

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2015

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HOUSE BILL 81
Committee Substitute Favorable 4/14/15
Third Edition Engrossed 4/20/15

Short Title: Expand 1%/\$80 Rate for Mill Machinery.

(Public)

Sponsors:

Referred to:

February 16, 2015

1 A BILL TO BE ENTITLED
2 AN ACT TO EXPAND THE SCOPE OF THE 1%/\$80 RATE ON MILL MACHINERY TO
3 INCLUDE MACHINERY AND EQUIPMENT USED BY COMPANIES ENGAGED IN
4 METAL FABRICATION.

5 The General Assembly of North Carolina enacts:

6 **SECTION 1.** G.S. 105-187.51B reads as rewritten:

7 "**§ 105-187.51B.** Tax imposed on machinery, equipment, and other tangible personal
8 property used by certain recyclers, research and development companies,
9 industrial machinery refurbishing companies, and companies located at ports
10 facilities.companies.

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

12 ...
13 (6) A company (i) that is engaged in the fabrication of metal work, (ii) that has
14 annual gross receipts, including the gross receipts of all related persons as
15 defined in G.S. 105-163.010, from the fabrication of metal work of at least
16 eight million dollars (\$8,000,000), and (iii) that purchases equipment or an
17 attachment or repair part for equipment that meets all of the following
18 requirements:

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

20 b. Is used by the company at the establishment in the fabrication or
21 manufacture of metal products or used by the company to create
22 equipment for the fabrication or manufacture of metal products.

23 (b) Rate. – The tax is one percent (1%) of the sales price of the equipment or other
24 tangible personal property. The maximum tax is eighty dollars (\$80.00) per article."

25 **SECTION 2.** The Revenue Laws Study Committee is directed to study the scope
26 and application of the privilege tax at the rate of one percent (1%) with a cap of eighty dollars
27 (\$80.00) that applies to mill machinery and on other machinery and equipment purchased by
28 certain industries and companies. The study may include an examination of the following:

29 (1) The criteria that must be met under current law in order to qualify for the
30 preferential rate of tax and whether that criteria should be modified or
31 otherwise clarified in the statutes.

32 (2) The tax treatment in other states of business equipment purchases.

33 (3) Economic competitiveness issues surrounding the tax treatment of business
34 equipment purchases.



- 1 (4) A comparison of how North Carolina treats equipment purchases by
2 similarly situated taxpayers.
- 3 (5) Whether there is a simpler, more uniform, and more equitable way to treat
4 business equipment purchases of taxpayers and the fiscal impact of such
5 treatment.
- 6 (6) The extent to which a business's activities must consist of manufacturing
7 items for sale in order for the 1%/\$80 rate to apply.
- 8 (7) Whether the 1%/\$80 rate should apply to equipment used to manufacture
9 items that are not sold at retail but are used in the fulfillment of a
10 performance contract by the manufacturer.
- 11 (8) Whether the rate should be modified or eliminated.

12 The Committee may report its findings, together with any recommended legislation, to the
13 2016 Regular Session of the 2015 General Assembly upon its convening.

14 **SECTION 3.** Section 1 of this act is effective January 1, 2016, and applies to
15 purchases made on or after that date. The remainder of this act is effective when it becomes
16 law.