

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2013

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Short Title: Lower Tax Rates for a Stronger NC Economy.

(Public)

Sponsors:

Referred to:

March 25, 2013

A BILL TO BE ENTITLED

AN ACT TO ADOPT A BIPARTISAN TAX REFORM PLAN TO PROMOTE ECONOMIC DEVELOPMENT IN NORTH CAROLINA BY ESTABLISHING A SOUND STATE TAX STRUCTURE THAT REVISES THE EXISTING STRUCTURE ON A REVENUE-NEUTRAL BASIS, LOWERS ALL MAJOR TAX RATES, TAXES ALL INCOME AT THE SAME RATE, AND MAKES THE STRUCTURE SIMPLER, FAIRER, AND CONSISTENT WITH THE MODERN ECONOMY, AS RECOMMENDED BY PAST TAX STUDIES.

The General Assembly of North Carolina enacts:

PART I. GENERAL FINDINGS AND PURPOSE

SECTION 1.(a) The General Assembly of North Carolina finds the following:

- (1) North Carolina's current tax structure has not been comprehensively revised since the Great Depression. The tax structure adopted then, while amended extensively over the years in a piecemeal fashion, no longer reflects North Carolina's 21st Century economy.
- (2) Over the years, the multiplication of credits, allowances, special rates, and exemptions has progressively narrowed the base of the State's individual and corporate income taxes, with the result that the rates for those income taxes are now among the highest in our region and among our peer states.
- (3) North Carolina's current tax structure undermines the State's competitive position and acts as a deterrent to new business investment and the creation of new jobs.
- (4) The State's reliance on temporary and expedient tax changes to meet budget shortfalls has created a tax structure that is unpredictable for taxpayers and a revenue stream that is unstable for the State.

SECTION 1.(b) It is the intent of this legislation to promote economic development by establishing broader tax bases and lowering tax rates in a comprehensive manner, as recommended by numerous study committees charged with developing a 21st Century tax policy for the State. Adoption of a modern tax structure will accomplish the following objectives:

- (1) Make North Carolina's tax system more competitive relative to our peer states.
- (2) Conform North Carolina's tax system to the current economy and not that of the 1933 economy.



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- (3) Stabilize North Carolina's tax base and provide a reliable revenue stream for the future.
- (4) Make North Carolina's tax system fairer so that individual taxpayers and business taxpayers who are in very similar circumstances to one another are treated in roughly the same way by the tax system.
- (5) Balance North Carolina's tax revenues among the different types of taxes and the different groups of taxpayers on a revenue-neutral basis. The consensus forecasted amounts for fiscal year 2014-2015 are used to establish the revenue-neutrality of the tax changes in this legislation.

SECTION 1.(c) This section is effective when it becomes law.

PART II. REDUCE INDIVIDUAL INCOME TAX RATES AND BROADEN TAX BASE

SECTION 2.(a) The following statutes are recodified as indicated:

<u>Current Statute</u>	<u>Recodified Statute</u>
G.S. 105-133	G.S. 105-153.1
G.S. 105-134	G.S. 105-153.2
G.S. 105-134.1	G.S. 105-153.3
G.S. 105-134.5	G.S. 105-153.4
G.S. 105-151	G.S. 105-153.9
G.S. 105-152	G.S. 105-153.8

SECTION 2.(b) The following statutes are repealed:

- G.S. 105-134.2
- G.S. 105-134.3
- G.S. 105-134.6
- G.S. 105-134.7
- G.S. 105-134.8
- G.S. 105-151.11
- G.S. 105-151.18
- G.S. 105-151.20
- G.S. 105-151.21
- G.S. 105-151.24
- G.S. 105-151.26
- G.S. 105-151.33

SECTION 2.(c) G.S. 105-134.1, recodified by this act as G.S. 105-153.3, reads as rewritten:

"§ 105-153.3. Definitions.

The following definitions apply in this Part:

- (1) Adjusted gross income. – Defined in section 62 of the Code.
- (1a) Code. – Defined in G.S. 105-228.90.
- (2) Department. – The Department of Revenue.
- (3) ~~Educational institution. — An educational institution that normally maintains a regular faculty and curriculum and normally has a regularly organized body of students in attendance at the place where its educational activities are carried on.~~
- (4) Fiscal year. – Defined in section 441(e) of the Code.
- (5) Gross income. – Defined in section 61 of the Code.
- (6) Head of household. – Defined in section 2(b) of the Code.
- (7) Individual. – A human being.
- (7a) Limited liability company. – Either a domestic limited liability company organized under Chapter 57C of the General Statutes or a foreign limited

1 liability company authorized by that Chapter to transact business in this
 2 State that is classified for federal income tax purposes as a partnership. As
 3 applied to a limited liability company that is a partnership under this Part,
 4 the term "partner" means a member of the limited liability company.

5 (7b) Repealed by Session Laws 1998-98, s. 9, effective August 14, 1998.

6 (8) Married individual. – An individual who is married and is considered
 7 married as provided in section 7703 of the Code.

8 (9) Nonresident individual. – An individual who is not a resident of this State.

9 (10) North Carolina taxable income. – Defined in ~~G.S. 105-134.5~~. G.S. 105-153.4.

10 (10a) Partnership. – A domestic partnership, a foreign partnership, or a limited
 11 liability company.

12 (11) Person. – Defined in G.S. 105-228.90.

13 (12) Resident. – An individual who is domiciled in this State at any time during
 14 the taxable year or who resides in this State during the taxable year for other
 15 than a temporary or transitory purpose. In the absence of convincing proof to
 16 the contrary, an individual who is present within the State for more than 183
 17 days during the taxable year is presumed to be a resident, but the absence of
 18 an individual from the state for more than 183 days raises no presumption
 19 that the individual is not a resident. A resident who removes from the State
 20 during a taxable year is considered a resident until he has both established a
 21 definite domicile elsewhere and abandoned any domicile in this State. The
 22 fact of marriage does not raise any presumption as to domicile or residence.

23 ~~(13) Retirement benefits. – Amounts paid to a former employee or the beneficiary
 24 of a former employee under a written retirement plan established by the
 25 employer to provide payments to an employee or the beneficiary of an
 26 employee after the end of the employee's employment with the employer
 27 where the right to receive the payments is based upon the employment
 28 relationship. With respect to a self-employed individual or the beneficiary of
 29 a self-employed individual, the term means amounts paid to the individual or
 30 beneficiary of the individual under a written retirement plan established by
 31 the individual to provide payments to the individual or the beneficiary of the
 32 individual after the end of the self-employment. In addition, the term
 33 includes amounts received from an individual retirement account described
 34 in section 408 of the Code or from an individual retirement annuity
 35 described in section 408 of the Code. For the purpose of this subdivision, the
 36 term "employee" includes a volunteer worker.~~

37 (14) S Corporation. – Defined in G.S. 105-131(b).

