1, 2012.

(21a) An amount equal to twenty percent (20%) of the amount added to adjusted gross income under subdivision (c)(15a) of this section. For the amount added to adjusted gross income in the 2012 taxable year, the deduction allowed by this subdivision applies to the first five taxable years beginning on or after January 1, 2013. For the amount added to adjusted gross income in the 2013 taxable year, the deduction allowed by this subdivision applies to the first five taxable years beginning on or after January 1, 2014.

...

(23) The amount allowed as a deduction under G.S. 105-134.6A as a result of an add-back for federal accelerated depreciation and expensing.

(c) Additions. – In calculating North Carolina taxable income, a taxpayer must add any of the following items to the extent those items are not included in the taxpayer's adjusted gross income. For a taxpayer who deducts the itemized deductions amount under subsection (a2) of this section, the taxpayer must add any of the following items to the extent those items are included in the itemized deductions amount.

...

(8) ~~For taxable years 2002-2005, the applicable percentage of the amount allowed as a special accelerated depreciation deduction under section 168(k) or section 1400L of the Code, as set out in the table below. In addition, a taxpayer who was allowed a special accelerated depreciation deduction under section 168(k) or section 1400L of the Code in a taxable year beginning before January 1, 2002, and whose North Carolina taxable income in that earlier year reflected that accelerated depreciation deduction must add to federal taxable income in the taxpayer's first taxable year beginning on or after January 1, 2002, an amount equal to the amount of the deduction allowed in the earlier taxable year. These adjustments do not result in a difference in basis of the affected assets for State and federal income tax purposes. The applicable percentage is as follows:~~

Taxable Year	Percentage
2002	100%
2003	70%
2004	70%
2005	0%

1 ~~(8a) The applicable percentage of the amount allowed as a special accelerated~~
2 ~~depreciation deduction under section 168(k) or 168(n) of the Code for~~
3 ~~property placed in service after December 31, 2007, but before January 1,~~
4 ~~2010. The applicable percentage under this subdivision is eighty five percent~~
5 ~~(85%).~~

6 ~~In addition, a taxpayer who was allowed a special accelerated~~
7 ~~depreciation deduction in taxable year 2007 or 2008 for property placed in~~
8 ~~service during that year, and whose North Carolina taxable income for that~~
9 ~~year reflected that accelerated depreciation deduction must make the~~
10 ~~adjustments set out below. These adjustments do not result in a difference in~~
11 ~~basis of the affected assets for State and federal income tax purposes.~~

12 ~~a. A taxpayer must add to federal taxable income in the taxpayer's 2008~~
13 ~~taxable year an amount equal to the applicable percentage of the~~
14 ~~accelerated depreciation deduction reflected in the taxpayer's 2007~~
15 ~~North Carolina taxable income.~~

16 ~~b. A taxpayer must add to federal taxable income in the taxpayer's 2009~~
17 ~~taxable year an amount equal to the applicable percentage of the~~
18 ~~accelerated depreciation deduction reflected in the taxpayer's 2008~~
19 ~~North Carolina taxable income.~~

20 ~~(8b) For taxable years 2010 through 2013, eighty five percent (85%) of the~~
21 ~~amount allowed as a special accelerated depreciation deduction under~~
22 ~~section 168(k) or 168(n) of the Code for property placed in service during~~
23 ~~the taxable year. In addition, for taxable year 2010, a taxpayer who placed~~
24 ~~property in service during the 2009 taxable year and whose North Carolina~~
25 ~~taxable income for the 2009 taxable year reflected a special accelerated~~
26 ~~depreciation deduction allowed for the property under section 168(k) of the~~
27 ~~Code must add eighty five percent (85%) of the amount of the special~~
28 ~~accelerated depreciation deduction. These adjustments do not result in a~~
29 ~~difference in basis of the affected assets for State and federal income tax~~
30 ~~purposes.~~

31 ~~...~~
32 ~~(15) For taxable years 2010 and 2011, eighty five percent (85%) of the amount~~
33 ~~by which the taxpayer's expense deduction under section 179 of the Code for~~
34 ~~property placed in service in taxable year 2010 or 2011 exceeds the amount~~
35 ~~that would have been allowed for the respective taxable year under section~~
36 ~~179 of the Code as of May 1, 2010. For purposes of this subdivision, the~~
37 ~~definition of section 179 property has the same meaning as under section~~
38 ~~179 of the Code as of January 1, 2011. These adjustments do not result in a~~
39 ~~difference in basis of the affected assets for State and federal income tax~~
40 ~~purposes.~~
41 ~~(15a) For taxable years 2012 and 2013, eighty five percent (85%)~~
42 ~~of the amount by which the taxpayer's expense deduction under section 179~~
43 ~~of the Code for property placed in service in taxable year 2012 or 2013~~
44 ~~exceeds the amount that would have been allowed for the respective taxable~~
45 ~~year under section 179 of the Code as of May 1, 2010. For purposes of this~~
46 ~~subdivision, the definition of section 179 property has the same meaning as~~
47 ~~under section 179 of the Code as of January 2, 2013. These adjustments do~~
48 ~~not result in a difference in basis of the affected assets for State and federal~~
49 ~~income tax purposes.~~

50 ~~(15a) For taxable years 2012 and 2013, eighty five percent (85%) of the amount by~~
51 ~~which the taxpayer's expense deduction under section 179 of the Code for~~
52 ~~property placed in service in taxable year 2012 or 2013 exceeds the amount~~

that would have been allowed for the respective taxable year under section 179 of the Code as of May 1, 2010. For purposes of this subdivision, the definition of section 179 property has the same meaning as under section 179 of the Code as of January 2, 2013. These adjustments do not result in a difference in basis of the affected assets for State and federal income tax purposes.

(22) The amount required to be added under G.S. 105-134.6A when the State decouples from federal accelerated depreciation and expensing.

...."

SECTION 34.(d) Part 2 of Article 4 of Chapter 105 of the General Statutes is amended by adding a new section to read:

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

(a) Special Accelerated Depreciation. – A taxpayer who takes a special accelerated depreciation deduction for that property under section 168(k) or 168(n) of the Code must add to the taxpayer's federal taxable income or adjusted gross income, as appropriate, eighty-five percent (85%) of the amount taken for that year under those Code provisions. For taxable years before 2012, the taxpayer must add the amount to the taxpayer's federal taxable income. For taxable year 2012 and after, the taxpayer must add the amount to the taxpayer's adjusted gross income. A taxpayer is allowed to deduct twenty percent (20%) of the add-back in each of the first five taxable years following the year the taxpayer is required to include the add-back in income.

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

(c) Section 179 Expense. – For purposes of this subdivision, the definition of section 179 property has the same meaning as under section 179 of the Code as of January 2, 2013. A taxpayer who places section 179 property in service during a taxable year listed in the table below must add to the taxpayer's federal taxable income or adjusted gross income, as appropriate, eighty-five percent (85%) of the amount by which the taxpayer's expense deduction under section 179 of the Code exceeds the dollar and investment limitation listed in the table below for that taxable year. For taxable years before 2012, the taxpayer must add the amount to the taxpayer's federal taxable income. For taxable year 2012 and after, the taxpayer must add the amount to the taxpayer's adjusted gross income.

A taxpayer is allowed to deduct twenty percent (20%) of the add-back in each of the first five taxable years following the year the taxpayer is required to include the add-back in income.

<u>Taxable Year of 85% Add-Back</u>	<u>Dollar Limitation</u>	<u>Investment Limitation</u>
<u>2010</u>	<u>\$250,000</u>	<u>\$800,000</u>
<u>2011</u>	<u>\$250,000</u>	<u>\$800,000</u>
<u>2012</u>	<u>\$250,000</u>	<u>\$800,000</u>
<u>2013</u>	<u>\$25,000</u>	<u>\$125,000</u>

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

(e) Bonus Asset Basis. – In the event of an actual or deemed transfer of an asset occurring on or after January 1, 2013, wherein the tax basis of the asset carries over from the

1 transferor to the transferee for federal income tax purposes, the transferee must add any
2 remaining deductions allowed under subsection (a) of this section to the basis of the transferred
3 asset and depreciate the adjusted basis over any remaining life of the asset. Notwithstanding the
4 provisions of subsection (a) of this section, the transferor and any owner in a transferor are not
5 allowed any remaining future bonus depreciation deductions associated with the transferred
6 asset. This subsection applies only to the extent that each transferor or owner in a transferor
7 that added bonus depreciation to its federal taxable income or adjusted gross income associated
8 with the transferred asset certifies in writing to the transferee, that the transferor or owner in a
9 transferor will not take any remaining future bonus depreciation deduction associated with the
10 transferred asset.

11 (f) Prior Transactions. – For any transaction meeting the requirements of subsection (e)
12 of this section prior to January 1, 2013, the transferor and transferee can make an election to
13 make the basis adjustment allowed in that subsection on the transferee's 2013 tax return, to the
14 extent that the transferor and any owner in a transferor has not taken the bonus depreciation
15 deduction on a prior return and provided that the transferor is not allowed any remaining future
16 bonus depreciation deductions associated with the transferred asset and each transferor or
17 owner in a transferor certifies in writing to the transferee that the transferor or owner in a
18 transferor will not take any remaining deductions allowed under subsection (a) of this section
19 for tax years beginning on or after January 1, 2013, for depreciation associated with the
20 transferred asset. The amount of the basis adjustment under this subsection is limited to the
21 total remaining future bonus depreciation deductions forfeited by the transferor and any owner
22 in the transferor at the time of the transfer.

23 (g) Tax Basis. – For transactions described in subsection (e) or (f) of this section,
24 adjusted gross income must be increased or decreased to account for any difference in the
25 amount of depreciation, amortization, or gains or losses applicable to property that has been
26 depreciated or amortized by use of a different basis or rate for State income tax purposes than
27 used for federal income tax purposes prior to the effective date of this section.

28 (h) Definitions. – For purposes of this section, a "transferor" is an individual,
29 partnership, S Corporation, limited liability company, or an estate or trust that does not fully
30 distribute income to its beneficiaries, and an "owner in a transferor" is a partner, shareholder,
31 member, or beneficiary subject to tax under Part 2 or 3 of Article 4 of this Chapter, of a
32 transferor."

33 **SECTION 35.(a)** G.S. 105-134.6(d)(23), as enacted by S.L. 2013-10, reads as
34 rewritten:

35 "~~(23)~~(10) For taxable year 2013, the taxpayer who elects to itemize deductions
36 under G.S. 105-134.6(a2) may deduct the amount that would have been
37 allowed as a charitable deduction under section 170 of the Code had the
38 taxpayer not elected to take the income exclusion under 408(d)(8) of the
39 Code. However, this deduction is not subject to the charitable contribution
40 limitation and carryover provisions under section 170 of the Code, but it is
41 subject to the overall limitation on itemized deductions under section 68 of
42 the Code."

43 **SECTION 35.(b)** This section is effective for taxable years beginning on or after
44 January 1, 2013.

45 **SECTION 36.** G.S. 105-130.6A(a) reads as rewritten:

46 "(a) Definitions. – The ~~provisions of G.S. 105-130.6~~ definitions in G.S. 105-130.2
47 govern the determination of whether a corporation is a subsidiary or an affiliate of another
48 corporation. In addition, the following definitions apply in this section:

49 (1) Affiliated group. – A group that includes a corporation, all other
50 corporations that are affiliates or subsidiaries of that corporation, and all

1 other corporations that are affiliates or subsidiaries of another corporation in
2 the group.

3 (2) Bank holding company. – A holding company with an affiliate that is subject
4 to the privilege tax on banks levied in G.S. 105-102.3.

5 (3) Dividends. – Dividends received that are not taxed under this Part.

6 (4) Electric power holding company. – A holding company with an affiliate or a
7 subsidiary that is subject to the franchise tax on electric power companies
8 levied in G.S. 105-116.

9 (5) Expense adjustment. – The adjustment required by G.S. 105-130.5(c)(3) for
10 expenses related to dividends not taxed under this Part.

