A BILL TO BE ENTITLED
AN ACT TO MAKE BASE BUDGET APPROPRIATIONS FOR CURRENT OPERATIONS
OF STATE DEPARTMENTS, INSTITUTIONS, AND AGENCIES AND FOR OTHER
PURPOSES.
The General Assembly of North Carolina enacts:

TITLE OF ACT
SECTION 1.1. This act shall be known as the "Current Operations and Capital
Improvements Appropriations Act of 2017."

INTRODUCTION
SECTION 1.2. The appropriations made in this act are for maximum amounts
necessary to provide the services and accomplish the purposes described in the budget in
accordance with the State Budget Act. Savings shall be effected where the total amounts
appropriated are not required to perform these services and accomplish these purposes, and the
savings shall revert to the appropriate fund at the end of each fiscal year, except as otherwise
provided by law.

SHORT-TERM LEASE OR RENTAL PROCEEDS
SECTION 2.2.(g) Notwithstanding G.S. 105-187.9(a), taxes collected under
Article 5A of Chapter 105 of the General Statutes at the rate of eight percent (8%) shall be
credited to the Highway Fund.
SECTION 2.2.(h) Subsection (g) of this section is effective July 1, 2017, and
applies to taxes collected on or after that date. Subsection (g) of this section expires June 30,
2019.

PROVIDER APPLICATION AND REREDENTIALING FEE
SECTION 11H.3. Chapter 108C of the General Statutes is amended by adding a
new section to read:
"§ 108C-2.1. Provider application and recredentialing fee.
(a) Each provider that submits an application to enroll in the Medicaid program shall submit an application fee. The application fee shall be the sum of the amount federally required and one hundred dollars ($100.00).

(b) The fee required under subsection (a) of this section shall be charged to all providers at recredentialing every five years."

PROFESSIONAL SUPPLEMENTAL PAYMENT ASSESSMENT

SECTION 11H.24.(a) Notwithstanding any other provision of law, in order to continue the supply of well-trained clinicians who practice and provide access to high-quality care for Medicaid patients across the State, the Department of Health and Human Services (Department) shall amend the Medicaid State Plan, Attachment 4.19-B, Section 5, Pages 2 and 3, which pertains to supplemental payments, to replace the existing definition of "eligible medical professional providers" under subsection (c)(2) so as to expand the eligible medical professionals to include those Medicaid-enrolled North Carolina physicians, advanced care practitioners, and other related professionals who are employed or contracted by (i) State-operated schools of medicine, (ii) the University of North Carolina Health Care System, (iii) University Health Systems of Eastern Carolina, doing business as Vidant Health, (iv) any entity controlled by or under common control, including common operational control, with a hospital that qualifies to certify expenditures or a public hospital, (v) any entity controlled by or under common control, including common operational control, with a hospital that qualifies for Equity Enhanced Payments under the Medicaid State Plan, Attachment 4.19-B, Section 2, Pages 1a and 1b, or (vi) the faculty practice plan associated with Duke University. The Department shall further condition eligibility for contracted eligible professionals upon a demonstration that the contracts account for at least eighty percent (80%) of net professional fees from commercial payers or that the contracts address the overall financial risk of the professional's practice or group.

The Department shall submit the State Plan Amendment required by this subsection to the Centers for Medicare and Medicaid Services (CMS) no later than October 1, 2017. The Department shall not implement the requirements of this subsection until approval of the Medicaid State Plan Amendment required by this subsection is obtained from CMS.


The following definitions apply in this Article:

(1) CMS. – Centers for Medicare and Medicaid Services.


(3) Department. – The Department of Health and Human Services.

(4) Equity assessment. – The assessment payable under G.S. 108A-123.

(5) Medicaid equity payment. – The amount required to be paid under G.S. 108A-124.

(5a) Professional supplemental payment. – The amount required to be paid under G.S. 108A-124.

(5b) Professional supplemental payment assessment. – The assessment payable under G.S. 108A-123.

(6) Public hospital. – A hospital that certifies its public expenditures to the Department pursuant to 42 C.F.R. § 433.51(b) during the fiscal year for which the assessment applies.

(7) Secretary. – The Secretary of Health and Human Services.

(8) State's annual Medicaid payment. – For an assessment collected under this Article, an amount equal to twenty-eight and eighty-five one-hundredths percent (28.85%) of the total amount collected under the assessment.
1 (9) Total hospital costs. – The costs as calculated using the most recent available
2 Hospital Cost Report Information Systems cost report data, available
3 through CMS, or other comparable data.
4 (10) Upper pay limit (UPL). – The maximum ceiling imposed by federal
5 regulation on hospital Medicaid payments under 42 C.F.R. § 447.272 for
6 inpatient services.
7 (11) UPL assessment. – The assessment payable under G.S. 108A-123.
8 (12) UPL gap. – The difference between the UPL attributable to hospital inpatient
9 services and the reasonable costs of inpatient hospital services as defined in
10 Section (f)(2)(A) on page 11 of Attachment 4.19-A of the State Medicaid
11 Plan as approved on December 15, 2005.
12 (13) UPL payment. – The amount required to be paid under G.S. 108A-124."

SECTION 11H.24.(c) G.S. 108A-122 reads as rewritten:

"§ 108A-122. Assessment percentage.
(a) Assessment Imposed. – Except as provided in this section, the assessments
authorized under this Article are imposed as a percentage of total hospital costs on all licensed
North Carolina hospitals. The assessments are due quarterly in the time and manner prescribed
by the Secretary. Payment of an assessment is considered delinquent if not paid within seven
days of the due date. With respect to any past-due assessment, the Department may withhold
the unpaid amount from Medicaid payments otherwise due or impose a late-payment penalty.
The Secretary may waive a penalty for good cause shown.
(b) Allowable Cost. – An assessment paid under this Article may be included as
allowable costs of a hospital for purposes of any applicable Medicaid reimbursement formula; assessments paid under this Article shall be excluded from cost settlement. An assessment
imposed under this Article may not be added as a surtax or assessment on a patient's bill.
(c) Full Exemption. – The following hospitals are exempt from both the equity
assessment and the UPL assessment:
(1) State-owned and State-operated hospitals.
(2) The primary affiliated teaching hospital for each University of North
Carolina medical school.
(3) Critical access hospitals.
(4) Long-term care hospitals.
(5) Freestanding psychiatric hospitals.
(6) Freestanding rehabilitation hospitals.
(d) Partial Equity Assessment Exemption. – A public hospital is exempt from the equity
assessment.
(e) Partial Professional Supplemental Payment Assessment Exemption. – All of the
following hospitals are exempt from the professional supplemental payment assessment:
(1) Critical access hospitals.
(2) Freestanding psychiatric hospitals.
(3) Freestanding rehabilitation hospitals.
(4) Hospitals owned by the University Health Systems of Eastern Carolina
doing business as Vidant Health.
(5) Hospitals owned by the University of North Carolina Health Care System.
(6) Long-term care hospitals.
(7) Public hospitals.
(8) State-owned and State-operated hospitals."