38 (15) Secretary. – The Secretary of Revenue.

39 (16) Repealed by Session Laws 2011-145, s. 31A.1(a), effective for taxable years
 40 beginning on or after January 1, 2012.

41 (17) Taxable year. – Defined in section 441(b) of the Code.

42 (18) Taxpayer. – An individual subject to the tax imposed by this Part.

43 (19) This State. – The State of North Carolina."

44 **SECTION 2.(d)** G.S. 105-134.5, recodified by this act as G.S. 105-153.4, reads as
 45 rewritten:

46 "**§ 105-153.4. North Carolina taxable income defined.**

47 (a) Residents. – For an individual who is a resident of this State, the term "North
 48 Carolina taxable income" means the taxpayer's adjusted gross income as modified in
 49 ~~G.S. 105-134.6~~. G.S. 105-153.5.

50 (b) Nonresidents. – For a nonresident individual, the term "North Carolina taxable
 51 income" means the taxpayer's adjusted gross income as modified in ~~G.S. 105-134.6,~~

1 G.S. 105-153.5, multiplied by a fraction the denominator of which is the taxpayer's gross
2 income as modified in ~~G.S. 105-134.6~~, G.S. 105-153.5, and the numerator of which is the
3 amount of that gross income, as modified, that is derived from North Carolina sources and is
4 attributable to the ownership of any interest in real or tangible personal property in this State, is
5 derived from a business, trade, profession, or occupation carried on in this State, or is derived
6 from gambling activities in this State.

7 (c) Part-year Residents. – If an individual was a resident of this State for only part of
8 the taxable year, having moved into or removed from the State during the year, the term "North
9 Carolina taxable income" has the same meaning as in subsection (b) of this section except that
10 the numerator includes adjusted gross income, as modified under ~~G.S. 105-134.6~~,
11 G.S. 105-153.5, derived from all sources during the period the individual was a resident.

12 (d) S Corporations and Partnerships. – In order to calculate the numerator of the
13 fraction provided in subsection (b) of this section, the amount of a shareholder's pro rata share
14 of S Corporation income that is includable in the numerator is the shareholder's pro rata share
15 of the S Corporation's income attributable to the State, as defined in G.S. 105-131(b)(4). In
16 order to calculate the numerator of the fraction provided in subsection (b) of this section for a
17 member of a partnership or other unincorporated business that has one or more nonresident
18 members and operates in one or more other states, the amount of the member's distributive
19 share of income of the business that is includable in the numerator is determined by multiplying
20 the total net income of the business by the ratio ascertained under the provisions of
21 G.S. 105-130.4. As used in this subsection, total net income means the entire gross income of
22 the business less all expenses, taxes, interest, and other deductions allowable under the Code
23 that were incurred in the operation of the business.

24 (e) Tax Year. – A taxpayer must compute North Carolina taxable income on the basis
25 of the taxable year used in computing the taxpayer's income tax liability under the Code."

26 **SECTION 2.(e)** Part 2 of Article 4 of Chapter 105 of the General Statutes is
27 amended by adding the following new sections to read:

28 "**§ 105-153.5. Modifications to adjusted gross income.**

29 (a) Deductions. – In calculating North Carolina taxable income, a taxpayer must deduct
30 from the taxpayer's adjusted gross income any of the following items that are included in the
31 taxpayer's adjusted gross income:

32 (1) Interest upon the obligations of any of the following:

33 a. The United States or its possessions.

34 b. This State, a political subdivision of this State, or a commission, an
35 authority, or another agency of this State or of a political subdivision
36 of this State.

37 (2) Gain from the disposition of obligations issued before July 1, 1995, to the
38 extent the gain is exempt from tax under the laws of this State.

39 (3) Amounts received from retirement annuities or pensions paid under the
40 provisions of the Railroad Retirement Act of 1937.

41 (4) Refunds of State, local, and foreign income taxes included in the taxpayer's
42 gross income.

43 (5) The amount received during the taxable year from one or more State, local,
44 or federal government retirement plans to the extent the amount is exempt
45 from tax under this Part pursuant to a court order in settlement of any of the
46 following cases:

47 a. Bailey v. State, 92 CVS 10221, 94 CVS 6904, 95 CVS 6625, 95 CVS
48 8230.

49 b. Emory v. State, 98 CVS 0738.

50 c. Patton v. State, 95 CVS 04346.

51 (6) Income that meets both of the following requirements:

- 1 a. Is earned or received by an enrolled member of a federally
- 2 recognized Indian tribe.
- 3 b. Is derived from activities on a federally recognized Indian
- 4 reservation while the member resides on the reservation. Income
- 5 from intangibles having a situs on the reservation and retirement
- 6 income associated with activities on the reservation are considered
- 7 income derived from activities on the reservation.
- 8 (7) The amount by which the basis of property under this Article exceeds the
- 9 basis of the property under the Code, in the year the taxpayer disposes of the
- 10 property.
- 11 (8) The amount paid to the taxpayer by the State under G.S. 148-84 as
- 12 compensation for pecuniary loss suffered by reason of erroneous conviction
- 13 and imprisonment.
- 14 (9) The amount allowed as a deduction under G.S. 105-153.6 as a result of an
- 15 add-back for federal accelerated depreciation and expensing.

16 (b) Additions. – In calculating North Carolina taxable income, a taxpayer must add to
 17 the taxpayer's adjusted gross income any of the following items that are not included in the
 18 taxpayer's adjusted gross income:

- 19 (1) Interest upon the obligations of states other than this State, political
- 20 subdivisions of those states, and agencies of those states and their political
- 21 subdivisions.
- 22 (2) The amount by which a shareholder's share of S Corporation income is
- 23 reduced under section 1366(f)(2) of the Code for the taxable year by the
- 24 amount of built-in gains tax imposed on the S Corporation under section
- 25 1374 of the Code.
- 26 (3) The amount by which the basis of property under the Code exceeds the basis
- 27 of the property under this Article, in the year the taxpayer disposes of the
- 28 property.
- 29 (4) The amount excluded from gross income under section 199 of the Code.
- 30 (5) The amount required to be added under G.S. 105-153.6 when the State
- 31 decouples from federal accelerated depreciation and expensing.