11 (6) Holding company. – Defined in G.S. 105-120.2."

12 **SECTION 37.(a)** G.S. 105-151.26 reads as rewritten:

13 **"§ 105-151.26. Credit for charitable contributions by nonitemizers.**

14 A taxpayer who elects the standard deduction under G.S. 105-134.6(a2) is allowed as a
15 credit against the tax imposed by this Part an amount equal to seven percent (7%) of the
16 taxpayer's excess charitable contributions. The taxpayer's excess charitable contributions are
17 the amount by which the taxpayer's charitable contributions for the taxable year that would
18 have been deductible under section 170 of the Code if the taxpayer had not elected the standard
19 deduction exceed two percent (2%) of the taxpayer's adjusted gross income. For tax year 2013,
20 the taxpayer's excess charitable contributions also include the amount by which the taxpayer's
21 charitable contributions for the taxable year would have been deductible under section 170 of
22 the Code had the taxpayer not elected to take the income exclusion under section 408(d)(8) of
23 the Code that exceed two percent (2%) of the taxpayer's adjusted gross income. For purposes of
24 computing this tax credit, charitable contributions are not subject to the charitable contribution
25 limitation and carryover provisions under section 170 of the Code.

26 No credit shall be allowed under this section for contributions for which a credit was
27 claimed under G.S. 105-151.12 or G.S. 105-151.14. A nonresident or part-year resident who
28 claims the credit allowed by this section shall reduce the amount of the credit by multiplying it
29 by the fraction calculated under G.S. 105-134.5(b) or (c), as appropriate. The credit allowed
30 under this section may not exceed the amount of tax imposed by this Part for the taxable year
31 reduced by the sum of all credits allowed, except payments of tax made by or on behalf of the
32 taxpayer."

33 **SECTION 37.(b)** This section is effective for taxable years beginning on or after
34 January 1, 2013.

35 **SECTION 38.** G.S. 105-159 reads as rewritten:

36 **"§ 105-159. Federal corrections.**

37 If a taxpayer's federal taxable income-adjusted gross income or federal tax credit that affects
38 the amount of State tax payable is corrected or otherwise determined by the federal
39 government, the taxpayer must, within six months after being notified of the correction or final
40 determination by the federal government, file an income tax return with the Secretary reflecting
41 the corrected or determined taxable income-adjusted gross income or federal tax credit that
42 affects the amount of State tax payable. The Secretary must propose an assessment for any
43 additional tax due from the taxpayer as provided in Article 9 of this Chapter. The Secretary
44 must refund any overpayment of tax as provided in Article 9 of this Chapter. A taxpayer who
45 fails to comply with this section is subject to the penalties in G.S. 105-236 and forfeits the right
46 to any refund due by reason of the determination."

47 **SECTION 39.(a)** G.S. 105-163.3(d) reads as rewritten:

48 "(d) Annual Statement; Report to Secretary. – A payer required to deduct and withhold
49 from a contractor's compensation under this section shall furnish to the contractor duplicate
50 copies of a written statement showing the following:

51 (1) The payer's name, address, and taxpayer identification number.

- 1 (2) The contractor's name, address, and taxpayer identification number.
- 2 (3) The total amount of compensation paid during the calendar year.
- 3 (4) The total amount deducted and withheld under this section during the
- 4 calendar year.

5 This statement is due by January 31 following the calendar year. If the personal services for
6 which the payer is paying are completed before the end of the calendar year and the contractor
7 requests the statement, the statement is due within 45 days after the payer's last payment of
8 compensation to the contractor. The Secretary may require the payer to include additional
9 information on the statement.

10 Each payer shall file with the Secretary an annual report that compiles the information
11 contained in each of the payer's statements to contractors and any other information required by
12 the ~~Secretary~~. Secretary in the manner required by the Secretary. This report is due on the date
13 prescribed by the Secretary and is in lieu of the information report required by G.S. 105-154."

14 **SECTION 39.(b)** G.S. 105-163.6(a) reads as rewritten:

15 "(a) General. – A return is due quarterly or monthly as specified in this section. A return
16 shall be filed with the Secretary ~~on a form prepared in the manner required~~ by the Secretary,
17 shall report any payments of withheld taxes made during the period covered by the return, and
18 shall contain any other information required by the Secretary.

19 Withheld taxes are payable quarterly, monthly, or semiweekly, as specified in this section.
20 If the Secretary finds that collection of the amount of taxes this Article requires an employer to
21 withhold is in jeopardy, the Secretary may require the employer to file a return or pay withheld
22 taxes at a time other than that specified in this section."

23 **SECTION 40.** G.S. 105-164.4(a)(6b) reads as rewritten:

24 "(6b) The general rate applies to the sales price of digital property that is sold at
25 retail and that is listed in this subdivision, is delivered or accessed
26 electronically, is not considered tangible personal property, and would be
27 taxable under this Article if sold in a tangible medium. The tax applies
28 regardless of whether the purchaser of the item has a right to use it
29 permanently or to use it without making continued payments. The tax does
30 not apply to a service that is taxed under another subdivision of this
31 subsection or to an information service. The following property is subject to
32 tax under this subdivision:
33 a. An audio work.
34 b. An audiovisual work.
35 c. A book, a magazine, a newspaper, a newsletter, a report, or another
36 publication.
37 d. A photograph or a greeting card."

38 **SECTION 41.** G.S. 105-164.4C(a2) reads as rewritten:

39 "(a2) Sourcing Exceptions. – The following telecommunications services and products are
40 sourced in accordance with the principles set out in this subsection:

- 41 (1) Mobile. – Mobile telecommunications service is sourced to the place of
42 primary use, unless the service is prepaid wireless calling service or is
43 air-to-ground radiotelephone service. Air-to-ground radiotelephone service
44 is a postpaid calling service that is offered by an aircraft common carrier to
45 passengers on its aircraft and enables a telephone call to be made from the
46 aircraft. The sourcing principle in this subdivision applies to a service or
47 product provided as an adjunct to mobile telecommunications service if the
48 charge for the service or product is included within the term "charges for
49 mobile telecommunications services" under the federal Mobile
50 Telecommunications Sourcing Act.

- 1 (2) Prepaid. – Prepaid telephone calling service is sourced in accordance with
2 G.S. 105-164.4B.
- 3 (3) Private. – Private telecommunications service is sourced in accordance with
4 subsection (e) of this section.

5"

6 **SECTION 42.(a)** G.S. 105-164.14(c)(24) reads as rewritten:

7 "(c) Certain Governmental Entities. – A governmental entity listed in this subsection is
8 allowed an annual refund of sales and use taxes paid by it under this Article on direct purchases
9 of tangible personal property and services, other than electricity, telecommunications service,
10 and ancillary service. Sales and use tax liability indirectly incurred by a governmental entity on
11 building materials, supplies, fixtures, and equipment that become a part of or annexed to any
12 building or structure that is owned or leased by the governmental entity and is being erected,
13 altered, or repaired for use by the governmental entity is considered a sales or use tax liability
14 incurred on direct purchases by the governmental entity for the purpose of this subsection. A
15 request for a refund must be in writing and must include any information and documentation
16 required by the Secretary. A request for a refund is due within six months after the end of the
17 governmental entity's fiscal year.

18 This subsection applies only to the following governmental entities:

19 ...

- 20 (24) A public library created pursuant to an act of the General
21 ~~Assembly.~~Assembly or established pursuant to G.S. 153A-270."

22 **SECTION 42.(b)** This section becomes effective January 1, 2013, and applies to
23 purchases occurring on or after that date.

24 **SECTION 43.(a)** G.S. 105-164.28 reads as rewritten:

25 "**§ 105-164.28. Certificate of exemption.**

26 (a) ~~Seller's Responsibility. — A seller who accepts a certificate of exemption from a~~
27 ~~purchaser has the burden of proving that the sale was not a retail sale unless all of the following~~
28 ~~conditions are met:~~Relief From Liability. – Except as provided in subsection (b) of this section,
29 a seller is not liable for the tax otherwise applicable if the Secretary determines that a purchaser
30 improperly claimed an exemption, or if the seller within 90 days of the sale meets the following
31 requirements:

- 32 (1) For a sale made in person, the seller obtains a certificate of exemption or a
33 blanket certificate of exemption from a purchaser with which the seller has a
34 recurring business relationship. If the purchaser provides a paper certificate,
35 the certificate must be is signed by the purchaser and states state the
36 purchaser's name, address, certificate of registration number, reason for
37 exemption, and type of business. For purposes of this subdivision, a
38 certificate received by fax is a paper certificate. If the purchaser does not
39 provide a paper certificate, the seller must obtain and maintain the same
40 information required had a certificate been provided by the purchaser.
- 41 (2) ~~For a sale made in person, the item sold is the type of item typically sold by~~
42 ~~the type of business stated on the certificate.~~
- 43 (3) For a sale made over the Internet or by other remote means, the seller
44 obtains the purchaser's name, address, certificate of registration number,
45 reason for exemption, and type of business and maintains this information in
46 a retrievable format in its records. If a certificate of exemption is provided
47 electronically for a remote sale, the requirements of subdivision (1) of this
48 subsection apply except the electronic certificate is not required to be signed
49 by the purchaser.
- 50 (4) In the case of drop shipment sales, a third-party vendor obtains a certificate
51 of exemption provided by its customer or any other acceptable information

1 evidencing qualification for a resale exemption, regardless of whether the
2 customer is registered to collect and remit sales and use tax in the State.

3 (b) Substantiation Request. – If the Secretary determines that a certificate of exemption
4 or the required data elements obtained by the seller are incomplete, the Secretary may request
5 substantiation from the seller. A seller is not required to verify that a certificate of registration
6 number provided by a purchaser is correct. If a seller does one of the following within 120 days
7 after a request for substantiation by the Secretary, the seller is not liable for the tax otherwise
8 applicable:

9 (1) Obtains a fully completed certificate of exemption from the purchaser
10 provided in good faith. The certificate is provided in good faith if it claims
11 an exemption that meets all of the following conditions:

12 a. It was statutorily available in this State on the date of the transaction.

13 b. It could be applicable to the item being purchased.

14 c. It is reasonable for the purchaser's type of business.

15 (2) Obtains other information to establish the transaction was not subject to tax.

16 (c) Fraud. – The relief from liability under this section does not apply to a seller who
17 does any of the following:

18 (1) Fraudulently fails to collect tax.

19 (2) Solicits purchasers to participate in the unlawful claim of an exemption.

20 (3) Accepts an exemption certificate when the purchaser claims an entity-based
21 exemption when the subject of the transaction sought to be covered by the
22 exemption certificate is received by the purchaser at a location operated by
23 the seller, and the claimed exemption is not available in this State.

24 (4) Had knowledge or had reason to know at the time information was provided
25 relating to the exemption claimed that the information was materially false.

26 (5) Knowingly participated in activity intended to purposefully evade tax
27 properly due on the transaction.

28 (d) Purchaser's Liability. – A purchaser who does not resell an item purchased under a
29 certificate of exemption is liable for any tax subsequently determined to be due on the sale.

30 (e) Renewal of Information. – The Secretary may not require a seller to renew a blanket
31 certificate of exemption or to update exemption certificate information or data elements when
32 there is a recurring business relationship between the buyer and seller. For purposes of this
33 section, a recurring business relationship exists when a period of no more than 12 months
34 elapse between sales transactions."

35 **SECTION 43.(b)** G.S. 105-164.28A reads as rewritten:

36 "**§ 105-164.28A. Other exemption certificates.**

37 (a) Authorization. – The Secretary may require a person who purchases an item that is
38 exempt from tax or is subject to a preferential rate of tax depending on the status of the
39 purchaser or the intended use of the item to obtain an exemption certificate from the
40 Department to receive the exemption or preferential rate. An exemption certificate authorizes a
41 retailer to sell an item to the holder of the certificate and either collect tax at a preferential rate
42 or not collect tax on the sale, as appropriate. A person who purchases an item under an
43 exemption certificate is liable for any tax due on the sale if the Department determines that the
44 person is not eligible for the ~~certificate or the item was not used as intended~~ certificate. The
45 liability is relieved when the seller obtains the purchaser's name, address, type of business,
46 reason for exemption, and exemption number in lieu of obtaining an exemption certificate.