SECTION 11H.24.(d) G.S. 108A-123 reads as rewritten:

"§ 108A-123. Assessment amount.
(a) Annual Calculation. – The Secretary must annually calculate the equity assessment
amount and the UPL assessment amount, and the professional supplemental
payment assessment amount for each hospital subject to the respective assessment. Each
assessment must comply with applicable federal regulations and may be prorated for any partial
year.

The Secretary must notify each hospital that is assessed the amount of its individual UPL
assessment amount and, if applicable, its individual equity assessment amount and its
individual professional supplemental payment assessment. The notice must include all of the
following:

1. The applicable assessment rates.
2. The hospital costs on which the hospital's assessments are based.
3. The elements of the calculation of the hospital's UPL.

(b) Total Equity Assessment Amount. – The equity assessment consists of
both inpatient and outpatient components. The equity assessment percentage rate must be
calculated to produce an aggregate annual amount equal to the following:

1. The amount needed to make for the nonfederal share of the Medicaid equity
   payments under G.S. 108-124.
2. The applicable portion of the State's annual Medicaid payment, as provided in subsection (d) of this section.

(c) Total UPL Assessment Amount. – The UPL assessment consists of both
inpatient and outpatient components. The UPL assessment percentage rate must be calculated
to produce an aggregate annual amount equal to the following:

1. The amount needed to make for the nonfederal share of the UPL payments
2. The applicable portion of the State's annual Medicaid payment, as provided in subsection (d) of this section.

(c1) Total Professional Supplemental Payment Assessment Amount. – The professional
supplemental payment assessment consists of both inpatient and outpatient components. The
professional supplemental payment assessment percentage rate must be calculated to produce
an aggregate amount equal to the total of the following:

1. The amount needed for the nonfederal share of the Medicaid professional
2. The applicable portion of the State's annual Medicaid payment, as provided in subsection (d) of this section.

(d) State's Annual Medicaid Payment. – The first forty-three million dollars
($43,000,000) of the State's annual Medicaid payment must be allocated between the equity
assessment and the UPL assessment based on the amount of gross payments received by
State's annual Medicaid payment equal to twenty-eight and eighty-five hundredths percent
(28.85%) of the amount needed under subdivision (1) of subsection (c1) of this section must be
allocated to the professional supplemental payment assessment. The remaining portion of the
State's annual Medicaid payment must be allocated to the UPL assessment.

(e) Appeal. – A hospital may appeal an assessment determination through a
reconsideration review. The pendency of an appeal does not relieve a hospital from its
obligation to pay an assessment amount when due."

SECTION 11H.24. Use of assessment proceeds.

(a) Use. – The proceeds of the assessments imposed under this Article and all
 corresponding matching federal funds must be used to make the State annual Medicaid
 payment to the State and the Medicaid equity payments and payments, professional
 supplemental payments, and UPL payments to hospitals.

(b) Quarterly Payments. – Within seven business days following the due date for each
quarterly assessment imposed under G.S. 108A-123, the Secretary must do the following:
(1) Pay to each hospital that has paid its equity assessment for the respective quarter twenty-five percent (25%) of its Medicaid equity payment amount. A hospital's Medicaid equity payment amount is the sum of the hospital's Medicaid inpatient and outpatient deficits after calculating all other Medicaid payments, excluding disproportionate share hospital payments and the UPL payment remitted to the hospital under subdivision (2) of this subsection and any professional supplemental payments remitted to hospitals under sub-subdivision a. of subdivision (4) of this subsection.

(2) Pay to the primary affiliated teaching hospital for the East Carolina University Brody School of Medicine, to the critical access hospitals, and to each hospital that has paid its UPL assessment for the respective quarter twenty-five percent (25%) of its UPL payment amount, as determined under subsection (c) of this section.

(3) Pay to the primary affiliated teaching hospital for the East Carolina University Brody School of Medicine, to the critical access hospitals, and to each hospital that has paid its UPL assessment for the respective quarter twenty-five percent (25%) of its UPL payment amount, as determined under subsection (c) of this section.

(4) Pay, for the respective quarter, twenty-five percent (25%) of the hospital's professional supplemental payment amount to the following hospitals:
   a. Each hospital (i) that is a critical access hospital or a hospital that has paid the required professional supplemental payment assessment and (ii) that has eligible professionals.
   b. Each hospital that is not a critical access hospital, that is exempt from payment of a professional supplemental payment assessment under G.S. 108A-122(e), and that has eligible professionals.

A professional supplemental payment amount is the amount calculated pursuant to the Medicaid State Plan.

(c) UPL Payment Amount. – The aggregate UPL payments made to eligible hospitals that are public hospitals is the sum of the UPL gaps for all public hospitals. The aggregate UPL payments made to eligible hospitals that are not public hospitals is the sum of the UPL gaps for these hospitals. UPL payments are payable to the individual hospitals in the ratio of each hospital's Medicaid inpatient costs to the total Medicaid inpatient costs for the respective group.

(d) Refund of Assessment. – If all or any part of a payment required to be made under this section is not made to one or more hospitals when due, the Secretary must promptly refund to each such hospital the corresponding assessment proceeds collected in proportion to the amount of assessment paid by that hospital."

SECTION 11H.24.(f) Article 7 of Chapter 108A of the General Statutes is amended by adding a new section to read:

"§ 108A-129. Required intergovernmental transfers.

Any hospital that (i) is not a critical access hospital, (ii) is exempt under G.S. 108A-122(e) from the professional supplemental payment assessment, and (iii) is eligible to receive a professional supplemental payment shall make an intergovernmental transfer to the Department in an amount equal to the nonfederal share of the amount needed to make the professional supplemental payment to that hospital."

SECTION 11H.24.(g) The Medicaid Retention Fund is established as a special fund in the Office of State Budget and Management. The Department of Health and Human Services, Division of Medicaid Assistance, shall transfer any receipts attributable to an increase in the State's annual Medicaid payment under G.S. 108A-121(8) resulting from the professional supplemental payment assessment under G.S. 108A-123(c1), as enacted by subsection (d) of this section, to the Medicaid Retention Fund.
SECTION 11H.24.(h) If the Department of Health and Human Services, Division of Medical Assistance (Department), has receipts resulting from the professional supplemental payment assessment under G.S. 108A-123(c1), as enacted by subsection (d) of this section, that are not required to be transferred to the Medicaid Retention Fund in accordance with subsection (g) of this section, then those receipts shall be used to make the professional supplemental payments required under G.S. 108A-124, as amended by subsection (e) of section.

SECTION 11H.24.(i) Subsections (b) through (f) of this section are effective upon approval by the Centers for Medicare and Medicaid Services (CMS) of the Medicaid State Plan amendment required by subsection (a) of this section. The Secretary of the Department of Health and Human Services shall certify to the Revisor of Statutes that approval by CMS of the State Plan amendment has occurred and shall provide notice of State Plan amendment approval by posting the effective date of the change on its Web site. The remainder of this section becomes effective July 1, 2017.