32 "**§ 105-153.6. Adjustments when State decouples from federal accelerated depreciation**
 33 **and expensing.**

34 (a) Special Accelerated Depreciation. – A taxpayer who places property in service
 35 during a taxable year listed in the table below and who takes a special accelerated depreciation
 36 deduction for that property under section 168(k) or 168(n) of the Code must add to the
 37 taxpayer's federal taxable income or adjusted gross income, as appropriate, eighty-five percent
 38 (85%) of the amount taken for that year under those Code provisions. For taxable years before
 39 2013, the taxpayer must add the amount to the taxpayer's federal taxable income. For taxable
 40 year 2013 and after, the taxpayer must add the amount to the taxpayer's adjusted gross income.

41 A taxpayer is allowed to deduct twenty percent (20%) of the add-back in each of the first
 42 five taxable years following the year the taxpayer is required to include the add-back in income.
 43 The table below indicates the applicable five-year period.

<u>Taxable Year of</u>	<u>Five Taxable Years of</u>
<u>85% Add-Back</u>	<u>20% Deduction</u>
<u>2010</u>	<u>2011 through 2015</u>
<u>2011</u>	<u>2012 through 2016</u>
<u>2012</u>	<u>2013 through 2017</u>
<u>2013</u>	<u>2014 through 2018</u>

50 (b) 2009 Depreciation Exception. – A taxpayer who placed property in service during
 51 the 2009 taxable year and whose North Carolina taxable income for the 2009 taxable year

1 reflected a special accelerated depreciation deduction allowed for the property under section
 2 168(k) of the Code must add eighty-five percent (85%) of the amount of the special accelerated
 3 depreciation deduction to its federal taxable income for the 2010 taxable year. A taxpayer is
 4 allowed to deduct this add-back under subsection (a) of this section as if it were for property
 5 placed in service in 2010.

6 (c) Section 179 Expense. – For purposes of this subdivision, the definition of section
 7 179 property has the same meaning as under section 179 of the Code as of January 1, 2011. A
 8 taxpayer who places section 179 property in service during a taxable year listed in the table
 9 below must add to the taxpayer's federal taxable income or adjusted gross income as
 10 appropriate, eighty-five percent (85%) of the amount by which the taxpayer's expense
 11 deduction under section 179 of the Code exceeds the amount that would have been allowed for
 12 that taxable year under section 179 of the Code as of May 1, 2010. For taxable years before
 13 2013, the taxpayer must add the amount to the taxpayer's federal taxable income. For taxable
 14 year 2013 and after, the taxpayer must add the amount to the taxpayer's adjusted gross income.

15 A taxpayer is allowed to deduct twenty percent (20%) of the add-back in each of the first
 16 five taxable years following the year the taxpayer is required to include the add-back in income.
 17 The table in subsection (a) of this section indicates the applicable five-year period.

18 (d) Asset Basis. – The adjustments made in this section do not result in a difference in
 19 basis of the affected assets for State and federal income tax purposes.

20 **"§ 105-153.7. Individual income tax imposed.**

21 (a) Tax. – A tax is imposed for each taxable year on the North Carolina taxable income
 22 of an individual. The tax is six percent (6%) of the taxpayer's North Carolina taxable income
 23 that exceeds the zero tax bracket for the taxpayer's filing status. For purposes of Section 2 of
 24 Article V of the North Carolina Constitution, the zero tax bracket provides an exemption so that
 25 only net incomes are taxed.

26 The zero tax brackets are as follows:

- 27 (1) For married individuals who file a joint return under G.S. 105-153.8 and for
 28 surviving spouses, as defined in section 2(a) of the Code:

<u>Over</u>	<u>Up To</u>	<u>Rate</u>
<u>0</u>	<u>\$11,000</u>	<u>0.0%</u>

- 31 (2) For heads of households, as defined in section 2(b) of the Code:

<u>Over</u>	<u>Up To</u>	<u>Rate</u>
<u>0</u>	<u>\$8,800</u>	<u>0.0%</u>

- 34 (3) For unmarried individuals other than surviving spouses and heads of
 35 households:

<u>Over</u>	<u>Up To</u>	<u>Rate</u>
<u>0</u>	<u>\$5,500</u>	<u>0.0%</u>

- 38 (4) For married individuals who do not file a joint return under G.S. 105-153.7:

<u>Over</u>	<u>Up To</u>	<u>Rate</u>
<u>0</u>	<u>\$5,500</u>	<u>0.0%</u>

41 (b) Indexed Brackets. – For taxable years beginning on or after January 1, 2016, the
 42 "Up To" zero tax bracket maximums that are set out in subsection (a) of this section are
 43 indexed for the taxable year in accordance with the cost-of-living adjustment used under
 44 section 1 of the Code to index the federal rate brackets for that taxable year. The indexed zero
 45 tax brackets determined under this subsection apply in lieu of the zero tax brackets set out in
 46 subsection (a) of this section. The Secretary must publish the zero tax brackets set under this
 47 subsection.

48 (c) Withholding Tables. – The Secretary may provide tables that compute the amount
 49 of tax due for a taxable year under this Part. The tables do not apply to an individual who files a
 50 return under section 443(a)(1) of the Code for a period of less than 12 months due to a change
 51 in the individual's annual accounting period, or to an estate or trust."

1 **SECTION 2.(f)** G.S. 105-152 and G.S. 105-151, recodified by this act as
2 G.S. 105-153.8 and G.S. 105-153.9, read as rewritten:

3 **"§ 105-153.8. Income tax returns.**

4 (a) Who Must File. – The following individuals ~~shall~~must file with the Secretary an
5 income tax return under affirmation:

6 (1) Every resident ~~required to file an income tax return for the taxable year~~
7 ~~under the Code and every whose North Carolina taxable income exceeds the~~
8 zero tax bracket amount under G.S. 105-153.7.

9 (1a) Every nonresident individual who (i) ~~derived~~meets all of the following
10 requirements:

11 a. Receives during the taxable year gross income that is derived from
12 North Carolina sources ~~during the taxable year~~and is attributable to
13 the ownership of any interest in real or tangible personal property in
14 this State ~~or~~State, is derived from a business, trade, profession, or
15 occupation carried on in this State ~~and (ii) is~~State, or is derived from
16 gambling activities in this State.