47 (b) Scope. – This section does not apply to a direct pay permit or a certificate of
48 resale exemption. G.S. 105-164.27A addresses a direct pay permit, and G.S. 105-164.28
49 addresses a certificate of ~~resale exemption~~.

50 (c) Administration. – This section shall be administered in accordance with
51 G.S. 105-164.28."

1 **SECTION 44.** G.S. 105-164.42I(b) reads as rewritten:

2 "(b) Contract. – The Secretary may ~~contract~~contract or authorize in writing the
3 Streamlined Sales Tax Governing Board to contract on behalf of the Secretary with a certified
4 service provider for the collection and remittance of sales and use taxes. A certified service
5 provider must file with the Secretary or the Streamlined Sales Tax Governing Board a bond or
6 an irrevocable letter of credit in the amount set by the Secretary. A bond or irrevocable letter of
7 credit must be conditioned upon compliance with the contract, be payable to the ~~State~~,State or
8 the Streamlined Sales Tax Governing Board, and be in the form required by the Secretary. The
9 amount a certified service provider charges under the contract is a cost of collecting the tax and
10 is payable from the amount collected."

11 **SECTION 45.** G.S. 105-164.44I(a) reads as rewritten:

12 "(a) Distribution. – The Secretary must distribute to the counties and cities part of the
13 taxes imposed by G.S. 105-164.4(a)(4c) on telecommunications service and
14 G.S. 105-164.4(a)(6) on video programming service. The Secretary must make the distribution
15 within 75 days after the end of each calendar quarter. The amount the Secretary must distribute
16 is the sum of the revenue listed in this subsection. ~~The~~From this amount, the Secretary must
17 ~~distribute two million dollars (\$2,000,000) of this amount in accordance with~~first make the
18 distribution required by subsection (b) of this section and then distribute the remainder in
19 accordance with subsections (c) and (d) of this section. The revenue to be distributed under this
20 section consists of the following:

21 (1) The amount specified in G.S. 105-164.44F(a)(2).

22 (2) Twenty three and six tenths percent (23.6%) of the net proceeds of the taxes
23 collected during the quarter on video programming, other than on
24 direct-to-home satellite service.

25 (3) Thirty-seven and one tenths percent (37.1%) of the net proceeds of the taxes
26 collected during the quarter on direct-to-home satellite service."

27 **SECTION 46.** G.S. 105-187.51B reads as rewritten:

28 "**§ 105-187.51B. Tax imposed on certain recyclers, research and development companies,**
29 **industrial machinery refurbishing companies, and companies located at ports**
30 **facilities.**

31 (a) Tax. – A privilege tax is imposed on the following:

32 (1) A major recycling facility that purchases any of the following tangible
33 personal property for use in connection with the facility:

34 a. Cranes, structural steel crane support systems, and foundations
35 related to the cranes and support systems.

36 b. Port and dock facilities.

37 c. Rail equipment.

38 d. Material handling equipment.

39 (2) A company primarily engaged at the establishment in research and
40 development ~~company~~activities in the physical, engineering, and life
41 sciences ~~that is~~ included in industry 54171 of NAICS and that purchases
42 equipment or an attachment or repair part for equipment that meets all of the
43 following requirements:

44 a. Is capitalized by the company for tax purposes under the Code.

45 b. Is used by the company at the establishment in the research and
46 development of tangible personal property.

47 c. Would be considered mill machinery or mill machinery parts or
48 accessories under G.S. 105-187.51 if it were purchased by a
49 manufacturing industry or plant and used in the research and
50 development of tangible personal property manufactured by the
51 industry or plant.

- 1 (3) A company primarily engaged at the establishment in software publishing
2 ~~company activities that is included in the industry group 5112 of NAICS and~~
3 that purchases equipment or an attachment or repair part for equipment that
4 meets all of the following requirements:
- 5 a. Is capitalized by the company for tax purposes under the Code.
 - 6 b. Is used by the company at the establishment in the research and
7 development of tangible personal property.
 - 8 c. Would be considered mill machinery under G.S. 105-187.51 if it
9 were purchased by a manufacturing industry or plant and used in the
10 research and development of tangible personal property
11 manufactured by the industry or plant.
- 12 (4) ~~An~~ A company primarily engaged at the establishment in industrial
13 machinery refurbishing ~~company activities that is included in industry group~~
14 811310 of NAICS and that purchases equipment or an attachment or repair
15 part for equipment that meets all of the following requirements:
- 16 a. Is capitalized by the company for tax purposes under the Code.
 - 17 b. Is used by the company at the establishment in repairing or
18 refurbishing tangible personal property.
 - 19 c. Would be considered mill machinery under G.S. 105-187.51 if it
20 were purchased by a manufacturing industry or plant and used by the
21 industry or plant to manufacture tangible personal property.
- 22 (5) A company located at a ports facility for waterborne commerce that
23 purchases specialized equipment to be used at the facility to unload or
24 process bulk cargo to make it suitable for delivery to and use by
25 manufacturing facilities.
- 26 (b) Rate. – The tax is one percent (1%) of the sales price of the equipment or other
27 tangible personal property. The maximum tax is eighty dollars (\$80.00) per article."
- 28 **SECTION 47.(a)** G.S. 105-241.6(b) reads as rewritten:
- 29 "(b) Exceptions. – The exceptions to the general statute of limitations for obtaining a
30 refund of an overpayment are as follows:
- 31 (1) Federal Determination. – If a taxpayer files a return reflecting a federal
32 determination and the return is filed within the time required by this
33 Subchapter, the period for requesting a refund is one year after the return
34 reflecting the federal determination is filed or three years after the original
35 return was filed or due to be filed, whichever is later.
 - 36 (2) Waiver. – A taxpayer's waiver of the statute of limitations for making a
37 proposed assessment extends the period in which the taxpayer can obtain a
38 refund to the end of the period extended by the waiver.
 - 39 (3) Worthless Debts or Securities. – Section 6511(d)(1) of the Code applies to
40 an overpayment of the tax levied in Part 2 or 3 of Article 4 of this Chapter to
41 the extent the overpayment is attributable to either of the following:
 - 42 a. The deductibility by the taxpayer under section 166 of the Code of a
43 debt that becomes worthless, or under section 165(g) of the Code of a
44 loss from a security that becomes worthless.
 - 45 b. The effect of the deductibility of a debt or loss described in subpart a.
46 of this subdivision on the application of a carryover to the taxpayer.
 - 47 (4) Capital Loss and Net Operating Loss Carrybacks. – Section 6511(d)(2) of
48 the Code applies to an overpayment of the tax levied in Part 2 or 3 of Article
49 4 of this Chapter to the extent the overpayment is attributable to a capital
50 loss carryback under section 1212(c) of the Code or to a net operating loss
51 carryback under section 172 of the Code.

1 (5) Contingent Event. – If a taxpayer is subject to a contingent event and files
2 notice with the Secretary, the period to request a refund of an overpayment is
3 six months after the contingent event concludes.

4 a. For purposes of this subdivision, "contingent event" means litigation
5 or a State tax audit initiated prior to the expiration of the statute of
6 limitations under subsection (a) of this section, the pendency of
7 which prevents the taxpayer from possessing the information
8 necessary to file an accurate and definite request for a refund of an
9 overpayment under this Chapter.

10 b. For purposes of this subdivision, "notice to the Secretary" means
11 written notice filed with the Secretary prior to expiration of the
12 statute of limitations under subsection (a) of this section for a return
13 or payment in which a contingent event prevents a taxpayer from
14 filing a definite request for a refund of an overpayment. The notice
15 must identify and describe the contingent event, identify the type of
16 tax, list the return or payment affected by the contingent event, and
17 state in clear terms the basis for and an estimated amount of the
18 overpayment.

19 c. A taxpayer who contends that an event or condition other than
20 litigation or a State tax audit has occurred that prevents the taxpayer
21 from filing an accurate and definite request for a refund of an
22 overpayment within the period under subsection (a) of this section
23 may submit a written request to the Secretary seeking an extension of
24 the statute of limitations allowed under this subdivision. The request
25 must establish by clear, convincing proof that the event or condition
26 is beyond the taxpayer's control and that it prevents the taxpayer's
27 timely filing of an accurate and definite request for a refund of an
28 overpayment. The request must be filed within the period under
29 subsection (a) of this section. The Secretary's decision on the request
30 is final and is not subject to administrative or judicial review."

31 **SECTION 47.(b)** G.S. 105-241.7(b) reads as rewritten:

32 (b) Initiated by Taxpayer. – A taxpayer may request a refund of an overpayment made
33 by the taxpayer by taking one of the following actions listed in this subsection within the statute
34 of limitations for obtaining a refund: refund. A taxpayer may not request a refund of an
35 overpayment based on a contingent event as defined in G.S. 105-241.6(b)(5) until the event is
36 finalized and an accurate and definite request for refund of an overpayment may be determined.

37 The actions are:

- 38 (1) Filing an amended return reflecting an overpayment due the taxpayer.
39 (2) Filing a claim for refund. The claim must identify the taxpayer, the type and
40 amount of tax overpaid, the filing period to which the overpayment applies,
41 and the basis for the claim. The taxpayer's statement of the basis of the claim
42 does not limit the taxpayer from changing the basis."

43 **SECTION 47.(c)** This section becomes effective January 1, 2014, and applies to a
44 request for a refund of an overpayment of tax filed on or after that date.

45 **SECTION 48.** G.S. 105-262.1(d) reads as rewritten:

46 (d) Adoption. – The Secretary may adopt a rule under this section by using the
47 procedure for adoption of a temporary rule set forth in G.S. 150B-21.1(a3). The Secretary must
48 provide electronic notification of the adoption of a rule to persons on the mailing list
49 maintained in accordance with G.S. 150B-21.2(d) and any other interested parties, including
50 those originally given notice of the rule making and those who provided comment on the rule.
51 If the Secretary receives written comment objecting to the rule and requesting review by the

1 Commission, the rule must be reviewed in accordance with subsections (e) through (i) of this
2 section. A person may object to the rule and request review by the Commission at any point
3 ~~prior to the adoption following the agency's adoption~~ of the rule and by 5:00 P.M. on the third
4 business day following electronic notification from the Secretary of the adoption of a rule. If
5 the Secretary receives no written comment objecting to the rule and requesting review by the
6 Commission, the Secretary must deliver the rule to the Codifier of Rules. The Codifier of Rules
7 must enter the rule into the North Carolina Administrative Code upon receipt of the rule."

8 **SECTION 49.(a)** G.S. 105-468 reads as rewritten:

9 "**§ 105-468. Scope of use tax.**

10 The use tax authorized by this Article is a tax at the rate of one percent (1%) of the cost
11 price of each item or article of tangible personal property that is not sold in the taxing county
12 but is used, consumed, or stored for use or consumption in the taxing county. The tax applies to
13 the same items that are subject to tax under G.S. 105-467. The collection and administration of
14 this tax shall be in accordance with Article 5 of Chapter 105 of the General Statutes.

