

**GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2025**

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HOUSE BILL 1164

Short Title: NSF for Taxes Penalty Modification. (Public)

Sponsors: Representatives Rubin, Budd, Logan, and Roberson (Primary Sponsors).
For a complete list of sponsors, refer to the North Carolina General Assembly web site.

Referred to: Rules, Calendar, and Operations of the House

May 4, 2026

1 A BILL TO BE ENTITLED
2 AN ACT TO MODIFY THE PENALTY ASSOCIATED WITH INSUFFICIENT FUNDS FOR
3 PAYMENT OF TAXES.

4 Whereas, current law imposes a penalty for insufficient funds tax payments equal to
5 the greater of twenty-five dollars or ten percent of the total payment amount, which can result in
6 excessively high penalties on large yearly property tax bills; and

7 Whereas, these penalties can greatly exceed the actual administrative costs incurred
8 by counties in processing returned payments, creating unnecessarily punitive outcomes for
9 taxpayers; and

10 Whereas, it is the intent of the General Assembly to ensure this penalty structure is
11 fair to taxpayers and aligned with cost recovery for counties; Now, therefore,
12 The General Assembly of North Carolina enacts:

13 **SECTION 1.** G.S. 105-357(b) reads as rewritten:

14 "(b) Acceptance of Checks and Electronic Payment. – The tax collector may accept checks
15 and electronic payments, as defined in G.S. 147-86.20, in payment of taxes, as authorized by
16 G.S. 159-32.1. Acceptance of a check or electronic payment is at the tax collector's own risk. A
17 tax collector who accepts electronic payment of taxes may add a fee to each electronic payment
18 transaction to offset the service charge the taxing unit pays for electronic payment service. A tax
19 collector who accepts electronic payment or check in payment of taxes may issue the tax receipt
20 immediately or withhold the receipt until the check has been collected or the electronic payment
21 invoice has been honored by the issuer.

22 If a tax collector accepts a check or an electronic payment and issues a tax receipt and the
23 check is returned unpaid (without negligence on the part of the tax collector in presenting the
24 check for payment) or the electronic payment invoice is not honored by the issuer, the taxes for
25 which the check or electronic payment was given shall be deemed unpaid; the tax collector shall
26 immediately correct the copy of the tax receipt and other appropriate records to show the fact of
27 nonpayment, and shall give written notice by certified or registered mail to the person to whom
28 the tax receipt was issued to return it to the tax collector. After correcting the records to show the
29 fact of nonpayment, the tax collector shall proceed to collect the taxes by the use of any remedies
30 allowed for the collection of taxes or by bringing a civil action on the check or electronic
31 payment.

32 A financial institution with which a taxing unit has contracted for receipt of payment of taxes
33 may accept a check in payment of taxes. If the check is honored, the financial institution shall so
34 notify the tax collector, who shall, upon request of the taxpayer, issue a receipt for payment of
35 the taxes. If the check is returned unpaid, the financial institution shall so notify the tax collector,



1 who shall proceed to collect the taxes by use of any remedy allowed for collection of taxes or by
2 bringing a civil action on the check.

3 ...

4 (2) Penalty. – In addition to interest for nonpayment of taxes provided by
5 G.S. 105-360 and in addition to any criminal penalties provided by law, the
6 penalty for presenting in payment of taxes a check or electronic funds transfer
7 that is returned or not completed because of insufficient funds or nonexistence
8 of an account of the drawer or transferor ~~is twenty-five dollars (\$25.00) or ten~~
9 ~~percent (10%) of the amount of the check or electronic invoice, whichever is~~
10 ~~greater, subject to a maximum of one thousand dollars (\$1,000). This penalty~~
11 ~~does not apply if the tax collector finds that, when the check or electronic~~
12 ~~funds transfer was presented for payment, the drawer of the check or transferor~~
13 ~~of funds had sufficient funds in an account at a financial institution in this~~
14 ~~State to make the payment and, by inadvertence, the drawer of the check or~~
15 ~~transferor of the funds failed to draw the check or initiate a transfer on the~~
16 ~~account that had sufficient funds. is, subject to a maximum of one thousand~~
17 ~~dollars (\$1,000), (i) for the first two violations for which a penalty is imposed~~
18 ~~under this section within the past five years, twenty-five dollars (\$25.00) plus~~
19 ~~one percent (1%) of the amount of the check or electronic invoice or (ii) for~~
20 ~~any other violation, fifty dollars (\$50.00) plus two percent (2%) of the amount~~
21 ~~of the check or electronic invoice. This penalty shall be added to and collected~~
22 ~~in the same manner as the taxes for which the check or electronic payment~~
23 ~~was given."~~

24 **SECTION 2.** There is appropriated from the General Fund to the Department of
25 Revenue the sum of fifteen thousand dollars (\$15,000) in nonrecurring funds for the 2026-2027
26 fiscal year to be used by the Department for educational materials and assistance to the public
27 and county tax collectors with respect to the change in law regarding the penalty for presenting
28 in payment of taxes a check or electronic funds transfer that is returned or not completed because
29 of insufficient funds or nonexistence of an account, as set forth in G.S. 105-357(b), as modified
30 by this act.

31 **SECTION 3.** Section 1 of this act is effective when it becomes law and applies to
32 payments of taxes made on or after that date. The remainder of this act is effective when it
33 becomes law.