17 b. Is required to file an income tax return for the taxable year under the
18 Code.

19 (2) Repealed by Session Laws 1991 (Reg. Sess., 1992), c. 930, s. 1.

20 (3) Any individual whom the Secretary believes to be liable for a tax under this
21 Part, when so notified by the Secretary and requested to file a return.

22 (b) Taxpayer Deceased or Unable to Make Return. – If ~~the a~~a taxpayer is unable to file
23 ~~the an~~an income tax return, ~~the return shall be filed by a~~the return shall be filed by a duly authorized agent of the taxpayer
24 or by a guardian or other person charged with the care of the person or property of the
25 taxpayer. taxpayer must file the return. If an individual who was required to file an income tax
26 return for the taxable year while living has died before making the return, the administrator or
27 executor of the estate ~~shall~~must file the return in the decedent's name and behalf, and the tax
28 ~~shall be levied upon and collected from~~is payable by the estate.

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

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

44 (e) Joint Returns. – A husband and wife whose ~~federal taxable income~~adjusted gross
45 income is determined on a joint federal return ~~shall~~must file a single income tax return jointly
46 if each spouse either is a resident of this State or has North Carolina taxable income and may
47 file a single income tax return jointly if one spouse is not a resident and has no North Carolina
48 taxable income. Except as otherwise provided in this Part, a wife and husband filing jointly are
49 treated as one taxpayer for the purpose of determining the tax imposed by this Part. A husband
50 and wife filing jointly are jointly and severally liable for the tax imposed by this Part reduced
51 by the sum of all credits allowable including tax payments made by or on behalf of the husband

1 and wife. However, if a spouse qualifies for relief of liability for federal tax attributable to a
2 substantial understatement by the other spouse pursuant to section 6015 of the Code, that
3 spouse is not liable for the corresponding tax imposed by this Part attributable to the same
4 substantial understatement by the other spouse. A wife and husband filing jointly have
5 expressly agreed that if the amount of the payments made by them with respect to the taxes for
6 which they are liable, including withheld and estimated taxes, exceeds the total of the taxes
7 due, refund of the excess may be made payable to both spouses jointly or, if either is deceased,
8 to the survivor alone.

9 (f) Repealed by Session Laws 1991.

10 **"§ 105-153.9. Tax credits for income taxes paid to other states by individuals.**

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

14 (1) The credit is allowed only for taxes paid to another state or country on
15 income that is derived from sources within that state or country ~~that and~~ is
16 taxed under its laws irrespective of the residence or domicile of the recipient,
17 except that whenever a taxpayer who is ~~deemed to be considered~~ a resident
18 of this State under ~~the provisions of this Part~~ is ~~deemed also to be considered~~
19 a resident of another state or country under the laws of that state or country,
20 the Secretary may allow a credit against the taxes imposed by this Part for
21 taxes imposed by and paid to the other state or country on income taxed
22 under this Part.

23 (2) The fraction of the adjusted gross income, as ~~calculated under the Code and~~
24 ~~adjusted as provided in G.S. 105-134.6 and G.S. 105-134.7, modified in~~
25 G.S. 105-153.5, that is subject to income tax in another state or country shall
26 be ascertained, and the North Carolina net income tax before credit under
27 this section shall be multiplied by that fraction. The credit allowed is either
28 the product thus calculated or the income tax actually paid the other state or
29 country, whichever is smaller.

30 (3) Receipts showing the payment of income taxes to another state or country
31 and a true copy of a return or returns upon the basis of which the taxes are
32 assessed shall be filed with the Secretary when the credit is claimed. If credit
33 is claimed on account of a deficiency assessment, a true copy of the notice
34 assessing or proposing to assess the deficiency, as well as a receipt showing
35 the payment of the deficiency, shall be filed.

36 (b) If any taxes paid to another state or country for which a taxpayer has been allowed a
37 credit under this section are at any time credited or refunded to the taxpayer, a tax equal to that
38 portion of the credit allowed for the taxes so credited or refunded is due and payable from the
39 taxpayer and is subject to the penalties and interest provided in Subchapter I of this Chapter."

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

42 **"§ 105-153.10. Other tax credits.**

43 (a) Personal Credit. – A taxpayer is allowed a credit against the tax imposed by this Part
44 for the taxable year equal to the taxpayer's adjusted gross income less the zero tax bracket
45 amount set in G.S. 105-153.7 for the taxpayer's filing status, multiplied by six-tenths of one
46 percent (0.6%). The tax is subject to a minimum and a maximum amount. The minimum credit
47 is two hundred dollars (\$200.00) and the maximum credit is eight hundred dollars (\$800.00).

48 (b) Children. – A taxpayer who is allowed a federal child tax credit under section 24 of
49 the Code for the taxable year is allowed a credit against the tax imposed by this Part for the
50 taxable year for each dependent child for whom the taxpayer is allowed the federal credit. The

amount of credit allowed is equal to the amount listed in the table below based on the taxpayer's adjusted gross income.

<u>Filing Status</u>	<u>AGI</u>	<u>Credit Amount</u>
<u>Married, filing jointly</u>	<u>Less than \$110,000</u>	<u>\$450.00</u>
	<u>\$110,000-\$200,000</u>	<u>\$200.00</u>
	<u>Greater than \$200,000</u>	<u>0</u>
<u>Head of Household</u>	<u>Less than \$88,000</u>	<u>\$450.00</u>
	<u>\$88,000-\$160,000</u>	<u>\$200.00</u>
	<u>Greater than \$160,000</u>	<u>0</u>
<u>Single</u>	<u>Less than \$55,000</u>	<u>\$450.00</u>
	<u>\$55,000-\$100,000</u>	<u>\$200.00</u>
	<u>Greater than \$100,000</u>	<u>0</u>
<u>Married, filing separately</u>	<u>Less than \$55,000</u>	<u>\$450.00</u>
	<u>\$55,000-\$100,000</u>	<u>\$200.00</u>
	<u>Greater than \$100,000</u>	<u>0</u>

(c) Charitable Contributions. – A taxpayer who makes charitable contributions during the taxable year that are deductible under section 170 of the Code is allowed a credit against the tax imposed by this Part for the taxable year. The credit is six percent (6.0%) of the amount deductible under section 170 of the Code, not to exceed six hundred dollars (\$600.00).