MODIFY LICENSE FEES REQUIRED TO HUNT, FISH, OR TRAP

SECTION 13A.3 G.S. 113-270.1B(e) reads as rewritten:
"(e) The Wildlife Resources Commission shall adopt rules to establish fees for the hunting, fishing, trapping, and activity licenses issued and administered by the Wildlife Resources Commission. No rule to increase fees above January 1, 2015, levels may increase a fee in excess of the average total increase in the Consumer Price Index for All Urban Consumers over the preceding five years period of time since the last fee change.

The statutory fees for the hunting, fishing, trapping, and activity licenses issued and administered by the Wildlife Resources Commission shall expire when the rules adopted pursuant to this subsection become effective."

INDUSTRIAL COMMISSION CASE MANAGEMENT SYSTEMS

SECTION 15.19.(a) The Industrial Commission shall coordinate with the Department of Information Technology and other State agencies to replace the Industrial Commission's case management systems by assessing system requirements and to find the most cost-effective means of meeting those requirements.

SECTION 15.19.(b) Of the funds appropriated in this act to the Industrial Commission, the sum of three million dollars ($3,000,000) in nonrecurring funds for the 2017-2018 fiscal year shall be allocated for the purpose of replacing and maintaining the Industrial Commission's case management systems and related expenditures.

SECTION 15.19.(c) The Industrial Commission may retain the additional revenue up to one million two hundred thousand dollars ($1,200,000) of the fee charged to parties for the filing of compromise settlement agreements to be used for the purpose of replacing and maintaining the Industrial Commission's case management systems and related expenditures.

SECTION 15.19.(d) The funds in subsection (b) of this section shall not revert. The fee retention authorization in subsection (c) of this section shall expire on June 30, 2021.

DIGITAL FORENSICS INCLUDED IN COURT COSTS

SECTION 18B.5.(a) G.S. 7A-304(a) reads as rewritten:
"(a) In every criminal case in the superior or district court, wherein the defendant is convicted, or enters a plea of guilty or nolo contendere, or when costs are assessed against the prosecuting witness, the following costs shall be assessed and collected. No costs may be assessed when a case is dismissed. Only upon entry of a written order, supported by findings of fact and conclusions of law, determining that there is just cause, the court may (i) waive costs assessed under this section or (ii) waive or reduce costs assessed under subdivision (7), (8), (8a), (11), (12), or (13) of this section.

...
For the services of the North Carolina State Crime Laboratory facilities, the district or superior court judge shall, upon conviction, order payment of the sum of six hundred dollars ($600.00) to be remitted to the Department of Justice to be used for laboratory purposes. This cost shall be assessed only in cases in which, as part of the investigation leading to the defendant's conviction, the laboratories have performed digital forensics, including the seizure, forensic imaging, and acquisition and analysis of digital media.

For the services of any crime laboratory facility operated by a local government or group of local governments, the district or superior court judge shall, upon conviction, order payment of the sum of six hundred dollars ($600.00) to be remitted to the general fund of the local law enforcement unit to be used for laboratory purposes. The cost shall be assessed only (i) in cases in which, as part of the investigation leading to the defendant's conviction, the laboratory has performed digital forensics, including the seizure, forensic imaging, and acquisition and analysis of digital media, and (ii) if the court finds that the work performed at the local government's laboratory is the equivalent of the same kind of work performed by the North Carolina State Crime Laboratory under subdivision (9a) of this subsection.

For the services of an expert witness employed by the North Carolina State Crime Laboratory who completes a chemical analysis pursuant to G.S. 20-139.1 or a forensic analysis pursuant to G.S. 8-58.20, or a digital forensics analysis and provides testimony about that analysis in a defendant's trial, the district or superior court judge shall, upon conviction of the defendant, order payment of the sum of six hundred dollars ($600.00) to be remitted to the Department of Justice for support of the State Crime Laboratory. This cost shall be assessed only in cases in which the expert witness provides testimony about the chemical or forensic analysis in the defendant's trial and shall be in addition to any cost assessed under subdivision (7) or (9a) of this subsection.

For the services of an expert witness employed by a crime laboratory operated by a local government or group of local governments who completes a chemical analysis pursuant to G.S. 20-139.1 or a forensic analysis pursuant to G.S. 8-58.20, or a digital forensics analysis and provides testimony about that analysis in a defendant's trial, the district or superior court judge shall, upon conviction of the defendant, order payment of the sum of six hundred dollars ($600.00) to be remitted to the general fund of the local governmental unit that operates the laboratory to be used for the local law enforcement laboratory. This cost shall be assessed only in cases in which the expert witness provides testimony about the chemical or forensic analysis in the defendant's trial and shall be in addition to any cost assessed under subdivision (8) or (9b) of this subsection.

SECTION 18B.10.(a) G.S. 7A-304(a) reads as rewritten:

(a) In every criminal case in the superior or district court, wherein the defendant is convicted, or enters a plea of guilty or nolo contendere, or when costs are assessed against the prosecuting witness, the following costs shall be assessed and collected. No costs may be assessed when a case is dismissed. Only upon entry of a written order, supported by findings of fact and conclusions of law, determining that there is just cause, the court may (i) waive costs assessed under this section or (ii) waive or reduce costs assessed under subdivision (7), (8), (8a), (11), (12), or (13) of this section.

(4) For support of the General Court of Justice, the sum of one hundred forty-seven dollars and fifty cents ($147.50) in the district court, including cases before a magistrate, and the sum of one hundred fifty-four dollars and fifty cents ($154.50) in the superior court, to be remitted to the State Treasurer. For a person convicted of a felony in superior court who has made a first appearance in district court, both the district court and superior court fees shall be assessed. The State Treasurer shall remit the sum of one dollar and fifty cents ($1.50) of each fee collected under this subdivision to the North Carolina State Bar for the provision of services described in G.S. 7A-474.4, and ninety-five cents ($.95) of each fee collected under this subdivision to the North Carolina State Bar for the provision of services described in G.S. 7A-474.19.

SECTION 18B.10.(b) G.S. 7A-305(a) reads as rewritten:

"§ 7A-305. Costs in civil actions.
(a) In every civil action in the superior or district court, except for actions brought under Chapter 50B of the General Statutes, shall be assessed:

(2) For support of the General Court of Justice, the sum of one hundred eighty dollars ($180.00) in the superior court and the sum of one hundred thirty dollars ($130.00) in the district court except that if the case is assigned to a magistrate the sum shall be eighty dollars ($80.00). If a case is designated as a mandatory complex business case under G.S. 7A-45.4, upon assignment to a Business Court Judge, the party filing the designation shall pay an additional one thousand one hundred dollars ($1,100) for support of the General Court of Justice. If a case is designated as a complex business case under Rule 2.1 and Rule 2.2 of the General Rules of Practice for the Superior and District Courts, upon assignment to a Business Court Judge, the plaintiff shall pay an additional one thousand one hundred dollars ($1,100) for support of the General Court of Justice. Sums collected under this subdivision shall be remitted to the State Treasurer. The State Treasurer shall remit the sum of one dollar and fifty cents ($1.50) of each fee collected under this subdivision to the North Carolina State Bar for the provision of services described in G.S. 7A-474.4, and ninety-five cents ($.95) of each fee collected under this subdivision to the North Carolina State Bar for the provision of services described in G.S. 7A-474.19."