15 ~~Every retailer who is engaged in business in this State and in the taxing county and is~~
16 ~~required to collect the use tax levied by G.S. 105-164.6 shall collect the one percent (1%) use~~
17 ~~tax when the property is to be used, consumed, or stored in the taxing county. The use tax~~
18 ~~contemplated by this section shall be levied against the purchaser, and the purchaser's liability~~
19 ~~for the use tax shall be extinguished only upon payment of the use tax to the retailer, where the~~
20 ~~retailer is required to collect the tax, or to the Secretary, where the retailer is not required to~~
21 ~~collect the tax.~~

22 Where a local sales or use tax was due and has been paid with respect to tangible personal
23 property by the purchaser in another taxing county within the State, or where a local sales or
24 use tax was due and has been paid in a taxing jurisdiction outside the State where the purpose
25 of the tax is similar in purpose and intent to the tax which may be imposed pursuant to this
26 Article, the tax paid may be credited against the tax imposed under this section by a taxing
27 county upon the same property. If the amount of sales or use tax so paid is less than the amount
28 of the use tax due the taxing county under this section, the purchaser shall pay to the Secretary
29 an amount equal to the difference between the amount so paid in the other taxing county or
30 jurisdiction and the amount due in the taxing county. The Secretary may require such proof of
31 payment in another taxing county or jurisdiction as is deemed to be necessary. The use tax
32 levied under this Article is not subject to credit for payment of any State sales or use tax not
33 imposed for the benefit and use of counties and municipalities. No credit shall be given under
34 this section for sales or use taxes paid in a taxing jurisdiction outside this State if that taxing
35 jurisdiction does not grant similar credit for sales taxes paid under this Article."

36 **SECTION 49.(b)** G.S. 105-467(c) reads as rewritten:

37 "(c) Sourcing. – ~~The local sales tax authorized to be imposed and levied under this~~
38 ~~Article applies to taxable transactions by retailers whose place of business is located within the~~
39 ~~taxing county.~~The sourcing principles in G.S. 105-164.4B apply in determining whether the
40 local sales tax applies to a transaction."

41 **SECTION 50.** G.S. 105-561(d) reads as rewritten:

42 "(d) Special Tax District. – If a regional transportation authority created under Article 27
43 of Chapter 160A of the General Statutes or a regional public transportation authority created
44 under Article 26 of Chapter 160A of the General Statutes has not levied the tax under this
45 section or has levied the tax at a rate of less than eight dollars (\$8.00), it may create a special
46 district that consists of the entire area of one or more counties within its territorial jurisdiction
47 and may levy on behalf of the special district the tax authorized in this section. The rate of tax
48 levied within the special district may not, when combined with the rate levied within the entire
49 territorial jurisdiction of the authority; exceed eight dollars (\$8.00). The regional transportation
50 authority may not levy or increase a tax within the special district unless the board of

1 commissioners of each county in the special district has adopted a resolution approving the levy
2 or increase.

3 A special district created pursuant to this subsection is a body corporate and politic and has
4 the power to carry out the purposes of this subsection. The board of trustees of the regional
5 transportation authority created under Article 27 of Chapter 160A of the General Statutes or a
6 regional public transportation authority created under Article 26 of Chapter 160A of the
7 General Statutes shall serve, ex officio, as the governing body of a special district it creates
8 pursuant to this subsection. The proceeds of a tax levied under this subsection may be used
9 only for the benefit of the special district and only for the purposes provided in G.S. 105-564.
10 Except as provided in this subsection, a tax levied under this subsection is governed by the
11 provisions of this Article."

12 **SECTION 51.** Section 27A.2(f) of S.L. 2009-451 reads as rewritten:

13 "**SECTION 27A.2.(f)** Subsections (a) and (e) of this section are effective when they
14 become law. The remainder of this section becomes effective October 1, 2009. Subsection (b)
15 applies to sales made on or after October 1, 2009, and subsections (c) and (d) apply to
16 distributions for months beginning on or after October 1, 2009. Subsections (b) through (d) of
17 this section expire July 1, 2011. The general State rate of tax in effect on or after July 1, 2011,
18 applies to gross receipts received on or after July 1, 2011, pursuant to a lease or rental
19 agreement entered into during the period September 1, 2009, through June 30, 2011, for a
20 definite, stipulated period of time. This section does not affect the rights or liabilities of the
21 State, a taxpayer, or another person arising under a statute amended or repealed by this section
22 before the effective date of its amendment or repeal; nor does it affect the right to any refund or
23 credit of a tax that accrued under the amended or repealed statute before the effective date of its
24 amendment or repeal."

25 **SECTION 52.** Section 8 of S.L. 2011-122 reads as rewritten:

26 "**SECTION 8.** Notwithstanding G.S. 62A-60(c), as enacted by Section 5 of this act, the
27 Department of Revenue may retain the cost of collection not to exceed seven hundred thousand
28 dollars (\$700,000) of the 911 service charges for prepaid wireless telecommunications service
29 ~~remitted to it~~ from collections by sellers of the charge for the first 12 calendar months
30 beginning on or after July 1, 2013. The cost of collection that the Department may retain under
31 this section includes costs incurred prior to July 1, 2013."

32 **SECTION 53.(a)** The Department of Revenue allocates and distributes to cities
33 and counties the local sales and use taxes under Subchapter VIII of Chapter 105 of the General
34 Statutes and a portion of various State taxes under Chapter 105 of the General Statutes, such as
35 the excise tax on beer and wine, the franchise tax on electric power companies, the sales tax on
36 video programming and telecommunications, and the excise tax on piped natural gas. If the
37 Department is unable to accurately identify and calculate the amount of tax proceeds allocable
38 and distributable to a county or city for any one or more of these taxes for one or more of the
39 distributional periods because of implementation issues with the Tax Information Management
40 System (TIMS), the Department must allocate and distribute to a county and city an amount for
41 that period that is equal to the average of the applicable tax proceeds allocated and distributed
42 to it for the same distributional period in the preceding three fiscal years.

43 **SECTION 53.(b)** This section is effective when it becomes law and expires on
44 July 1, 2015.

45 **SECTION 54.(a)** G.S. 105-164.14(b)(2a) reads as rewritten:

46 "(b) Nonprofit Entities and Hospital Drugs. – A nonprofit entity is allowed a semiannual
47 refund of sales and use taxes paid by it under this Article on direct purchases of tangible
48 personal property and services, other than electricity, telecommunications service, and ancillary
49 service, for use in carrying on the work of the nonprofit entity. Sales and use tax liability
50 indirectly incurred by a nonprofit entity on building materials, supplies, fixtures, and equipment
51 that become a part of or annexed to any building or structure that is owned or leased by the

1 nonprofit entity and is being erected, altered, or repaired for use by the nonprofit entity for
 2 carrying on its nonprofit activities is considered a sales or use tax liability incurred on direct
 3 purchases by the nonprofit entity. A request for a refund must be in writing and must include
 4 any information and documentation required by the Secretary. A request for a refund for the
 5 first six months of a calendar year is due the following October 15; a request for a refund for
 6 the second six months of a calendar year is due the following April 15.

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

- 12 ...
- 13 (2a) Volunteer fire departments and volunteer emergency medical services
 14 squads that are ~~An organization that is exempt from income tax under the~~
 15 Code and is one or more of the following:
- 16 a. ~~A volunteer fire department.~~Exempt from income tax under the
 17 Code.
- 18 b. ~~A volunteer emergency medical services squad.~~Financially
 19 accountable to a city as defined in G.S. 160A-1, a county, or a group
 20 of cities and counties.

21"

22 **SECTION 54.(b)** This section becomes effective July 1, 2013, and applies to
 23 purchases occurring on or after that date.

24 **SECTION 55.** G.S. 105-134.5 reads as rewritten:

25 "**§ 105-134.5. North Carolina taxable income defined.**

26 (a) Residents. – For an individual who is a resident of this State, the term "North
 27 Carolina taxable income" means the taxpayer's adjusted gross income as modified in
 28 ~~G.S. 105-134.6~~G.S. 105-134.6 and G.S. 105-134.6A.

29 (b) Nonresidents. – For a nonresident individual, the term "North Carolina taxable
 30 income" means the taxpayer's adjusted gross income as modified in ~~G.S. 105-134.6,~~
 31 G.S. 105-134.6 and G.S. 105-134.6A multiplied by a fraction the denominator of which is the
 32 taxpayer's gross income as modified in ~~G.S. 105-134.6, G.S. 105-134.6 and G.S. 105-134.6A,~~
 33 and the numerator of which is the amount of that gross income, as modified, that is derived
 34 from North Carolina sources and is attributable to the ownership of any interest in real or
 35 tangible personal property in this State, is derived from a business, trade, profession, or
 36 occupation carried on in this State, or is derived from gambling activities in this State.

37 (c) Part-year Residents. – If an individual was a resident of this State for only part of
 38 the taxable year, having moved into or removed from the State during the year, the term "North
 39 Carolina taxable income" has the same meaning as in subsection (b) of this section except that
 40 the numerator includes gross income, as modified under ~~G.S. 105-134.6, G.S. 105-134.6 and~~
 41 G.S. 105-134.6A, derived from all sources during the period the individual was a resident.

42"

43 **SECTION 56.(a)** G.S. 105-242.2(b) reads as rewritten:

44 "(b) Responsible Person. – Each responsible person in a business entity is personally and
 45 individually liable for all the principal amount of the taxes that are owed by the business entity
 46 and are listed in this subsection. If a business entity does not pay a ~~tax~~the amount it owes after
 47 the ~~tax amount~~becomes collectible under G.S. 105-241.22, the Secretary may enforce the
 48 responsible person's liability for the ~~tax amount~~by sending the responsible person a notice of
 49 proposed assessment in accordance with G.S. 105-241.9. ~~The taxes for which a responsible~~
 50 ~~person may be held personally and individually liable are:~~This subsection applies to the
 51 following:

- 1 (1) All sales and use taxes collected by the business entity upon its taxable
- 2 transactions.
- 3 (2) All sales and use taxes due upon taxable transactions of the business entity
- 4 but upon which it failed to collect the tax, but only if the person knew, or in
- 5 the exercise of reasonable care should have known, that the tax was not
- 6 being collected.
- 7 (3) All taxes due from the business entity pursuant to the provisions of Articles
- 8 36C and 36D of Subchapter V of this Chapter and all taxes payable under
- 9 those Articles by it to a supplier for remittance to this State or another state.
- 10 (4) All income taxes required to be withheld from the wages of employees of
- 11 the business entity."

12 **SECTION 56.(b)** This section is effective when it becomes law and applies to
 13 assessments proposed on or after that date.

14 **SECTION 57.(a)** G.S. 20-79.4 reads as rewritten:

15 "**§ 20-79.4. Special registration plates.**

16 ...
 17 (b) Types. – The Division shall issue the following types of special registration plates:
 18 ...

19 (1) North Carolina Paddle Festival. – Issuable to the registered owner of a motor
 20 vehicle in accordance with G.S. 20-81.12. The plate may bear a phrase and
 21 logo representing the North Carolina Paddle Festival.