(d) Limitations. – A credit allowed under this section may not exceed the amount of tax imposed by this Part for the taxable year reduced by the sum of all credits allowed, except payments of tax made by or on behalf of the taxpayer. A nonresident or part-year resident who claims a credit allowed by this section must reduce the amount of the credit by multiplying it by the fraction calculated under G.S. 105-153.4(b) or (c), as appropriate."

SECTION 2.(h) Notwithstanding the provisions of G.S. 105-163.15, no addition to tax may be made under that statute for a taxable year beginning on or after January 1, 2015, and before January 1, 2016, with respect to any underpayment of individual income tax to the extent the underpayment was created or increased by this section.

SECTION 2.(i) This section becomes effective for taxable years beginning on or after January 1, 2015.

PART III. REDUCE CORPORATE INCOME TAX RATE AND BROADEN THE TAX BASE

SECTION 3.(a) G.S. 105-130.3 reads as rewritten:

"§ 105-130.3. Corporations.

A tax is imposed on the State net income of every C Corporation doing business in this State. An S Corporation is not subject to the tax levied in this section. The tax is a percentage of the taxpayer's State net ~~income computed as follows:~~ income. The percentage rate is the rate set in G.S. 105-153.7 for the individual income tax.

Income Years Beginning	Tax
In 1997	7.5%
In 1998	7.25%
In 1999	7%
After 1999	6.9%."

SECTION 3.(b) It is the intent of the General Assembly to transition from an apportionment factor formula that double-weights sales to an apportionment formula whose only factor is sales. The act begins this transition by replacing the current 50% sales factor with

1 a 75% sales factor. As State revenues increase, the General Assembly intends to complete the
2 transition.

3 **SECTION 3.(c)** G.S. 105-130.4(i) reads as rewritten:

4 "(i) All apportionable income of corporations other than public utilities, excluded
5 corporations, and qualified capital intensive corporations shall be apportioned to this State by
6 multiplying the income by a fraction, the numerator of which is the property factor plus the
7 payroll factor plus ~~twice six times~~ the sales factor, and the denominator of which is ~~four-eight~~.
8 If the sales factor does not exist, the denominator of the fraction is the number of existing
9 factors and if the sales factor exists but the payroll factor or the property factor does not exist,
10 the denominator of the fraction is the number of existing factors plus ~~one-five~~."

11 **SECTION 3.(d)** G.S. 105-130.5(a) is amended by adding the following new
12 subdivisions to read:

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

15 ...

16 (2a) That portion of a financial institution's interest expense that is allocable to
17 interest income exempt from taxation under this Part. The allocable portion
18 of the interest expense is the portion for which a deduction would be
19 disallowed pursuant to section 265(b) of the Code if the interest were earned
20 on a tax-exempt obligation as defined in section 265(b) of the Code.

21 ...

22 (24) The amount required to be added under G.S. 105-130.5B when the State
23 decouples from federal accelerated depreciation and expensing."

24 **SECTION 3.(e)** G.S. 105-130.5(b) is amended by adding a new subdivision to
25 read:

26 "(b) The following deductions from federal taxable income shall be made in determining
27 State net income:

28 ...

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

31 **SECTION 3.(f)** G.S. 105-130.5(a)(15), (15a), (15b), and (23) are repealed.

32 **SECTION 3.(g)** G.S. 105-130.5(b)(1a)b., (7), (19), (21), (21a), (21b), (22), (24),
33 and (26) are repealed.

34 **SECTION 3.(h)** Part 1 of Article 4 of Chapter 105 of the General Statutes is
35 amended by adding a new section to read:

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

38 (a) Special Accelerated Depreciation. – A taxpayer that places property in service
39 during a taxable year listed in the table below and who takes a special accelerated depreciation
40 deduction for that property under section 168(k) or 168(n) of the Code must add to the
41 taxpayer's federal taxable income eighty-five percent (85%) of the amount taken for that year
42 under those Code provisions.

43 A taxpayer is allowed to deduct twenty percent (20%) of the add-back in each of the first
44 five taxable years following the year the taxpayer is required to include the add-back in income.
45 The table below indicates the applicable five-year period.

<u>Taxable Year of</u> <u>85% Add-Back</u>	<u>Five Taxable Years of</u> <u>20% Deduction</u>
<u>2010</u>	<u>2011 through 2015</u>
<u>2011</u>	<u>2012 through 2016</u>
<u>2012</u>	<u>2013 through 2017</u>
<u>2013</u>	<u>2014 through 2018</u>

1 (b) 2009 Depreciation Exception. – A taxpayer that placed property in service during
2 the 2009 taxable year and whose North Carolina taxable income for the 2009 taxable year
3 reflected a special accelerated depreciation deduction allowed for the property under section
4 168(k) of the Code must add eighty-five percent (85%) of the amount of the special accelerated
5 depreciation deduction to its federal taxable income for the 2010 taxable year. A taxpayer is
6 allowed to deduct this add-back under subsection (a) of this section as if it were for property
7 placed in service in 2010.

8 (c) Section 179 Expense. – For purposes of this subdivision, the definition of section
9 179 property has the same meaning as under section 179 of the Code as of January 1, 2011. A
10 taxpayer that places section 179 property in service during a taxable year listed in the table
11 below must add to the taxpayer's federal taxable income eighty-five percent (85%) of the
12 amount by which the taxpayer's expense deduction under section 179 of the Code exceeds the
13 amount that would have been allowed for that taxable year under section 179 of the Code as of
14 May 1, 2010.

15 A taxpayer is allowed to deduct twenty percent (20%) of the add-back in each of the first
16 five taxable years following the year the taxpayer is required to include the add-back in income.
17 The table in subsection (a) of this section indicates the applicable five-year period.

18 (d) Asset Basis. – The adjustments made in this section do not result in a difference in
19 basis of the affected assets for State and federal income tax purposes."

20 **SECTION 3.(i)** G.S. 105-130.7A reads as rewritten:

21 "**§ 105-130.7A. Royalty income and interest expense reporting option-options.**

22 (a) Purpose. – Royalty payments received for the use of intangible property in this State
23 are income derived from doing business in this State. This section provides taxpayers with an
24 option concerning the method by which ~~these~~ royalties and interest expense can be reported for
25 taxation when the recipient and the payer are related members. As provided in this section,
26 ~~these~~ royalty payments and interest expenses can be either (i) deducted by the payer and
27 included in the income of the recipient, or (ii) added back to the income of the payer and
28 excluded from the income of the recipient.

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

30 ...