SECTION 18B.10.(c) Article 37A of Chapter 7A of the General Statutes is repealed.

SECTION 18B.10.(d) This section is effective when it becomes law.

INSURANCE REGULATORY CHARGE
SECTION 22.1. The percentage rate to be used in calculating the insurance regulatory charge under G.S. 58-6-25 is six and one-half percent (6.5%) for the 2018 calendar year.

DMV/HEARING FEE IMPLEMENTATION REVISIONS

SECTION 34.32(a) Section 34.9 of S.L. 2014-100, as amended by Section 29.30A of S.L. 2015-241, reads as rewritten:

"SECTION 34.9.(a) The Department of Transportation, Division of Motor Vehicles, shall develop a plan and proposed schedule of fees to recover a portion of the direct and indirect costs incurred for the performance of administrative hearings required by law or under rules adopted by the Board of Transportation under G.S. 20-2(b). The plan and proposed schedule shall address, at a minimum, the following:

1. Current hearing process and recommended modifications to achieve cost efficiencies, including proposed revisions to existing laws or rules.
2. Historical and projected funding requirements for each category of hearing performed by the Division.
3. Schedule of fees and projected receipts.
4. Proposed processes and rules for the collection of fees and the refunding of fees for hearings initiated by the Division in which the original decision of the Division is reversed.
5. Implementation milestones.

..."

SECTION 34.9.(c) From funds appropriated to the Department of Transportation, Information Technology Section for the 2014-2015 fiscal year, the Department shall implement modifications to supporting information technology systems necessary to timely implement the hearing fee schedule required by subsection (a) of this section. The Department shall implement the hearing fee schedule required by subsection (a) of this section by no later than January 1, 2018."

SECTION 34.32(b) Rules. – The Division of Motor Vehicles may adopt temporary rules to implement the provisions of Section 34.9 of S.L. 2014-100, as amended by Section 29.30A of S.L. 2015-241 and subsection (a) of this section. Temporary rules adopted in accordance with this section shall remain in effect until permanent rules that replace the temporary rules become effective.

SALARY-RELATED CONTRIBUTIONS

SECTION 35.19.(a) Effective for the 2017-2019 fiscal biennium, required employer salary-related contributions for employees whose salaries are paid from department, office, institution, or agency receipts shall be paid from the same source as the source of the employee's salary. If an employee's salary is paid in part from the General Fund or Highway Fund and in part from department, office, institution, or agency receipts, required employer salary-related contributions may be paid from the General Fund or Highway Fund only to the extent of the proportionate part paid from the General Fund or Highway Fund in support of the salary of the employee, and the remainder of the employer's requirements shall be paid from the source that supplies the remainder of the employee's salary. The requirements of this section as to source of payment are also applicable to payments on behalf of the employee for hospital medical benefits, longevity pay, unemployment compensation, accumulated leave, workers' compensation, severance pay, separation allowances, and applicable disability income benefits.

SECTION 35.19.(b) Effective July 1, 2017, the State's employer contribution rates budgeted for retirement and related benefits as a percentage of covered salaries for the 2017-2018 fiscal year for teachers and State employees, State law enforcement officers (LEOs), the University and Community Colleges Optional Retirement Programs (ORPs), the
Consolidated Judicial Retirement System (CJRS), and the Legislative Retirement System (LRS) are as set forth below:

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<thead>
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<th></th>
<th>Teachers and State Employees</th>
<th>State LEOs</th>
<th>ORPs</th>
<th>CJRS</th>
<th>LRS</th>
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**Total Contribution**

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The rate for teachers and State employees and State law enforcement officers includes one one-hundredth percent (0.01%) for the Qualified Excess Benefit Arrangement.

**SECTION 35.19.(c)** Effective July 1, 2018, the State's employer contribution rates budgeted for retirement and related benefits as a percentage of covered salaries for the 2018-2019 fiscal year for teachers and State employees, State law enforcement officers (LEOs), the University and Community Colleges Optional Retirement Programs (ORPs), the Consolidated Judicial Retirement System (CJRS), and the Legislative Retirement System (LRS) are as set forth below:

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The rate for teachers and State employees and State law enforcement officers includes one one-hundredth percent (0.01%) for the Qualified Excess Benefit Arrangement.

**SECTION 35.19.(d)** Effective July 1, 2017, the maximum annual employer contributions, payable monthly, by the State for each covered employee or retiree for the 2017-2018 fiscal year to the State Health Plan for Teachers and State Employees are (i) Medicare-eligible employees and retirees – four thousand five hundred sixty dollars ($4,560) and (ii) non-Medicare-eligible employees and retirees – five thousand eight hundred sixty-nine dollars ($5,869).

**SECTION 35.19.(e)** Effective July 1, 2018, the maximum annual employer contributions, payable monthly, by the State for each covered employee or retiree for the 2018-2019 fiscal year to the State Health Plan for Teachers and State Employees are (i) Medicare-eligible employees and retirees – four thousand seven hundred forty-three dollars ($4,743) and (ii) non-Medicare-eligible employees and retirees – six thousand one hundred four dollars ($6,104).

SECTION 35.19A.(a) G.S. 135-5 is amended by adding a new subsection to read:

"(vvv) On or before October 31, 2017, a one-time cost-of-living supplement payment shall be made to or on account of beneficiaries who are living as of September 1, 2017, and whose retirement commenced on or before September 1, 2017. The payment shall be one and six-tenths percent (1.6%) of the beneficiary's annual retirement allowance payable as of September 1, 2017, and shall not be prorated for date of retirement commencement. If the beneficiary dies before the payment is made, then the payment shall be payable to the member's legal representative. No beneficiary shall be deemed to have acquired a vested right to any future supplemental payments."

SECTION 35.19A.(b) G.S. 135-65 is amended by adding a new subsection to read:

"(gg) On or before October 31, 2017, a one-time cost-of-living supplement payment shall be made to or on account of beneficiaries who are living as of September 1, 2017, and whose retirement commenced on or before September 1, 2017. The payment shall be one and six-tenths percent (1.6%) of the beneficiary's annual retirement allowance payable as of September 1, 2017, and shall not be prorated for date of retirement commencement. If the beneficiary dies before the payment is made, then the payment shall be payable to the member's legal representative. No beneficiary shall be deemed to have acquired a vested right to any future supplemental payments."