22"

23 **SECTION 57.(b)** G.S. 20-79.7(a) reads as rewritten:

24 "(a) Fees. – Upon request, the Division shall provide and issue free of charge a single
 25 Legion of Valor, 100% Disabled Veteran, and Ex-Prisoner of War registration plate to a
 26 recipient of a Legion of Valor award, a 100% disabled veteran, and an ex-prisoner of war each
 27 year. The preceding special registration plates are subject to the regular motor vehicle
 28 registration fees in G.S. 20-88, if the registered weight of the vehicle is greater than 6,000
 29 pounds. All other special registration plates are subject to the regular motor vehicle registration
 30 fee in G.S. 20-87 or G.S. 20-88 plus an additional fee in the following amount:

Special Plate	Additional Fee Amount
American Red Cross	\$30.00
Animal Lovers	\$30.00
Arthritis Foundation	\$30.00
ARTS NC	\$30.00
Back Country Horsemen of NC	\$30.00
Boy Scouts of America	\$30.00
Brenner Children's Hospital	\$30.00
Carolina Raptor Center	\$30.00
Carolinas Credit Union Foundation	\$30.00
Carolinas Golf Association	\$30.00
Coastal Conservation Association	\$30.00
Coastal Land Trust	\$30.00
Crystal Coast	\$30.00
Daniel Stowe Botanical Garden	\$30.00
El Pueblo	\$30.00
Farmland Preservation	\$30.00
First in Forestry	\$30.00
Girl Scouts	\$30.00
Greensboro Symphony Guild	\$30.00
Historical Attraction	\$30.00

1	Home Care and Hospice	\$30.00
2	Home of American Golf	\$30.00
3	HOMES4NC	\$30.00
4	Hospice Care	\$30.00
5	In God We Trust	\$30.00
6	Maggie Valley Trout Festival	\$30.00
7	Morgan Horse Club	\$30.00
8	Mountains-to-Sea Trail	\$30.00
9	NC Civil War	\$30.00
10	NC Coastal Federation	\$30.00
11	NC Veterinary Medical Association	\$30.00
12	National Kidney Foundation	\$30.00
13	North Carolina 4-H Development Fund	\$30.00
14	North Carolina Emergency Management Association	\$30.00
15	North Carolina Green Industry Council	\$30.00
16	North Carolina Libraries	\$30.00
17	<u>North Carolina Paddle Festival</u>	<u>\$30.00</u>
18	Outer Banks Preservation Association	\$30.00
19	Pamlico-Tar River Foundation	\$30.00
20	P.E.O. Sisterhood	\$30.00
21	Personalized	\$30.00
22	Retired Legislator	\$30.00
23	Ronald McDonald House	\$30.00
24	Share the Road	\$30.00
25	S.T.A.R.	\$30.00
26	State Attraction	\$30.00
27	Stock Car Racing Theme	\$30.00
28	Support NC Education	\$30.00
29	Support Our Troops	\$30.00
30	Sustainable Fisheries	\$30.00
31	Toastmasters Club	\$30.00
32	Topsail Island Shoreline Protection	\$30.00
33	Travel and Tourism	\$30.00
34	AIDS Awareness	\$25.00
35	Buffalo Soldiers	\$25.00
36	Choose Life	\$25.00
37	Collegiate Insignia	\$25.00
38	First in Turf	\$25.00
39	Goodness Grows	\$25.00
40	High School Insignia	\$25.00
41	Kids First	\$25.00
42	National Multiple Sclerosis Society	\$25.00
43	National Wild Turkey Federation	\$25.00
44	NC Agribusiness	\$25.00
45	NC Children's Promise	\$25.00
46	Nurses	\$25.00
47	Olympic Games	\$25.00
48	Rocky Mountain Elk Foundation	\$25.00
49	Special Olympics	\$25.00
50	Support Soccer	\$25.00
51	Surveyor Plate	\$25.00

1	The V Foundation for Cancer Research Division	\$25.00
2	University Health Systems of Eastern Carolina	\$25.00
3	Alpha Phi Alpha Fraternity	\$20.00
4	ALS Association, Jim "Catfish" Hunter Chapter	\$20.00
5	ARC of North Carolina	\$20.00
6	Audubon North Carolina	\$20.00
7	Autism Society of North Carolina	\$20.00
8	Battle of Kings Mountain	\$20.00
9	Be Active NC	\$20.00
10	Brain Injury Awareness	\$20.00
11	Breast Cancer Earlier Detection	\$20.00
12	Buddy Pelletier Surfing Foundation	\$20.00
13	Concerned Bikers Association/ABATE of North Carolina	\$20.00
14	Daughters of the American Revolution	\$20.00
15	Donate Life	\$20.00
16	Ducks Unlimited	\$20.00
17	Greyhound Friends of North Carolina	\$20.00
18	Guilford Battleground Company	\$20.00
19	Harley Owners' Group	\$20.00
20	Jaycees	\$20.00
21	Juvenile Diabetes Research Foundation	\$20.00
22	Kappa Alpha Order	\$20.00
23	Litter Prevention	\$20.00
24	March of Dimes	\$20.00
25	Native American	\$20.00
26	NC Fisheries Association	\$20.00
27	NC Horse Council	\$20.00
28	NC Mining	\$20.00
29	NC Tennis Foundation	\$20.00
30	NC Trout Unlimited	\$20.00
31	NC Victim Assistance	\$20.00
32	NC Wildlife Federation	\$20.00
33	NC Wildlife Habitat Foundation	\$20.00
34	NC Youth Soccer Association	\$20.00
35	North Carolina Master Gardener	\$20.00
36	Omega Psi Phi Fraternity	\$20.00
37	Phi Beta Sigma Fraternity	\$20.00
38	Piedmont Airlines	\$20.00
39	Prince Hall Mason	\$20.00
40	Save the Sea Turtles	\$20.00
41	Scenic Rivers	\$20.00
42	School Technology	\$20.00
43	SCUBA	\$20.00
44	Soil and Water Conservation	\$20.00
45	Special Forces Association	\$20.00
46	Support Public Schools	\$20.00
47	US Equine Rescue League	\$20.00
48	USO of NC	\$20.00
49	Wildlife Resources	\$20.00
50	Zeta Phi Beta Sorority	\$20.00
51	Carolina Regional Volleyball Association	\$15.00

1	Carolina's Aviation Museum	\$15.00
2	Leukemia & Lymphoma Society	\$15.00
3	Lung Cancer Research	\$15.00
4	NC Beekeepers	\$15.00
5	Shag Dancing	\$15.00
6	Active Member of the National Guard	None
7	100% Disabled Veteran	None
8	Ex-Prisoner of War	None
9	Gold Star Lapel Button	None
10	Legion of Valor	None
11	Purple Heart Recipient	None
12	All Other Special Plates	\$10.00."

13 **SECTION 57.(c)** G.S. 20-79.7(b) reads as rewritten:

14 "(b) Distribution of Fees. – The Special Registration Plate Account and the Collegiate
15 and Cultural Attraction Plate Account are established within the Highway Fund. The Division
16 must credit the additional fee imposed for the special registration plates listed in subsection (a)
17 of this section among the Special Registration Plate Account (SRPA), the Collegiate and
18 Cultural Attraction Plate Account (CCAPA), the Natural Heritage Trust Fund (NHTF), which
19 is established under G.S. 113-77.7, and the Parks and Recreation Trust Fund, which is
20 established under G.S. 113-44.15, as follows:

21	<u>Special Plate</u>	<u>SRPA</u>	<u>CCAPA</u>	<u>NHTF</u>	<u>PRTF</u>
22	AIDS Awareness	\$10	\$15	0	0
23	Alpha Phi Alpha Fraternity	\$10	\$10	0	0
24	ALS Association, Jim "Catfish"				
25	Hunter Chapter	\$10	\$10	0	0
26	American Red Cross	\$10	\$20	0	0
27	Animal Lovers	\$10	\$20	0	0
28	ARC of North Carolina	\$10	\$10	0	0
29	Arthritis Foundation	\$10	\$20	0	0
30	ARTS NC	\$10	\$20	0	0
31	Audubon North Carolina	\$10	\$10	0	0
32	Autism Society of North				
33	Carolina	\$10	\$10	0	0
34	Back Country Horsemen of NC	\$10	\$20	0	0
35	Battle of Kings Mountain	\$10	\$10	0	0
36	Be Active NC	\$10	\$10	0	0
37	Boy Scouts of America	\$10	\$20	0	0
38	Brain Injury Awareness	\$10	\$10	0	0
39	Breast Cancer Earlier Detection	\$10	\$10	0	0
40	Brenner Children's Hospital	\$10	\$20	0	0
41	Buddy Pelletier Surfing				
42	Foundation	\$10	\$10	0	0
43	Buffalo Soldiers	\$10	\$15	0	0
44	Carolina Raptor Center	\$10	\$20	0	0
45	Carolina Regional Volleyball				
46	Association	\$10	\$5	0	0
47	Carolina's Aviation Museum	\$10	\$5	0	0
48	Carolinas Credit Union				
49	Foundation	\$10	\$20	0	0
50	Carolinas Golf Association	\$10	\$20	0	0
51	Choose Life	\$10	\$15	0	0

1	Coastal Conservation				
2	Association	\$10	\$20	0	0
3	Coastal Land Trust	\$10	\$20	0	0
4	Concerned Bikers Association/ ABATE of North Carolina	\$10	\$10	0	0
5	Crystal Coast	\$10	\$20	0	0
6	Daniel Stowe Botanical Gardens	\$10	\$20	0	0
7	Daughters of the American Revolution	\$10	\$10	0	0
8	Donate Life	\$10	\$10	0	0
9	Ducks Unlimited	\$10	\$10	0	0
10	El Pueblo	\$10	\$20	0	0
11	Farmland Preservation	\$10	\$20	0	0
12	First in Forestry	\$10	\$10	\$10	0
13	First in Turf	\$10	\$15	0	0
14	Girl Scouts	\$10	\$20	0	0
15	Goodness Grows	\$10	\$15	0	0
16	Greensboro Symphony Guild	\$10	\$20	0	0
17	Greyhound Friends of North Carolina	\$10	\$10	0	0
18	Guilford Battleground Company	\$10	\$10	0	0
19	Harley Owners' Group	\$10	\$10	0	0
20	High School Insignia	\$10	\$15	0	0
21	Historical Attraction	\$10	\$20	0	0
22	Home Care and Hospice	\$10	\$20	0	0
23	Home of American Golf	\$10	\$20	0	0
24	HOMES4NC	\$10	\$20	0	0
25	Hospice Care	\$10	\$20	0	0
26	In God We Trust	\$10	\$20	0	0
27	In-State Collegiate Insignia	\$10	\$15	0	0
28	Jaycees	\$10	\$10	0	0
29	Juvenile Diabetes Research Foundation	\$10	\$10	0	0
30	Kappa Alpha Order	\$10	\$10	0	0
31	Kids First	\$10	\$15	0	0
32	Leukemia & Lymphoma Society	\$10	\$5	0	0
33	Litter Prevention	\$10	\$10	0	0
34	Lung Cancer Research	\$10	\$5	0	0
35	Maggie Valley Trout Festival	\$10	\$20	0	0
36	March of Dimes	\$10	\$10	0	0
37	Morgan Horse Club	\$10	\$20	0	0
38	Mountains-to-Sea Trail	\$10	\$20	0	0
39	National Kidney Foundation	\$10	\$20	0	0
40	National Multiple Sclerosis Society	\$10	\$15	0	0
41	National Wild Turkey Federation	\$10	\$15	0	0
42	Native American	\$10	\$10	0	0
43	NC Agribusiness	\$10	\$15	0	0

1	NC Beekeepers	\$10	\$5	0	0
2	NC Children's Promise	\$10	\$15	0	0
3	NC Civil War	\$10	\$20	0	0
4	NC Coastal Federation	\$10	\$20	0	0
5	NC 4-H Development Fund	\$10	\$20	0	0
6	NC Fisheries Association	\$10	\$10	0	0
7	NC Horse Council	\$10	\$10	0	0
8	NC Mining	\$10	\$10	0	0
9	NC Tennis Foundation	\$10	\$10	0	0
10	NC Trout Unlimited	\$10	\$10	0	0
11	NC Veterinary Medical				
12	Association	\$10	\$20	0	0
13	NC Victim Assistance	\$10	\$10	0	0
14	NC Wildlife Federation	\$10	\$10	0	0
15	NC Wildlife Habitat				
16	Foundation	\$10	\$10	0	0
17	NC Youth Soccer				
18	Association	\$10	\$10	0	0
19	North Carolina Emergency				
20	Management Association	\$10	\$20	0	0
21	North Carolina Green Industry				
22	Council	\$10	\$20	0	0
23	North Carolina Libraries	\$10	\$20	0	0
24	North Carolina Master Gardener	\$10	\$10	0	0
25	<u>North Carolina Paddle Festival</u>	<u>\$10</u>	<u>\$20</u>	<u>0</u>	<u>0</u>
26	Nurses	\$10	\$15	0	0
27	Olympic Games	\$10	\$15	0	0
28	Omega Psi Phi Fraternity	\$10	\$10	0	0
29	Out-of-state Collegiate Insignia	\$10	0	\$15	0
30	Outer Banks Preservation				
31	Association	\$10	\$20	0	0
32	Pamlico-Tar River Foundation	\$10	\$20	0	0
33	P.E.O. Sisterhood	\$10	\$20	0	0
34	Personalized	\$10	0	\$15	\$5
35	Phi Beta Sigma Fraternity	\$10	\$10	0	0
36	Piedmont Airlines	\$10	\$10	0	0
37	Prince Hall Mason	\$10	\$10	0	0
38	Retired Legislator	\$10	\$20	0	0
39	Rocky Mountain Elk				
40	Foundation	\$10	\$15	0	0
41	Ronald McDonald House	\$10	\$20	0	0
42	Save the Sea Turtles	\$10	\$10	0	0
43	Scenic Rivers	\$10	\$10	0	0
44	School Technology	\$10	\$10	0	0
45	SCUBA	\$10	\$10	0	0
46	Shag Dancing	\$10	\$5	0	0
47	Share the Road	\$10	\$20	0	0
48	Soil and Water Conservation	\$10	\$10	0	0
49	Special Forces Association	\$10	\$10	0	0
50	Special Olympics	\$10	\$15	0	0
51	S.T.A.R.	\$10	\$20	0	0