31 (1b) Interest expense. – An amount directly or indirectly allowed as a deduction
32 under section 163 of the Code.

33 ...

34 (c) Election. – For the purpose of computing its State net income, a taxpayer must add
35 royalty payments and interest expenses made to, or in connection with transactions with, a
36 related member during the taxable year. This addition is not required for an amount of royalty
37 payments or interest expenses that meets any of the following conditions:

38 (1) The related member includes the amount as income on a return filed under
39 this Part for the same taxable year that the amount is deducted by the
40 taxpayer, and the related member does not elect to deduct the amount
41 pursuant to G.S. 105-130.5(b)(20).

42 (2) The taxpayer can establish that the related member during the same taxable
43 year directly or indirectly paid, accrued, or incurred the amount to a person
44 who is not a related member.

45 (3) The taxpayer can establish that the related member to whom the amount was
46 paid is organized under the laws of a country other than the United States,
47 the country has a comprehensive income tax treaty with the United States,
48 and the country imposes a tax on the royalty income of the related member
49 at a rate that equals or exceeds the rate set in G.S. 105-130.3.

50 (d) Indirect Transactions. – For the purpose of this section, an indirect transaction or
51 relationship has the same effect as if it were direct."

- 1 e. A domestic limited liability partnership registered under Article 3B
2 of Chapter 59 of the General Statutes or a foreign limited liability
3 partnership registered under Article 4A of that Chapter.
4 f. A domestic or foreign limited liability limited partnership registered
5 under G.S. 59-210.
6 g. Any other business whose form of organization confers limited
7 liability on one or more of its owners.
8 (4) Capital interest. – The right of a business entity that is not a corporation to
9 receive a percentage of the business entity's assets upon dissolution after
10 payments to creditors.
11 (5) City. – Defined in G.S. 105-228.90.
12 (6) Code. – Defined in G.S. 105-228.90.
13 (7) Doing business. – Each and every act, power, or privilege exercised or
14 enjoyed in this State, as an incident to, or by virtue of the powers and
15 privileges granted by the laws of this State.
16 (8) Holding company. – A business entity that satisfies at least one of the
17 following conditions:
18 a. It has no assets other than ownership interests in business entities in
19 which it owns, directly or indirectly, more than fifty percent (50%) of
20 the outstanding voting stock or voting capital interests.
21 b. It receives during its taxable year more than eighty percent (80%) of
22 its gross income from business entities in which it owns directly or
23 indirectly more than fifty percent (50%) of the outstanding voting
24 stock or voting capital interests.
25 (9) Ownership. – The direct or indirect control of more than fifty percent (50%)
26 of the outstanding voting stock or voting capital interests of a business
27 entity. Ownership of voting stock is determined by reference to the
28 constructive ownership rules for stock under section 318 of the Code.
29 Ownership of capital interests is determined by reference to the constructive
30 ownership rules for partnerships, estates, and trusts in section 318(a)(2)(A)
31 and (B) of the Code with the following modifications:
32 a. The term "capital interest" is substituted for "stock" each place it
33 appears.
34 b. A noncorporate limited liability company and any noncorporate
35 entity other than a partnership, estate, or trust is treated as a
36 partnership. A noncorporate entity does not include a human being.
37 A noncorporate limited liability company is a limited liability
38 company that does not elect to be taxed as a corporation under the
39 Code.
40 c. The operating rule of section 318(a)(5) of the Code applies without
41 regard to section 318(a)(5)(C).
42 (10) Parent. – A business entity that has ownership of another business entity.
43 (11) Secretary. – Defined in G.S. 105-228.90.
44 (12) Subsidiary. – A business entity under the ownership of another business
45 entity.
46 (13) Taxable year. – Defined in section 441(b) of the Code.

47 **§ 105-114.3. Nature of tax.**

48 This Article imposes a privilege tax on a business entity for the privilege of doing business
49 in this State in an organizational form that confers limited liability on one or more owners of
50 the entity. The tax is an accrued tax and is imposed for the exercise of this privilege during the
51 period covered by a tax return. Payment of the tax imposed by this Article is a condition

precedent to the right to do business in this State and, for a business entity that is organized or formed in this State, to the right to continue in the entity's organizational form. When a noncorporate business entity is doing business in this State, each owner of the noncorporate business entity is doing business in this State.

"§ 105-114.4. Business privilege tax imposed.

(a) Rate. – An annual privilege tax is imposed on a business entity doing business in this State at the rate of one dollar (\$1.25) per one thousand dollars (\$1,000) of the higher of the business entity's adjusted net worth tax base, determined in accordance with G.S. 105-114.5, and the business entity's investment tax base, determined in accordance with G.S. 105-114.6. The tax payable by a business entity may not be less than two hundred dollars (\$200.00). The tax payable by a holding company may not be more than seventy-five thousand dollars (\$75,000).

After the end of the taxable year in which a business entity is dissolved, the entity is no longer subject to the tax levied in this Article unless the Secretary finds that the entity has engaged in business activities in this State not appropriate to winding up and liquidating its business.

"§ 105-114.5. Adjusted net worth tax base.

The net worth of a business entity is the entity's total assets less its total liabilities, computed in accordance with generally accepted accounting principles as of the end of the entity's taxable year. If the entity does not maintain its books and records in accordance with generally accepted accounting principles, then its net worth is computed in accordance with the accounting method used by the entity for federal tax purposes so long as the method fairly reflects the entity's net worth for purposes of the tax levied by this section. A business entity's net worth is subject to the following adjustments:

- (1) A deduction for accumulated depreciation and amortization is determined in accordance with the method used for federal tax purposes.
- (2) An addition for indebtedness the business entity owes to a parent, a subsidiary, or an affiliate. The amount added back to the business entity's net worth may be further adjusted as follows:
 - a. If part of the capital of the creditor business entity is capital borrowed from a source other than a parent, a subsidiary, or an affiliate, the debtor business entity may deduct a proportionate part of the indebtedness based on the ratio of the borrowed capital of the creditor business entity to the total assets of the creditor business entity.
 - b. If part of the capital of the creditor business entity consists of indebtedness owed to a parent, a subsidiary, or an affiliate that is directly traceable to capital borrowed from a source other than a parent, a subsidiary, or an affiliate, the debtor business entity may deduct a proportionate part of the indebtedness based on the ratio of the borrowed capital of the creditor business entity to the total assets of the creditor business entity.
 - c. If the creditor business entity is taxable under this Article, the creditor business entity may deduct the indebtedness from its net worth to the extent the debtor business entity was not allowed to deduct the indebtedness.