SECTION 35.19A.(c) G.S. 120-4.22A is amended by adding a new subsection to read:

"(aa) In accordance with subsection (a) of this section, on or before October 31, 2017, a one-time cost-of-living supplement payment shall be made to or on account of beneficiaries who are living as of September 1, 2017, and whose retirement commenced on or before September 1, 2017. The payment shall be one and six-tenths percent (1.6%) of the beneficiary's annual retirement allowance payable as of September 1, 2017, and shall not be prorated for date of retirement commencement. If the beneficiary dies before the payment is made, then the payment shall be payable to the member's legal representative. No beneficiary shall be deemed to have acquired a vested right to any future supplemental payments."

SECTION 35.19A.(d) Notwithstanding any other provision of law to the contrary, in order to administer the one-time cost-of-living supplement for retirees provided for in subsections (a), (b), and (c) of this section, the Retirement Systems Division of the Department of State Treasurer may increase receipts from the retirement assets of the corresponding retirement system or pay costs associated with the administration of the payment directly from the retirement assets.

ENHANCE THE BENEFITS OF PROBATION/PAROLE OFFICERS WHO ARE MEMBERS OF THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM

SECTION 35.19B.(a) G.S. 135-1 reads as rewritten:

"§ 135-1. Definitions.
The following words and phrases as used in this Chapter, unless a different meaning is plainly required by the context, shall have the following meanings:

…

(11c) "Law-Enforcement Officer" means a full-time paid employee of an employer who is actively serving in a position with assigned primary duties and responsibilities for prevention and detection of crime or the general enforcement of the criminal laws of the State of North Carolina or serving civil processes, and who possesses the power of arrest by virtue of an oath administered under the authority of the State. "Law-Enforcement Officer"
also means a probation/parole officer as defined in this section with respect to any service rendered on or after July 1, 2017.

..." (17a) "Probation/Parole Officer" shall mean a full-time paid employee of the Division of Adult Correction of the Department of Public Safety whose duties include supervising, evaluating, or otherwise instructing offenders who have been placed on probation, parole, or post-release supervision or have been assigned to any other community-based program operated by the Division of Adult Correction.

SECTION 35.19B.(b) G.S. 143-166.41(b) reads as rewritten:
(b) As used in this section, "creditable service" means the service for which credit is allowed under the retirement system of which the officer is a member, provided that at least fifty percent (50%) of the service is as a law enforcement officer as herein defined or as a probation/parole officer as defined in G.S. 135-1(17a)."

SECTION 35.19B.(c) This section becomes effective July 1, 2017, and applies to persons retiring on or after that date.

PART XXXVIII. FINANCE PROVISIONS

INCREASE STANDARD DEDUCTION

SECTION 38.2.(a) G.S. 105-153.5(a)(1) reads as rewritten:
(a) Deduction Amount. – In calculating North Carolina taxable income, a taxpayer may deduct from adjusted gross income either the standard deduction amount provided in subdivision (1) of this subsection or the itemized deduction amount provided in subdivision (2) of this subsection that the taxpayer claimed under the Code. The deduction amounts are as follows:

(1) Standard deduction amount. – The standard deduction amount is zero for a person who is not eligible for a standard deduction under section 63 of the Code. For all other taxpayers, the standard deduction amount is equal to the amount listed in the table below based on the taxpayer's filing status:

<table>
<thead>
<tr>
<th>Filing Status</th>
<th>Standard Deduction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Married, filing jointly/surviving spouse</td>
<td>$17,500/$18,500</td>
</tr>
<tr>
<td>Head of Household</td>
<td>$14,000/$14,800</td>
</tr>
<tr>
<td>Single</td>
<td>8,750/9,250</td>
</tr>
<tr>
<td>Married, filing separately</td>
<td>8,750/9,250</td>
</tr>
</tbody>
</table>

SECTION 38.2.(b) This section is effective for taxable years beginning on or after January 1, 2018.

INCREASE MORTGAGE EXPENSE AND PROPERTY TAX DEDUCTION CAP

SECTION 38.3.(a) G.S. 105-153.5(a)(2) reads as rewritten:
(a) Deduction Amount. – In calculating North Carolina taxable income, a taxpayer may deduct from adjusted gross income either the standard deduction amount provided in subdivision (1) of this subsection or the itemized deduction amount provided in subdivision (2) of this subsection that the taxpayer claimed under the Code. The deduction amounts are as follows:

... (2) Itemized deduction amount. – An amount equal to the sum of the items listed in this subdivision. The amounts allowed under this subdivision are not subject to the overall limitation on itemized deductions under section 68 of the Code:
b. Mortgage Expense and Property Tax. – The amount allowed as a deduction for interest paid or accrued during the taxable year under section 163(h) of the Code with respect to any qualified residence plus the amount allowed as a deduction for property taxes paid or accrued on real estate under section 164 of the Code for that taxable year. For taxable years 2014, 2015, and 2016, the amount allowed as a deduction for interest paid or accrued during the taxable year under section 163(h) of the Code with respect to any qualified residence shall not include the amount for mortgage insurance premiums treated as qualified residence interest. The amount allowed under this sub-subdivision may not exceed twenty thousand dollars ($20,000). twenty-two thousand dollars ($22,000). For spouses filing as married filing separately or married filing jointly, the total mortgage interest and real estate taxes claimed by both spouses combined may not exceed twenty thousand dollars ($20,000). twenty-two thousand dollars ($22,000). For spouses filing as married filing separately with a joint obligation for mortgage interest and real estate taxes, the deduction for these items is allowable to the spouse who actually paid them. If the amount of the mortgage interest and real estate taxes paid by both spouses exceeds twenty thousand dollars ($20,000), twenty-two thousand dollars ($22,000), these deductions must be prorated based on the percentage paid by each spouse. For joint obligations paid from joint accounts, the proration is based on the income reported by each spouse for that taxable year.

SECTION 38.3.(b) This section is effective for taxable years beginning on or after January 1, 2019.