1	State Attraction	\$10	\$20	0	0
2	Stock Car Racing Theme	\$10	\$20	0	0
3	Support NC Education	\$10	\$20	0	0
4	Support Our Troops	\$10	\$20	0	0
5	Support Public Schools	\$10	\$10	0	0
6	Support Soccer	\$10	\$15	0	0
7	Surveyor Plate	\$10	\$15	0	0
8	Sustainable Fisheries	\$10	\$20	0	0
9	The V Foundation for Cancer				
10	Research	\$10	\$15	0	0
11	Toastmasters Club	\$10	\$20	0	0
12	Topsail Island Shoreline				
13	Protection	\$10	\$20	0	0
14	Travel and Tourism	\$10	\$20	0	0
15	University Health Systems of				
16	Eastern Carolina	\$10	\$15	0	0
17	US Equine Rescue League	\$10	\$10	0	0
18	USO of NC	\$10	\$10	0	0
19	Wildlife Resources	\$10	\$10	0	0
20	Zeta Phi Beta Sorority	\$10	\$10	0	0
21	All other Special Plates	\$10	0	0	0."

22 **SECTION 57.(d)** G.S. 20-81.12(b2) is amended by adding the following new
23 subsection to read:

24 "(b148) The Division must receive 300 or more applications for a North Carolina Paddle
25 Festival plate before the plate may be developed. The Division shall transfer quarterly the
26 money in the Collegiate and Cultural Attraction Plate Account derived from the sale of North
27 Carolina Paddle Festival plates to the Friends of the Hammocks and Bear Island, Inc."

28 **SECTION 57.(e)** The Revisor of Statutes is authorized to alphabetize, number, and
29 renumber the special registration plates listed in G.S. 20-81.12(b2) to ensure that all the special
30 registration plates are listed in alphabetical order and numbered accordingly.

31 **SECTION 58.(a)** If House Bill 988, 2013 Regular Session, becomes law, then
32 G.S. 105-153.6, as enacted by House Bill 998, reads as rewritten:

33 "**§ 105-153.6. Adjustments when State decouples from federal accelerated depreciation**
34 **and expensing.**

35 ...

36 (d) **Asset Basis.** – The adjustments made in this section do not result in a difference in
37 basis of the affected assets for State and federal income tax ~~purposes~~purposes, except as
38 modified in subsection (e) of this section.

39 (e) **Bonus Asset Basis.** – In the event of an actual or deemed transfer of an asset
40 occurring on or after January 1, 2013, wherein the tax basis of the asset carries over from the
41 transferor to the transferee for federal income tax purposes, the transferee must add any
42 remaining deductions allowed under subsection (a) of this section to the basis of the transferred
43 asset. Notwithstanding the provisions of subsection (a) of this section, the transferor and any
44 owner in a transferor are not allowed any remaining future bonus depreciation deductions
45 associated with the transferred asset. This subsection applies only to the extent that each
46 transferor or owner in a transferor that added bonus depreciation to its federal taxable income
47 or adjusted gross income associated with the transferred asset certifies in writing to the
48 transferee, that the transferor or owner in a transferor will not take any remaining future bonus
49 depreciation deduction associated with the transferred asset.

50 (f) **Prior Transactions.** – For any transaction meeting the requirements of subsection (e)
51 of this section prior to January 1, 2013, the transferor and transferee can make an election to

1 make the basis adjustment allowed in that subsection on the transferee's 2013 tax return, to the
 2 extent that the transferor and any owner in a transferor has not taken the bonus depreciation
 3 deduction on a prior return and provided that the transferor is not allowed any remaining future
 4 bonus depreciation deductions associated with the transferred asset and each owner in a
 5 transferor certifies in writing to the transferee that the owner will not take any remaining
 6 deductions allowed under subsection (a) of this section for tax years beginning on or after
 7 January 1, 2013, for depreciation associated with the transferred asset. The amount of the basis
 8 adjustment under this subsection is limited to the total remaining future bonus depreciation
 9 deductions forfeited by the transferor and any owner in the transferor at the time of the transfer.

10 (g) Tax Basis. – For transactions described in subsection (e) or (f) of this section,
 11 adjusted gross income must be increased or decreased to account for any difference in the
 12 amount of depreciation, amortization, or gains or losses applicable to property that has been
 13 depreciated or amortized by use of a different basis or rate for State income tax purposes than
 14 used for federal income tax purposes prior to the effective date of this section.

15 (h) Definitions. – For purposes of this section, a "transferor" is an individual,
 16 partnership, S Corporation, limited liability company, or an estate or trust that does not fully
 17 distribute income to its beneficiaries, and an "owner in a transferor" is a partner, shareholder,
 18 member, or beneficiary subject to tax under Part 2 or 3 of Article 4 of this Chapter of a
 19 transferor."

20 **SECTION 58.(b)** If House Bill 988, 2013 Regular Session, becomes law,
 21 G.S. 105-134.6A, 113A-256(g), and 160A-211(a) are repealed.

22 **SECTION 58.(c)** If House Bill 998, 2013 Regular Session, becomes law,
 23 G.S. 105-153.3(12), as enacted by that act, reads as rewritten:

24 **"§ 105-153.3. Definitions.**

25 The following definitions apply in this Part:

26 ...

27 (9) Limited liability company. – Either a domestic limited liability company
 28 organized under ~~Chapter 57C~~ Chapter 57D of the General Statutes or a
 29 foreign limited liability company authorized by that Chapter to transact
 30 business in this State that is classified for federal income tax purposes as a
 31 partnership. As applied to a limited liability company that is a partnership
 32 under this Part, the term "partner" means a member of the limited liability
 33 company.

34 ...

35 (12) North Carolina taxable income. – Defined in ~~G.S. 105-153.5.~~
 36 G.S. 105-153.4."

37 **SECTION 58.(d)** If House Bill 998, 2013 Regular Session, becomes law, then
 38 G.S. 160A-211(a) reads as rewritten:

39 **"§ 160A-211. Privilege license taxes.**

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

46 G.S. 105-36 Amusements – Manufacturing, selling, leasing, or
 47 distributing moving picture films.

48 G.S. 105-36.1 Amusements – Outdoor theatres.

49 G.S. 105-37 Amusements – Moving pictures – Admission.

50 G.S. 105-37.1 Amusements – Live entertainment and ticket resales

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

1	G.S. 105-45	Collecting agencies.
2	G.S. 105-46	Undertakers and retail dealers in coffins.
3	G.S. 105-50	Pawnbrokers.
4	G.S. 105-51.1	Alarm systems.
5	G.S. 105-53	Peddlers, itinerant merchants, and specialty market
6		operators.
7	G.S. 105-54	Contractors and construction companies.
8	G.S. 105-55	Installing elevators and automatic sprinkler systems.
9	G.S. 105-61	Hotels, motels, tourist courts and tourist homes.
10	G.S. 105-62	Restaurants.
11	G.S. 105-65	Music machines.
12	G.S. 105-65.1	Merchandising dispensers and weighing machines.
13	G.S. 105-66.1	Electronic video games.
14	G.S. 105-74	Pressing clubs, dry cleaning plants, and hat blockers.
15	G.S. 105-77	Tobacco warehouses.
16	G.S. 105-80	Firearms dealers and dealers in other weapons.
17	G.S. 105-85	Laundries.
18	G.S. 105-86	Outdoor advertising.
19	G.S. 105-89	Automobiles, wholesale supply dealers, and service
20		stations.
21	G.S. 105-89.1	Motorcycle dealers.
22	G.S. 105-90	Emigrant and employment agents.
23	G.S. 105-91	Plumbers, heating contractors, and electricians.
24	G.S. 105-97	Manufacturers of ice cream.
25	G.S. 105-98	Branch or chain stores.
26	G.S. 105-99	Wholesale distributors of motor fuels.
27	G.S. 105-102.1	Certain cooperative associations.
28	G.S. 105-102.5	General business license."

29 **SECTION 58.(e)** This section becomes effective January 1, 2014, and applies to
30 taxable years that begin on or after that date.

31 32 **OCCUPANCY TAX TECHNICAL CHANGES**

33 **SECTION 60.(a)** Section 17 of Chapter 908 of the 1983 Session Laws, as amended
34 by Section 1 of S.L. 2001-162, reads as rewritten:

35 "Sec. 17. Authorization and Scope. (a) The Board of Commissioners of Buncombe County
36 may levy a room occupancy and tourism development tax of up to two percent (2%) of the
37 gross receipts derived from the rental of accommodations within the county that are subject to
38 sales tax imposed by the State under G.S. 105-164.4(a)(3). ~~This tax does not apply to gross~~
39 ~~receipts derived by the following entities from accommodations furnished by them:~~

- 40 (1) ~~religious organizations;~~
41 (2) ~~educational organizations;~~
42 (3) ~~any business that offers to rent fewer than five units; and~~
43 (4) ~~summer camps."~~

44 **SECTION 60.(b)** Section 25 of Chapter 908 of the 1983 Session Laws, as
45 amended by Section 1 of S.L. 2009-157, reads as rewritten:

46 "Sec. 25. Occupancy Tax. – Authorization and Scope. – The Board of Commissioners of
47 Forsyth County may levy a room occupancy and tourism development tax of two percent (2%)
48 of the gross receipts derived from the rental of any room, lodging, or similar accommodation
49 furnished by any hotel, motel, inn, tourist camp, or other similar place within the county that is
50 subject to sales tax imposed by the State under G.S. 105-164.4(a)(3). This tax is in addition to

1 any State or local sales tax. ~~This tax does not apply to accommodations furnished by any of the~~
2 ~~following:~~

- 3 ~~(1) Religious organizations.~~
- 4 ~~(2) Educational organizations.~~
- 5 ~~(3) Any business that offers to rent fewer than five units.~~
- 6 ~~(4) Summer camps."~~

7 **SECTION 60.(c)** Section 3 of Chapter 980 of the 1983 Session Laws, as amended
8 by Section 2 of S.L. 1995-721, is repealed.

9 **SECTION 60.(d)** Section 3 of Chapter 988 of the 1983 Session Laws is repealed.

10 **SECTION 60.(e)** Section 3 of Chapter 857 of the 1985 Session Laws is repealed.