- (3) A corporation may deduct the cost of treasury stock.

"§ 105-114.6. Investment tax base.

The investment tax base of a business entity is the entity's investment in real and tangible personal property in this State as of the end of the entity's taxable year. A business entity's

1 investment in property is the original purchase price of or consideration for the property subject
2 to the following adjustments:

- 3 (1) A deduction for depreciation or amortization is determined in accordance
4 with the method used for federal tax purposes.
- 5 (2) The addition of improvements to the property.
- 6 (3) A deduction for indebtedness on the property or on an improvement to the
7 property.
- 8 (4) For a business entity allowed a tax credit under Article 3E of this Chapter, a
9 deduction for the value of the property for which the credit is allowed.

10 **"§ 105-114.7. Exclusions in calculating tax.**

11 (a) Disregarded LLC. – A single member limited liability company whose single
12 member is a corporation is disregarded under this Article if it is disregarded for federal income
13 tax purposes. The corporation that is the single member of the disregarded limited liability
14 company must include the net worth and property of the disregarded limited liability company
15 in the corporation's tax base.

16 (b) No Tax Tiering. – A noncorporate business entity's ownership interest in another
17 noncorporate business entity that is taxable under this Article is excluded in determining the
18 owner's net worth under G.S. 105-114.5.

19 (c) Investment Companies. – The following exclusions apply to investment companies
20 in determining their tax liability under this Article:

- 21 (1) A regulated investment company may deduct the value of its investments in
22 stocks, bonds, debentures, or other securities or evidences of debt. A
23 regulated investment company is an entity that qualifies as a regulated
24 investment company under section 851 of the Code.
- 25 (2) A REIT may deduct the value of its investments in real property, unless the
26 REIT is a captive REIT. The terms "REIT" and "captive REIT" have the
27 same meanings as defined in G.S. 105-130.12.
- 28 (3) A venture capital company may deduct the value of its capital under
29 management. A venture capital company is an entity whose purpose is to
30 provide financing for start-up businesses and that obtains the capital it uses
31 to provide financing only from investors who are accredited investors under
32 17 C.F.R. § 230.215 or are institutional investors.

33 (d) Short Year Adjustment. – A business entity that changes its taxable year and files a
34 "short period" income tax return may deduct from its tax liability computed on an annual basis
35 the amount of tax previously paid that is applicable to the period subsequent to the beginning of
36 the new taxable year.

37 **"§ 105-114.8. Determination of ownership after certain transfers.**

38 (a) Transfers by Corporations. – Ownership of the capital interests in a noncorporate
39 business entity is determined as of the last day of the business entity's taxable year. If a
40 noncorporate business entity and a corporation or an affiliated group have engaged in a pattern
41 of transferring assets between them with the result that each did not own the capital interest on
42 the last day of its taxable year, the ownership of the capital interests in the noncorporate
43 business entity must be determined as of the last day of the corporation's or group of
44 corporations' taxable year.

45 (b) Tax-Free Distribution. – If a noncorporate business entity receives from a person a
46 tax-free contribution of assets under section 721 of the Code within 120 days after making a
47 tax-free distribution of assets to that person under section 732 of the Code with the result that
48 the business entity did not own the capital interests on the last day of its taxable year, the assets
49 that were distributed tax-free are considered owned by the business entity as of the last day of
50 its taxable year.

51 **"§ 105-114.9. Apportionment by multistate business entities.**

A business entity that is doing business in this State and in one or more other states must apportion its net worth to this State. A corporation that is subject to income tax under Article 4 of this Chapter must use the fraction it applies in apportioning its income under that Article. A business entity that is not subject to income tax under Article 4 of this Chapter must apportion its net worth by using the fraction it would be required to apply in apportioning its income if it were subject to that Article. A business entity that believes this apportionment method subjects a greater portion of its net worth to tax under this section than is attributable to its business in this State may make a written request to the Secretary for permission to use an alternative method of apportionment, in the same manner as provided in G.S. 105-130.4(t1).

"§ 105-114.10. Return and payment.

The tax imposed by G.S. 105-114.4 is due when a return is due. A return is due on or before the fifteenth day of the fourth month following the end of the business entity's income year. A taxpayer may ask the Secretary for an extension of time to file a return under G.S. 105-263. A business entity must file a return under affirmation with the Secretary at the place and in the manner prescribed by the Secretary. The return must be signed by the president, vice president, treasurer, or chief financial officer of the business entity.

...

"§ 105-116.2. Distribution in lieu of local privilege license tax.

(a) Findings. – The General Assembly finds that the authority formerly given to cities to levy local privilege license taxes led to inequities in taxation among entities engaged in the same business in different locations as well as among entities engaged in different types of business in the same location. The General Assembly further finds that numerous cities rely on local privilege license tax revenue. This section replaces local privilege license tax revenue with a portion of the State business privilege tax.

(b) Distribution. – Each fiscal year the Secretary must distribute to cities the net proceeds of tax collected in the preceding calendar year under G.S. 105-114.4 at the rate of ten cents (\$0.10) per one thousand dollars (\$1,000). The Secretary must distribute one-fourth of this amount within 75 days after the end of each calendar quarter. The Secretary must distribute the amount on a per capita basis according to the most recent annual population estimates certified by the State Budget Officer. The share of each city is its proportionate per capita share of the amount set in the following table for the city's population category.

<u>City Population</u>	<u>Share of Net Proceeds</u>
<u>Up to 100,000</u>	<u>10%</u>
<u>Over 100,000 but less than 200,000</u>	<u>18%</u>
<u>Over 200,000</u>	<u>72%</u>

(c) Local Revenue. – The General Assembly finds that the revenue distributed under this section is local revenue, not a State expenditure, for the purpose of Section 5(3) of Article III of the North Carolina Constitution. Therefore, the Governor may not reduce or withhold the distribution.

"§ 105-116.3. Compensating privilege tax on seller that is not a registered retailer.

(a) Tax. – An annual privilege tax is imposed on a person who sells tangible personal property, digital property, or services at retail to a consumer, as defined in G.S. 105-164.3, and who meets both of the following descriptions:

- (1) The person is not registered as a retailer under Article 5 of this Chapter.
- (2) The person reported gross sales of at least five million dollars (\$5,000,000) on its most recent federal income tax return.