REDUCE FRANCHISE TAX RATE
SECTION 38.6.(a) G.S. 105-120.2(b) reads as rewritten:
"(b) Tax Rate. – Every corporation taxed under this section shall annually pay to the Secretary of Revenue, at the time the return is due, the greater of the following:
(1) A franchise or privilege tax at the rate of one dollar and fifty-forty cents ($1.50)($1.40) per one thousand dollars ($1,000) of the amount determined under subsection (a) of this section, but in no case shall the tax be more than one hundred fifty thousand dollars ($150,000) nor less than two hundred dollars ($200.00).
(2) If the tax calculated under this subdivision exceeds the tax calculated under subdivision (1) of this subsection, then the tax is levied at the rate of one dollar and fifty-forty cents ($1.50)($1.40) per one thousand dollars ($1,000) on the greater of the following:
a. Fifty-five percent (55%) of the appraised value as determined for ad valorem taxation of all the real and tangible personal property in this State of each such corporation plus the total appraised value of intangible property returned for taxation of intangible personal property as computed under G.S. 105-122(d).
b. The total actual investment in tangible property in this State of such corporation as computed under G.S. 105-122(d)."
SECTION 38.6.(b) G.S. 105-122(d) reads as rewritten:
"(d) Tax Base and Tax Rate. – After determining the proportion of its net worth as set out in subsection (c1) of this section, which amount shall not be less than fifty-five percent (55%) of the appraised value as determined for ad valorem taxation of all the real and tangible personal property in this State of each corporation nor less than its total actual investment in tangible property in this State, every corporation taxed under this section shall annually pay to the Secretary of Revenue, at the time the return is due, a franchise or privilege tax at the rate of one dollar and fifty-four cents ($1.50) ($1.40) per one thousand dollars ($1,000) of the total amount of net worth as provided in this section. The tax imposed in this section shall not be less than two hundred dollars ($200.00) and is for the privilege of carrying on, doing business, and/or the continuance of articles of incorporation or domestication of each corporation in this State. Appraised value of tangible property including real estate is the ad valorem valuation for the calendar year next preceding the due date of the franchise tax return. The term "total actual investment in tangible property" as used in this section means the total original purchase price or consideration to the reporting taxpayer of its tangible properties, including real estate, in this State plus additions and improvements thereto less reserve for depreciation as permitted for income tax purposes."

SECTION 38.6.(c) This section is effective for taxable years beginning on or after January 1, 2019, and is applicable to the calculation of franchise tax reported on the 2018 and later corporate income tax returns.

EXEMPT MILL MACHINERY FROM TAX AND STUDY

SECTION 38.8.(a) Article 5F of Chapter 105 of the General Statutes, G.S. 105-164.13(5a), and G.S. 105-163.13(57a) are repealed.

SECTION 38.8.(b) G.S. 105-164.4I(b) reads as rewritten:

(b) Exemptions. – The tax imposed by this section does not apply to the sales price of or the gross receipts derived from a service contract applicable to any of the following items:

(1) An item exempt from tax under this Article. This exemption does not apply to water maintained under a service contract for a pool, fish tank, or similar aquatic feature.

(2) A transmission, distribution, or other network asset contained on utility-owned land, right-of-way, or easement.

(3) A transmission, an engine, rear-end gears, and any other item purchased, leased, or rented by a professional motorsports racing team or a related member of a team for which the team or related member may receive a sales tax exemption under G.S. 105-164.13(65) or G.S. 105-164.13(65a) or a sales tax refund under G.S. 105-164.14A(a)(5). This subdivision expires January 1, 2020.

(4) An item subject to tax under Article 5F of Chapter 105 of the General Statutes.

(5) A qualified aircraft or a qualified jet engine.

(6) A motor vehicle service contract.

(7) Repair, maintenance, and installation services exempt under G.S. 105-164.13(61a)."

SECTION 38.8.(c) G.S. 105-164.13 is amended by adding the following new subdivisions to read:

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

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

...
Sales of mill machinery or mill machinery parts or accessories to any of the following:
   a. A manufacturing industry or plant. A manufacturing industry or plant does not include (i) a delicatessen, cafe, cafeteria, restaurant, or another similar retailer that is principally engaged in the retail sale of foods prepared by it for consumption on or off its premises or (ii) a production company.
   b. A contractor or subcontractor if the purchase is for use in the performance of a contract with a manufacturing industry or plant.
   c. A subcontractor if the purchase is for use in the performance of a contract with a general contractor that has a contract with a manufacturing industry or plant.

Sales to a major recycling facility of any of the following tangible personal property for use in connection with the facility:
   a. Cranes, structural steel crane support systems, and foundations related to the cranes and support systems.
   b. Port and dock facilities.
   c. Rail equipment.
   d. Material dock equipment.

Sales of equipment, or an attachment or repair part for equipment, that meets all of the following requirements:
   a. Is sold to a company primarily engaged at the establishment in research and development activities in the physical, engineering, and life sciences included in industry group 54171 of NAICS.
   b. Is capitalized by the company for tax purposes under the Code.
   c. Is used by the company at the establishment in the research and development of tangible personal property.

Sales of equipment, or an attachment or repair part for equipment, that meets all of the following requirements:
   a. Is sold to a company primarily engaged at the establishment in software publishing activities included in industry group 5112 of NAICS.
   b. Is capitalized by the company for tax purposes under the Code.
   c. Is used by the company at the establishment in the research and development of tangible personal property.

Sales of equipment, or an attachment or repair part for equipment, that meets all of the following requirements:
   a. Is sold to a company primarily engaged at the establishment in industrial machinery refurbishing activities included in industry group 811310 of NAICS.
   b. Is capitalized by the company for tax purposes under the Code.
   c. Is used by the company at the establishment in repairing or refurbishing tangible personal property.

Sales of the following to a company located at a ports facility for waterborne commerce:
   a. Machinery and equipment that is used at the facility to unload or to facilitate the unloading or processing of bulk cargo to make it suitable for delivery to and use by manufacturing facilities.
   b. Parts, accessories, or attachments used to maintain, repair, replace, upgrade, improve, or otherwise modify such machinery and equipment.
Sales of the following to a secondary metals recycler:

a. Equipment, or an attachment or repair part for equipment, that (i) is capitalized by the person for tax purposes under the Code, (ii) is used by the person in the secondary metals recycling process, and (iii) is not a motor vehicle or an attachment or repair part for a motor vehicle.

b. Fuel, piped natural gas, or electricity for use at the person's facility at which the primary activity is secondary metals recycling.

Sales of equipment, or an attachment or repair part for equipment, that meets all of the following requirements:

a. Is sold to a company primarily engaged at the establishment in processing tangible personal property for the purpose of extracting precious metals, as defined in G.S. 66-406, to determine the value for potential purchase.

b. Is capitalized by the company for tax purposes under the Code.

c. Is used by the company in the process described in this subdivision.

Sales of equipment, or an attachment or repair part for equipment, that meets all of the following requirements:

a. Is sold to a company that is engaged in the fabrication of metal work and that has annual gross receipts, including the gross receipts of all related persons, as defined in G.S. 105-163.010, from the fabrication of metal work of at least eight million dollars ($8,000,000).

b. Is capitalized by the company for tax purposes under the Code.

c. Is used by the company at the establishment in the fabrication or manufacture of metal products or used by the company to create equipment for the fabrication or manufacture of metal products.

Sales of equipment, or an accessory, an attachment, or a repair part for equipment, that meets all of the following requirements:

a. Is sold to a large manufacturing and distribution facility.

b. Is used in the manufacturing process, the assembly process, or the distribution process.

c. Is not electricity.