11 **SECTION 60.(f)** Section 2 of S.L. 2007-112, as amended by Section 40 of S.L.
12 2007-484, reads as rewritten:

13 "**SECTION 2.** Occupancy Tax. – (a) Authorization and Scope. – The Carteret County
14 Board of Commissioners may levy a room occupancy and tourism development tax of five
15 percent (5%) of the gross receipts derived from the rental of any room, lodging, or similar
16 accommodation furnished by any hotel, motel, inn, tourist camp, condominium, cottage,
17 ~~campground,~~ rental agency, or other similar place within the county that is subject to sales tax
18 imposed by the State under G.S. 105-164.4(a)(3). This tax is in addition to any State or local
19 sales tax. ~~This tax does not apply to accommodations furnished by the following:~~

- 20 ~~(1) Religious organizations.~~
- 21 ~~(2) Educational organizations.~~
- 22 ~~(3) Any business that offers to rent fewer than five units.~~
- 23 ~~(4) Summer camps.~~
- 24 ~~(5) Charitable, benevolent, and other nonprofit organizations."~~

25 **SECTION 60.(g)** Section 1 of Chapter 80 of the 1991 Session Laws, as amended
26 by Section 1 of S.L. 2006-127, reads as rewritten:

27 "**Section 1.** Occupancy Tax. – (a) Authorization and Scope. – The Martin County Board of
28 Commissioners may levy a room occupancy tax of up to three percent (3%) of the gross
29 receipts derived from the rental of any room, lodging, or similar accommodation furnished by a
30 hotel, motel, inn, tourist camp, or similar place within the county that is subject to sales tax
31 imposed by the State under G.S. 105-164.4(a)(3). This tax is in addition to any State or local
32 sales tax. ~~This tax does not apply to accommodations furnished by nonprofit charitable,~~
33 ~~educational, or religious organizations, when furnished in furtherance of their nonprofit~~
34 ~~purpose, by summer camps, or by businesses that offer to rent no more than five units.~~

35"

36 **SECTION 60.(h)** Section 1 of Chapter 102 of the 1997 Session Laws, as amended
37 by Section 1 of S.L. 2005-118, reads as rewritten:

38 "Section 1. (b) Authorization and scope. The Madison County Board of Commissioners
39 may levy a room occupancy tax of up to three percent (3%) of the gross receipts derived from
40 the rental of any room, lodging, or accommodation furnished by a hotel, motel, inn, tourist
41 camp, or similar place within the county that is subject to sales tax imposed by the State under
42 G.S. 105-164.4(a)(3). This tax is in addition to any State or local sales tax. ~~This tax does not~~
43 ~~apply to accommodations furnished by nonprofit charitable, educational, or religious~~
44 ~~organizations or to a business that offers to rent fewer than five units.~~

45"

46 **SECTION 60.(i)** Section 1 of Chapter 821 of the 1991 Session Laws, as amended
47 by S.L. 2001-305, reads as rewritten:

48 "**Section 1.** Occupancy tax. (a) Authorization and scope. The Washington County Board of
49 Commissioners may levy a room occupancy tax of three percent (3%) of the gross receipts
50 derived from the rental of any room, lodging, or accommodation furnished by a hotel, motel,
51 inn, tourist camp, or similar place within the county that is subject to sales tax imposed by the

1 State under G.S. 105-164.4(a)(3). This tax is in addition to any State or local sales tax. ~~This tax~~
2 ~~does not apply to accommodations furnished by:~~

- 3 (1) ~~Nonprofit charitable, educational, or religious organizations.~~
- 4 (2) ~~A business that offers to rent fewer than five units.~~
- 5 (3) ~~Summer camps.~~

6"

7 **SECTION 60.(j)** Section 1 of Chapter 969 of the 1987 Session Laws, as amended
8 by Section 13.1 of S.L. 2001-439, reads as rewritten:

9 "Section 1. Levy of Tax. – (a) The Board of Commissioners of Richmond County may by
10 resolution levy a room occupancy and tourism development tax of three percent (3%) of the
11 gross receipts derived from the rental of any room, lodging, or similar accommodation
12 furnished by any hotel, motel, inn, tourist camp or other similar place within the county now
13 subject to the three percent (3%) sales tax imposed by the State under G.S. 105-164.4(a)(3).
14 This tax is in addition to any local sales tax. ~~This tax does not apply to gross receipts derived by~~
15 ~~the following entities from accommodations furnished by them:~~

- 16 (1) ~~Religious organizations;~~
- 17 (2) ~~Educational organizations;~~
- 18 (3) ~~Any business that offers to rent fewer than five units; and~~
- 19 (4) ~~Summer camps.~~

20"

21 **SECTION 60.(k)** Section 1 of Chapter 158 of the 1991 Session Laws, as amended
22 by Section 1 of S.L. 2001-365, reads as rewritten:

23 **"Section 1. Occupancy Tax.**

24 (a) Authorization and scope. – The Washington City Council may levy a room
25 occupancy tax of three percent (3%) of the gross receipts derived from the rental of any room,
26 lodging, or similar accommodation furnished by a hotel, motel, inn, tourist camp, or similar
27 place within the city that is subject to sales tax imposed by the State under
28 G.S. 105-164.4(a)(3). This tax is in addition to any State or local sales tax. ~~This tax does not~~
29 ~~apply to accommodations furnished by nonprofit charitable, educational, or religious~~
30 ~~organizations, by summer camps, or by businesses that offer to rent no more than five units.~~

31"

32 **SECTION 60.(l)** Section 4 of Chapter 605 of the 1991 Session Laws is repealed.

33 **SECTION 60.(m)** Section 1 of Chapter 561 of the 1987 Session Laws reads as
34 rewritten:

35 "Section 1. Occupancy Tax. (a) Authorization and scope. The Lenoir County Board of
36 Commissioners may by resolution, after not less than ten days' public notice and after a public
37 hearing held pursuant thereto, levy a room occupancy tax of three percent (3%) of the gross
38 receipts derived from the rental of any room, lodging, or similar accommodation furnished by a
39 hotel, motel, inn, tourist camp, or similar place within the county that is subject to sales tax
40 imposed by the State under G.S. 105-164.4(3). This tax is in addition to any State or local sales
41 tax. ~~This tax does not apply to accommodations furnished by nonprofit charitable, educational,~~
42 ~~or religious organizations, by summer camps, or by businesses that offer to rent no more than~~
43 ~~five units.~~

44"

45 **SECTION 60.(n)** Section 3 of Chapter 647 of the 1987 Session Laws is repealed.

46 **SECTION 60.(o)** Section 1 of Chapter 950 of the 1987 Session Laws reads as
47 rewritten:

48 "Section 1. Occupancy tax. (a) Authorization and scope. The Alamance County Board of
49 Commissioners may by resolution, after not less than 10 days' public notice and after a public
50 hearing held pursuant thereto, levy a room occupancy tax of three percent (3%) of the gross
51 receipts derived from the rental of any room, lodging, or similar accommodation furnished by a

1 hotel, motel, inn, or similar place within the county that is subject to sales tax imposed by the
2 State under G.S. 105-164.4(3). This tax is in addition to any State or local sales tax. ~~This tax
3 does not apply to gross receipts derived by the following entities from accommodations
4 furnished by them:~~

- 5 (1) ~~Nonprofit charitable organizations;~~
- 6 (2) ~~religious organizations;~~
- 7 (3) ~~educational organizations; and~~
- 8 (4) ~~any business that offers to rent fewer than five units.~~

9"

10 **SECTION 60.(p)** Section 3 of Chapter 22 of the 1991 Session Laws is repealed.

11 **SECTION 60.(q)** Section 1 of Chapter 162 of the 1991 Session Laws, as amended
12 by Section 1 of S.L. 2004-106 and Section 1 of S.L. 2011-170, reads as rewritten:

13 "Section 1. Occupancy tax. (a) Authorization and Scope. – The Alleghany County Board
14 of Commissioners may levy a room occupancy tax of three percent (3%) of the gross receipts
15 derived from the rental of any room, lodging, or accommodation furnished by a hotel, motel,
16 inn, tourist camp, or similar place within the county that is subject to sales tax imposed by the
17 State under G.S. 105-164.4(a)(3). This tax is in addition to any State or local sales tax. ~~This tax
18 does not apply to accommodations furnished by a summer camp for minors, or by a nonprofit
19 charitable, educational, or religious organization.~~

20"

21 **SECTION 60.(r)** Section 1 of Chapter 648 of the 1993 Session Laws reads as
22 rewritten:

23 "Section 1. Occupancy Tax. (a) Authorization and scope. The Kinston City Council may by
24 resolution, after not less than 10 days' public notice and after a public hearing held pursuant
25 thereto, levy a room occupancy tax of three percent (3%) of the gross receipts derived from the
26 rental of any room, lodging, or similar accommodation furnished by a hotel, motel, inn, tourist
27 camp, or similar place within the city that is subject to sales tax imposed by the State under
28 G.S. 105-164.4(a)(3). This tax is in addition to any State or local sales tax. ~~This tax does not
29 apply to accommodations furnished by nonprofit charitable, educational, or religious
30 organizations, by summer camps, or by businesses that offer to rent no more than five units.~~

31"

32 **SECTION 60.(s)** Section 1 of Chapter 209 of the 1987 Session Laws, as amended
33 by Chapter 155 of the 1991 Session Laws, S.L. 1999-155, and S.L. 2004-95, reads as rewritten:

34 "Section 1. Occupancy tax. (a) Authorization and scope. The Currituck County Board of
35 Commissioners may levy a room occupancy tax of three percent (3%) of the gross receipts
36 derived from the rental of any room, lodging, or similar accommodation furnished by a hotel,
37 motel, inn, or similar place within the county that is subject to sales tax imposed by the State
38 under ~~G.S. 105-164.4(a)(3), or from the rental of a campsite within the
39 county.~~ G.S. 105-164.4(a)(3). This tax is in addition to any State or local sales tax. ~~This tax does
40 not apply to accommodations furnished by nonprofit charitable, educational, or religious
41 organizations when furnished in furtherance of their nonprofit purpose.~~

42"

43 **SECTION 60.(t)** Section 1(a) of Chapter 449 of the 1985 Session Laws, as
44 amended by Chapter 826 of the 1985 Session Laws, Chapters 177 and 906 of the 1991 Session
45 Laws, and Part VII of S.L. 2001-439, reads as rewritten:

46 "Section 1. Occupancy Tax. (a) Authorization and Scope. The Dare County Board of
47 Commissioners may levy a room occupancy tax of three percent (3%) of the gross receipts
48 derived from the rental of ~~the following in Dare County:~~

- 49 (1) ~~Any any~~ room, lodging, or similar accommodation within the county that is
50 subject to sales tax under G.S. 105-164.4(a)(3); and
- 51 (2) ~~A campsite.~~ G.S. 105-164.4(a)(3).

1 This tax does not apply to accommodations furnished by nonprofit charitable, educational,
2 or religious organizations when furnished in furtherance of their nonprofit purpose. This tax is
3 in addition to any State or local sales tax."
4

5 TAX & TAG TOGETHER MOTOR VEHICLE PROPERTY TAX CHANGES

6 **SECTION 70.(a)** Section 22(d) of S.L. 2007-527, as amended by Section 66 of
7 S.L. 2008-134 and Section 22(b) of S.L. 2010-95, reads as rewritten:

8 "**SECTION 22.(d)** Subsection (c) of this section becomes effective July 1, 2013, or when
9 the Division of Motor Vehicles of the Department of Transportation and the Department of
10 Revenue certify that the integrated computer system for registration renewal and property tax
11 collection for motor vehicles is in operation, whichever occurs first. July 1, 2013. The
12 remainder of this section is effective when it becomes law."

13 **SECTION 70.(b)** Section 24(c) of S.L. 2009-445, as amended by Section 22(c) of
14 S.L. 2010-95, reads as rewritten:

15 "**SECTION 24.(c)** G.S. 105-330.9 and G.S. 105-330.11, as amended in subsection (a) of
16 this section, are effective when this act becomes law. Subsection (b) of this section and the
17 remainder of subsection (a) of this section become effective July 1, 2013, and apply to
18 combined tax and registration notices issued on or after that date, or when the Division of
19 Motor Vehicles and the Department of Revenue certify that the integrated computer system or
20 registration renewal and property tax collection for motor vehicles is in operation, whichever
21 occurs first. date. Counties may continue to collect property taxes on motor vehicles for taxable
22 years beginning on or before September 1, 2013, under the provisions of Article 22A of
23 Chapter 105 of the General Statutes as those statutes are in effect on June 30, 2013. The
24 remainder of this section is effective when it becomes law."