If the level of investment or employment required by G.S. 105-164.3(16g)b. is not timely made, achieved, or maintained, then the exemption provided under this subdivision is forfeited. If the exemption is forfeited due to a failure to timely make the required investment or to timely achieve the minimum required employment level, then the exemption provided under this subdivision is forfeited on all purchases. If the exemption is forfeited due to a failure to maintain the minimum required employment level once that level has been achieved, then the exemption provided under this subdivision is forfeited for those purchases occurring on or after the date the taxpayer fails to maintain the minimum required employment level. A taxpayer that forfeits an exemption under this subdivision is liable for all past sales and use taxes avoided as a result of the forfeiture, computed at the applicable State and local rates from the date the taxes would otherwise have been due, plus interest at the rate established under G.S. 105-241.21. Interest is computed from the date the sales or use tax would otherwise have been due. The past taxes and interest are due 30 days after the date of forfeiture. A taxpayer that fails to pay the past taxes and interest by the due date is subject to the provisions of G.S. 105-236. This subdivision expires for sales occurring on or after July 1, 2018.
Sales of repair or replacement parts for a ready-mix concrete mill, regardless of whether the mill is freestanding or affixed to a motor vehicle, to a company that primarily sells ready-mix concrete.

SECTION 38.8.(d) G.S. 105-164.3 is amended by adding two new subdivisions to read:

"(16g) Large manufacturing and distribution facility. – A facility that satisfies both of the following conditions:

a. The facility is used primarily for manufacturing or assembling products and distributing finished products.

b. The Secretary of Commerce has certified that an investment of private funds of at least eighty million dollars ($80,000,000) has been or will be made in real and tangible personal property for the facility within five years after the date on which the first property investment is made and that the facility will achieve an employment level of at least 550 within five years after the date the facility is placed into service and maintain that minimum level of employment throughout its operation.

...

(37g) Secondary metals recycler. – A person that gathers and obtains ferrous metals, nonferrous metals, and items that have served their original economic purpose and that converts them by processes, including sorting, cutting, classifying, cleaning, baling, wrapping, shredding, or shearing into a new or different product for sale consisting of prepared grades."

SECTION 38.8.(e) Sales of mill machinery to manufacturers and certain industrial processors have historically enjoyed preferential tax treatment, whether in the form of a reduced wholesale tax, a preferential rate of sales and use tax, or a one-percent (1%) privilege tax with an eighty-dollar ($80.00) cap per article. Despite the nature of the tax, the operational language has remained virtually unchanged for over 60 years and lacks clear guidance with regard to its application. Specifically, Article 5F of Chapter 105 of the General Statutes, and its predecessors, did not define "manufacturing industry or plant" or "mill machinery." This lack of guidance has resulted in a substantial body of administrative interpretation being developed over the years by the Department of Revenue. These interpretations are not included in the statutes and may not necessarily comport with the traditional definition of manufacturing, but they may be consistent with the General Assembly's intent to provide preferential tax treatment to certain industrial equipment.

This act repeals the one-percent (1%) privilege tax on mill machinery and mill machinery parts and accessories and substitutes a sales and use tax exemption for the items. However, the General Assembly recognizes that, once this transition has occurred, efforts need to be made to provide more guidance and specificity to taxpayers and the Department of Revenue with respect to the treatment of manufacturing and industrial processing equipment.

Therefore, the Revenue Laws Study Committee is directed to study ways in which to clarify the scope of the sales and use tax exemption for mill machinery, as enacted by this act, by modernizing and further defining the statutory language and by incorporating existing administrative interpretations of the Department of Revenue, to the extent the General Assembly desires to maintain those interpretations.

The Committee may report its findings, together with any recommended legislation, to the 2018 Regular Session of the 2017 General Assembly upon its convening. The study may include an examination of the following:

(1) The criteria that had to be met under prior law to qualify for the preferential rate under Article 5F of Chapter 105 of the General Statutes and whether
that criteria should be incorporated into or otherwise clarified in the
1 corresponding sales and use tax exemption, as enacted by this act, including
2 the following:
3 a. What constitutes an eligible manufacturer or industrial processor.
4 b. The extent to which a business's activities must consist of
5 manufacturing or processing items for sale in order for the sales and
6 use tax exemption, as enacted by this act, to apply.
7 c. The types of activities that qualify as manufacturing or industrial
8 processing.
9 d. The types of machinery, parts, accessories, and other supplies that
10 are eligible for the exemption and the degree to which they must be
11 used in that process to qualify.
12 (2) A review of the Department's administrative interpretations of the mill
13 machinery statute, in all its forms, and whether and how to incorporate those
14 interpretations into the statutes.
15 (3) Terminology used by surrounding states in their statutory provisions that
16 provide a sales and use tax exemption for manufacturing equipment.
17 (4) Any other issues the Committee deems relevant.

SECTION 38.8.(f) Subsections (a), (b), and (c) of this section become effective
July 1, 2017, and apply to sales made on or after that date. The remainder of this section is
effective when it becomes law.

SALES TAX EXEMPTION FOR FULFILLMENT CENTERS

SECTION 38.9.(a) G.S. 105-164.3 is amended by adding a new subdivision to
read:

"(16f) Large fulfillment center. – A facility that satisfies both of the following
conditions:

a. The facility is used primarily for receiving, inventorying, sorting,
repackaging, and distributing finished retail products for the purpose
of fulfilling customer orders.

b. The Secretary of Commerce has certified that an investment of
private funds of at least one hundred million dollars ($100,000,000)
has been or will be made in real and tangible personal property for
the facility within five years after the date on which the first property
investment is made and that the facility will achieve an employment
level of at least 400 within five years after the date the facility is
placed into service and maintain that minimum level of employment
throughout its operation."

SECTION 38.9.(b) G.S. 105-164.13(5n), as enacted by Section 38.8(c) of this act,
reads as rewritten:

"(5n) Sales of equipment, or an accessory, an attachment, or a repair part for
equipment, that meets all of the following requirements:

a. Is sold to a large manufacturing and distribution facility or to
a large fulfillment center.

b. Is used in the manufacturing process, the assembly process, or the
distribution process.

c. Is not electricity.

If the level of investment or employment required by G.S. 105-164.3(16f)b.
or G.S. 105-164.3(16g)b. is not timely made, achieved, or maintained, then
the exemption provided under this subdivision is forfeited. If the exemption
is forfeited due to a failure to timely make the required investment or to
timely achieve the minimum required employment level, then the exemption provided under this subdivision is forfeited on all purchases. If the exemption is forfeited due to a failure to maintain the minimum required employment level once that level has been achieved, then the exemption provided under this subdivision is forfeited for those purchases occurring on or after the date the taxpayer fails to maintain the minimum required employment level. A taxpayer that forfeits an exemption under this subdivision is liable for all past sales and use taxes avoided as a result of the forfeiture, computed at the applicable State and local rates from the date the taxes would otherwise have been due, plus interest at the rate established under G.S. 105-241.21. Interest is computed from the date the sales or use tax would otherwise have been due. The past taxes and interest are due 30 days after the date of forfeiture. A taxpayer that fails to pay the past taxes and interest by the due date is subject to the provisions of G.S. 105-236. This subdivision expires for sales to a large manufacturing and distribution facility occurring on or after July 1, 2018."

SECTION 38.9.(c) This section becomes effective July 1, 2017, and applies to sales made on or after that date.

SALES TAX REFUND FOR RESEARCH AND DEVELOPMENT SUPPLIES

SECTION 38.10.(a) Article 5 of Chapter 105 of the General Statutes is amended by adding a new section to read:

"§ 105-164.14C. Research and development sales tax refund.

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

1. Business. – A corporation or limited liability company.
2. Development tier area. – Defined in G.S. 143B-437.08.
3. In-house research expenses. – Defined in section 41(b)(2) of the Code.
4. Related person. – A person described in one of the relationships set forth in section 276(b) or 707(b) of the Code.
5. Research and development supplies. – Tangible personal property, the purchase of which qualifies as an in-house research expense.
6. Rural research and development business. – A small research and development business that incurs more than fifty percent (50%) of its in-house research expenses in a development tier one or development tier two area in the calendar year for which a refund is claimed. For purposes of this subdivision, expenses are incurred at a location if (i) in the case of research and development supplies, the supplies are used or consumed at the location and (ii) in the case of wages paid to an employee, at least fifty percent (50%) of the employee's duties are performed at the location.
7. Small research and development business. – A business that meets all of the following criteria for the calendar year for which a refund is claimed:
   a. It employs 200 or fewer full-time employees or full-time equivalents.
   b. It has annual receipts, combined with the annual receipts of all related persons, not in excess of five million dollars ($5,000,000). Annual receipts do not include grants awarded by the State or federal government.
   c. It is either (i) engaged primarily in research and development or (ii) certified by a university located in this State as performing under a licensing agreement for the purpose of commercializing technology developed at the university."
It spent on in-house research expenses the greater of ten thousand dollars ($10,000) or three percent (3%) of its annual receipts.

(b) Refunds. – A small research and development business is eligible for a refund equal to the State and local sales or use taxes paid by it in the previous calendar year for research and development supplies used or consumed solely in this State. A rural research and development business is eligible for a refund equal to the greater of (i) the State and local sales or use taxes paid by the business in the previous calendar year for research and development supplies used or consumed solely in this State or (ii) fifty percent (50%) of the sales or use taxes paid by the business under this Article in the previous calendar year pursuant to G.S. 105-164.4.

(c) Application. – A request for a refund must be in writing and must include any information and documentation required by the Secretary. Applications for refunds shall be submitted on a schedule determined by the Secretary.

(d) Limitations. – The aggregate annual refund amount allowed an eligible business under this section for a calendar year may not exceed twenty thousand dollars ($20,000). The maximum total amount of all refunds allowed to all eligible businesses under this section for a calendar year may not exceed fifteen million dollars ($15,000,000). The Secretary of Revenue shall calculate the total amount of refunds claimed from the applications filed pursuant to subsection (c) of this section. If the total amount of refunds claimed for sales and use taxes paid in a calendar year exceeds the maximum total amount, the Secretary shall allow a portion of the refunds claimed by allocating the maximum total amount in proportion to the amount of the refund claimed by each eligible business. If a refund claimed under this section is reduced as provided in this subsection, the Secretary shall notify the business of the amount of the reduction of the refund at the time the refund is paid. The Secretary shall pay refunds due under this section no later than October 1 of the year following the calendar year in which the taxes were paid."

SECTION 38.10. (b) This section becomes effective July 1, 2018, and applies to sales made on or after that date.

PROHIBIT WATER AND WASTEWATER IMPACT FEES/LOW-INCOME HOUSING

SECTION 38.11. (a) Article 6 of Chapter 153A of the General Statutes is amended by adding a new section to read:

"§ 153A-145.7. Certain water and wastewater fees on low-income housing prohibited.

No county may impose a fee associated with the future expansion of a water or wastewater system, or both, on a low-income housing development to which the North Carolina Housing Finance Agency allocates a federal tax credit under section 42 of the Code, as defined in G.S. 105-228.90."

SECTION 38.11. (b) Article 8 of Chapter 160A of the General Statutes is amended by adding a new section to read:

"§ 160A-205.3. Certain water and wastewater fees on low-income housing prohibited.

No city may impose a fee associated with the future expansion of a water or wastewater system, or both, on a low-income housing development to which the North Carolina Housing Finance Agency allocates a federal tax credit under section 42 of the Code, as defined in G.S. 105-228.90."

SECTION 38.11. (c) Chapter 162A of the General Statutes is amended by adding a new Article to read:

"Article 8.

"Limitations.

"§ 162A-151. Fee limitation for low-income housing developments.

Notwithstanding any provision or authority to the contrary, no authority or district created under this Chapter may impose a fee associated with the future expansion of a water or sewer system, or both, on a low-income housing development for which the North Carolina Housing
Finance Agency allocates a federal tax credit under section 42 of the Code, as defined in G.S. 105-228.90."

SECTION 38.11.(d) Notwithstanding any provision or authority to the contrary in any of the local acts listed in this section, no local government named therein may impose a fee associated with the future expansion of a water or sewer system, or both, on a low-income housing development. For purposes of this section, the term "low-income housing development" means a development for which the North Carolina Housing Finance Agency allocates a federal tax credit under section 42 of the Code, as defined in G.S. 105-228.90. The local acts are as follows:

(1) Chapter 477 of the Session Laws of 1989 (Benson).
(2) Part 1 of Article 6 of the Charter of the Town of Carrboro, being Chapter 476 of the Session Laws of 1987, as amended.
(3) Sections 7.4 and 8.5 of the Charter of the Town of Cary, being S.L. 2005-117, as amended.
(4) Chapter 1021 of the Session Laws of 1987 (Catawba County).
(5) Article 7 of the Charter of the Town of Chapel Hill, being Chapter 473 of the Session Laws of 1975, as amended by Chapter 936 of the 1985 Session Laws.
(7) Chapter 660 of the Session Laws of 1991 (Dunn).
(9) Chapter 705 of the Session Laws of 1987 (Hickory).
(11) Chapter 668 of the Session Laws of 1987 (Knightdale).
(15) Chapter 996 of the Session Laws of 1987 (Rolesville).
(18) Chapter 68 of the Session Laws of 1987 (Wendell).

SECTION 38.11.(e) This section is effective when it becomes law.
MODIFY DISABLED VETERAN PROPERTY TAX CHANGES

SECTION 38.12. If House Bill 2 of the 2017 Regular Session becomes law, then Section 3 of that act reads as rewritten:

"SECTION 3. This act is effective for taxes imposed for taxable years beginning on or after July 1, 2017-2018."

EFFECTIVE DATE

SECTION 39.7. Except as otherwise provided, this act becomes effective July 1, 2017.