25 **SECTION 70.(c)** Section 8 of S.L. 2007-471, as amended by Section 25(a) of S.L.
26 2009-445, and Section 22(d) of 2010-95, reads as rewritten:

27 "**SECTION 8.** Unless otherwise stated, this act becomes effective July 1, 2013, and applies
28 to combined tax and registration notices issued on or after that date, or when the Division of
29 Motor Vehicles and the Department of Revenue certify that the integrated computer system for
30 registration renewal and property tax collection for motor vehicles is in operation, whichever
31 occurs first. date. Counties may continue to collect property taxes on motor vehicles for taxable
32 years beginning on or before September 1, 2013, under the provisions of Article 22A of
33 Chapter 105 of the General Statutes as those statutes are in effect on June 30, 2013."

34 **SECTION 70.(d)** Section 13 of S.L. 2005-294, as amended by Section 31.5 of S.L.
35 2006-259, Section 22(b) of S.L. 2007-257, Section 65 of S.L. 2008-134, and Section 3.6 of S.L.
36 2012-79, reads as rewritten:

37 "**SECTION 13.** Sections 4 and 8 of this act become effective January 1, 2006. Sections 1,
38 2, 3, 5, 6, 7, 10 and 11 of this act become effective July 1, 2013, or when the Division of Motor
39 Vehicles of the Department of Transportation and the Department of Revenue certify that the
40 integrated computer system for registration renewal and property tax collection for motor
41 vehicles is in operation, whichever occurs first, and apply to combined tax and registration
42 notices issued on or after that date. Counties may continue to collect property taxes on motor
43 vehicles for taxable years beginning on or before September 1, 2013, under the provisions of
44 Article 22A of Chapter 105 of the General Statutes as those statutes are in effect on June 30,
45 2013. Sections 12 and 13 of this act are effective when they become law. Nothing in this act
46 shall require the General Assembly to appropriate funds to implement it for the biennium
47 ending June 30, 2007."

48 **SECTION 70.(e)** This section is effective when it becomes law.

49 **SECTION 71.(a)** Effective June 26, 2012, Sections 3.2, 3.3, and 3.4 of S.L.
50 2012-79 are repealed.

1 **SECTION 71.(b)** Effective July 1, 2013, G.S. 105-330.2, as amended by Section 2
2 of S.L. 2005-294 and Section 24(a) of S.L. 2009-445, reads as rewritten:

3 **"§ 105-330.2. Appraisal, ownership, and situs.**

4 ...

5 (b1) Valuation Appeal. – The owner of a classified motor vehicle may appeal the
6 appraised value ~~or taxability~~ of the vehicle by filing a request for appeal with the assessor
7 within 30 days of the date taxes are due on the vehicle under G.S. 105-330.4. An owner who
8 appeals the appraised value ~~or taxability~~ of a classified motor vehicle must pay the tax on the
9 vehicle when due, subject to a full or partial refund if the appeal is decided in the owner's favor.

10 The combined tax and registration notice or tax receipt for a classified motor vehicle must
11 explain the right to appeal the appraised value ~~and taxability~~ of the vehicle. A lessee of a
12 vehicle that is required by the terms of the lease to pay the tax on the vehicle is considered the
13 owner of the vehicle for purposes of filing an appeal under this subsection. Appeals filed under
14 this subsection shall proceed in the manner provided in G.S. 105-312(d).

15 (b2) Exemption or Exclusion Appeal. – The owner of a classified motor vehicle may
16 appeal the vehicle's eligibility for an exemption or exclusion by filing a request for appeal with
17 the assessor within 30 days of the assessor's initial decision on the exemption or exclusion
18 application filed by the owner pursuant to G.S. 105-330.3(b). Appeals filed under this
19 subsection shall proceed in the manner provided in G.S. 105-312(d).

20"

21 **SECTION 71.(c)** Effective July 1, 2013, G.S. 105-330.3, as amended by Section
22 24(a) of S.L. 2009-445, reads as rewritten:

23 **"§ 105-330.3. Listing requirements for classified motor vehicles; application for exempt**
24 **status.**

25 ...

26 (a1) Unregistered Vehicles. – The owner of an unregistered classified motor vehicle
27 must list the vehicle for taxes by filing an abstract with the assessor of the county in which the
28 vehicle is located on or before January 31 following the date the owner acquired the
29 unregistered vehicle or, in the case of a registration that is not renewed, January 31 following
30 the date the registration expires, and on or before January 31 of each succeeding year that the
31 vehicle is unregistered. If a classified motor vehicle required to be listed pursuant to this
32 subsection is registered ~~during the calendar~~ before the end of the fiscal year in for which it was
33 listed, ~~the vehicle is taxed for the fiscal year that opens in the calendar year of listing as an~~
34 ~~unregistered vehicle.~~ required to be listed, the following applies:

35 (1) The vehicle is taxed as a registered vehicle, and the tax assessed pursuant to
36 this subsection for the fiscal year in which the vehicle was required to be
37 listed shall be released and/or refunded.

38 (2) For any months for which the vehicle was not taxed between the date the
39 registration expired and the start of the current registered vehicle tax year,
40 the vehicle is taxed as an unregistered vehicle as follows:

41 a. The value of the motor vehicle is determined as of January 1 of the
42 year in which the registration of the motor vehicle expires.

43 b. In computing the taxes, the assessor must use the tax rates and any
44 additional motor vehicle taxes of the various taxing units in effect on
45 the date the taxes are computed.

46 c. The tax on the motor vehicle is the product of a fraction and the
47 number of months for which the vehicle was not taxed between the
48 date the registration expires and the start of the current registered
49 vehicle tax year. The numerator of the fraction is the product of the
50 appraised value of the motor vehicle and the tax rate of the various
51 taxing units. The denominator of the fraction is 12.

- 1 d. The taxes are due on the first day of the second month following the
 2 month the notice was prepared.
 3 e. Interest accrues on unpaid taxes for these unregistered classified
 4 motor vehicles at the rate of five percent (5%) for the remainder of
 5 the month following the month the taxes are due. Interest accrues at
 6 the rate of three-fourths percent (3/4%) for each following month
 7 until the taxes are paid, unless the notice is prepared after the date the
 8 taxes are due. In that circumstance, the interest accrues beginning the
 9 second month following the date of the notice until the taxes are
 10 paid.

- 11 (3) A vehicle required to be listed pursuant to this subsection that is not listed by
 12 January 31 and is not registered before the end of the fiscal year for which it
 13 was required to be listed is subject to discovery pursuant to G.S. 105-312,
 14 ~~unless the vehicle has been taxed as a registered vehicle for the current~~
 15 ~~year.~~G.S. 105-312.

16 (b) Exemption or Exclusion. – The owner of a classified motor vehicle who claims an
 17 exemption or exclusion from tax under this Subchapter has the burden of establishing that the
 18 vehicle is entitled to the exemption or exclusion. The owner may establish prima facie
 19 entitlement to exemption or exclusion of the classified motor vehicle by filing an application
 20 for exempt status with the ~~assessor~~assessor within 30 days of the date taxes on the vehicle are
 21 due. When an approved application is on file, the assessor must omit from the tax records the
 22 classified motor vehicles described in the application. An application is not required for
 23 vehicles qualifying for the exemptions or exclusions listed in G.S. 105-282.1(a)(1). The
 24 remaining provisions of G.S. 105-282.1 do not apply to classified motor vehicles.

25 "

26 **SECTION 71.(d)** Effective July 1, 2013, G.S. 105-330.4, as amended by Sections
 27 4 and 5 of S.L. 2005-294 and Section 24(a) of S.L. 2009-445, reads as rewritten:

28 "**§ 105-330.4. Due date, interest, and enforcement remedies.**

29 (a) Due Date. – The registration of a classified motor vehicle may not be issued unless a
 30 temporary registration plate is issued for the motor vehicle under G.S. 20-79.1A or the taxes for
 31 the motor vehicle's tax year that begins after the issuance of the registration are paid upon
 32 registration. A registration of a classified motor vehicle may not be renewed unless the taxes
 33 ~~that are due have been paid.~~for the motor vehicle's tax year that begins after the registration
 34 expires are paid upon registration. If the registration of a classified motor vehicle is renewed
 35 earlier than the date the taxes are due, the taxes must be paid as if they were due. Taxes on a
 36 classified motor vehicle are due as follows:

- 37 (1) For an unregistered classified motor vehicle, the taxes are due on September
 38 1 following the date by which the vehicle was required to be listed.
 39 (2) For a registered classified motor vehicle that is registered under the
 40 staggered system, the taxes are due each year on the date the owner applies
 41 for a new registration or the fifteenth day of the month following the month
 42 in which the registration renewal sticker expires pursuant to G.S. 20-66(g).
 43 (3) For a registered classified motor vehicle that is registered under the annual
 44 system, taxes are due on the date the owner applies for a new registration or
 45 45 days after the registration expires.
 46 (4) For a registered classified motor vehicle that has a temporary registration
 47 plate issued under G.S. 20-79.1 or a limited registration plate issued under
 48 G.S. 20-79.1A, the taxes are due on the last day of the second month
 49 following the date the owner applied for the plate.

50 ...

1 (b) Interest. – Interest accrues on unpaid taxes and unpaid registration fees for
2 registered classified motor vehicles at the rate of five percent (5%) for the remainder of the
3 month ~~following the month~~ the taxes are due under subsection (a) of this section. Interest does
4 not accrue for the first month following the due date. Interest accrues at the rate of three-fourths
5 percent (3/4%) beginning the second month following the due date and for each following
6 month until the taxes and fees are paid, ~~unless the notice required by G.S. 105-330.5 is~~
7 ~~prepared after the date the taxes and fees are due. In that circumstance, the interest accrues~~
8 ~~beginning the second month following the date of the notice until the taxes and fees are paid.~~
9 paid. Subject to the provisions of G.S. 105-395.1, interest accrues on delinquent taxes on
10 unregistered classified motor vehicles as provided in G.S. 105-360(a) and the discounts allowed
11 in G.S. 105-360(a) apply to the payment of the taxes.

12 (c) Remedies. – The enforcement remedies in this Subchapter apply to unpaid taxes on
13 an unregistered classified motor ~~vehicle. The enforcement remedies in this Subchapter do not~~
14 ~~apply~~ vehicle and to unpaid taxes on a registered classified motor ~~vehicle.~~ vehicle for which the
15 tax year begins before October 1, 2013.

16 (d) Payments. – Tax payments submitted by mail are deemed to be received as of the
17 date shown on the postmark affixed by the United States Postal Service. If no date is shown on
18 the postmark or if the postmark is not affixed by the United States Postal Service, the tax
19 payment is deemed to be received when the payment is received ~~in the office of the tax~~
20 ~~collector~~ by the collecting authority. In any dispute arising under this subsection, the burden of
21 proof is on the taxpayer to show that the payment was timely made."

22 **SECTION 72.** Effective July 1, 2013, G.S. 105-330.1(b), as amended by Section
23 24(a) of S.L. 2009-445, reads as rewritten:

24 "(b) Exceptions. – The following motor vehicles are not classified under subsection (a)
25 of this section:

- 26 (1) Motor vehicles exempt from registration pursuant to G.S. 20-51.
- 27 (2) Manufactured homes, mobile classrooms, and mobile offices.
- 28 (3) Semitrailers or trailers registered on a multiyear basis.
- 29 (4) Motor vehicles owned or leased by a public service company and appraised
30 under G.S. 105-335.
- 31 (5) Repealed by Session Laws 2000, c. 140, s. 75(a), effective July 1, 2000.
- 32 (6) Motor vehicles registered under the International Registration Plan.
- 33 (7) Motor vehicles issued permanent registration plates under G.S. 20-84.
- 34 (8) Self-propelled property-carrying vehicles issued three-month registration
35 plates at the farmer rate under G.S. 20-88.
- 36 (9) Motor vehicles owned by participants in the Address Confidentiality
37 Program authorized under Chapter 15C of the General Statutes."

38 **EFFECTIVE DATE**

39 **SECTION 80.** Sections 5, 6, and 7 of this act are effective for taxable years
40 beginning on or after January 1, 2012. Except as otherwise provided, the remainder of this act
41 is effective when it becomes law.
42