(b) Rate and Scope. – The tax is a percentage of the retailer's gross receipts derived from sales within this State. The percentage rate of the tax is the same as the combined rate under G.S. 105-164.3. This tax is in addition to the tax imposed by G.S. 105-114.4. The tax is payable in the same manner as provided in G.S. 105-114.10.

(c) Noncompliance. – A debt owed to a person that does not comply with this section is not collectible and is not subject to execution under Article 28 of Chapter 1 of the General Statutes or any other provision of law. An assignment of a debt is subject to the collection restrictions imposed by this subsection.

"§ 105-116.4. Compensating privilege tax on unregulated electric power producer.

(a) Tax. – An annual privilege tax is imposed on a person that meets all of the following descriptions:

- (1) Produces electric power by using the public waters of this State and sells the electric it produces.
- (2) Is not subject to regulation by the North Carolina Utilities Commission.
- (3) Received at least five million dollars (\$5,000,000) in gross receipts during the preceding calendar year from its sales of electric power.

(b) Rate. – The tax is a percentage of the person's gross receipts derived from sales of electric power produced by use of the State's public waters. The percentage rate of the tax is the same as the combined rate under G.S. 105-164.3. This tax is in addition to the tax imposed by G.S. 105-114.4. The tax is payable in the same manner as provided in G.S. 105-114.10.

"§ 105-125.1. Exempt business entities.

A business entity listed in this section is exempt from the privilege tax imposed by G.S. 105-114.4 unless it has unrelated business income. A business entity that is listed in this section and has unrelated business income is subject to the tax imposed by G.S. 105-114.4 on its adjusted net worth or property attributable to its unrelated business income. Upon request of the Secretary, an exempt business entity must establish its claim for exemption in writing. The exempt entities are:

- (1) A business entity exempt from federal income tax under the Code.
- (2) An insurance company subject to tax under Article 8B of this Chapter.
- (3) A single member limited liability company that is disregarded for federal income tax purposes if the single member is a corporation and the disregarded limited liability company's net worth and property is included in that of its single member.
- (4) A real estate mortgage investment conduit, as defined in section 860D of the Code."

SECTION 4.1.(d) Notwithstanding G.S. 105-116.2, as enacted by this section, for fiscal year 2014-2015, the Secretary must distribute forty-five million dollars (\$45,000,000) to cities in accordance with the distribution formula in that statute.

SECTION 4.1.(e) This section is effective for taxable years beginning on or after January 1, 2015, and applies to taxes due in that year or a subsequent year.

SECTION 4.2.(a) G.S. 55-1-22 reads as rewritten:

"§ 55-1-22. Filing, service, and copying fees.

(a) The Secretary of State shall collect the following fees when the documents described in this subsection are delivered to the Secretary for filing:

Document	Fee
...	
(23) Annual report (paper)	25.00 No fee
(23a) Annual report (electronic)	18.00
...	

(b) The Secretary of State shall collect a fee of ten dollars (\$10.00) each time process is served on the Secretary under this Chapter. The party to a proceeding causing service of process is entitled to recover this fee as costs if the party prevails in the proceeding.

(c) The Secretary of State shall collect the following fees for copying, comparing, and certifying a copy of any filed document relating to a domestic or foreign corporation:

- (1) One dollar (\$1.00) a page for copying or comparing a copy to the original.

1 (2) Fifteen dollars (\$15.00) for a paper certificate.

2 (3) Ten dollars (\$10.00) for an electronic certificate.

3 (d) ~~The fee for the annual report in subdivision (23) of this section is nonrefundable."~~

4 **SECTION 4.2.(b)** G.S. 55-16-22 reads as rewritten:

5 "**§ 55-16-22. Annual report.**

6 (a) ~~Except as provided in subsections (a1) and (a2) of this section, each domestic~~
7 ~~corporation and each foreign corporation authorized to transact business in this State shall~~
8 ~~deliver an annual report to the Secretary of Revenue in paper form or, in the alternative,~~
9 ~~directly to the Secretary of State in electronic form as prescribed by the Secretary of State~~
10 ~~under this section.~~Requirement. – The following businesses must file an annual report with the
11 Secretary of State on a form prescribed by the Secretary and in the manner required by the
12 Secretary:

13 (1) A corporation that is incorporated under this Chapter.

14 (2) A corporation that has received a certificate of authority under this Chapter
15 authorizing the corporation to transact business in this State.

16 (3) A company that is an insurance company regulated under Chapter 58 of the
17 General Statutes.

18 (a1) ~~Each insurance company subject to the provisions of Chapter 58 of the General~~
19 ~~Statutes shall deliver an annual report to the Secretary of State.~~

20 (a2) ~~A domestic corporation governed by Chapter 55B of the General Statutes is exempt~~
21 ~~from this section.~~

22 (a3) ~~The annual report required by this section shall be in a form jointly prescribed by~~
23 ~~the Secretary of Revenue and the Secretary of State. The Secretary of Revenue shall provide~~
24 ~~the form needed to file an annual report. The Secretary of State shall prescribe the form needed~~
25 ~~to file an annual report electronically and shall provide this form by electronic means. The~~
26 ~~annual report shall set forth all of the following:~~

27 (1) ~~The name of the corporation and the state or country under whose law it is~~
28 ~~incorporated.~~

29 (2) ~~The street address, and the mailing address if different from the street~~
30 ~~address, of the registered office, the county in which its registered office is~~
31 ~~located, and the name of its registered agent at that office in this State, and a~~
32 ~~statement of any change of such registered office or registered agent, or~~
33 ~~both.~~

34 (3) ~~The address and telephone number of its principal office.~~

35 (4) ~~The names, titles, and business addresses of its principal officers.~~

36 (4a) ~~Repealed by Session Laws 1997-475, s. 6.1, effective January 1, 1998.~~

37 (5) ~~A brief description of the nature of its business.~~

38 ~~If the information contained in the most recently filed annual report has not changed, a~~
39 ~~certification to that effect may be made instead of setting forth the information required by~~
40 ~~subdivisions (2) through (5) of this subsection.~~

41 (b) Content. – An annual report must set out the information listed in this subsection.
42 The information must be current as of the date the business completes the report.~~Information in~~
43 ~~the annual report must be current as of the date the annual report is executed on behalf of the~~
44 ~~corporation. If the information set out in the business' most recent annual report has not~~
45 ~~changed, the business may certify on its annual report that the information has not changed in~~
46 ~~lieu of restating the information. A business may amend an annual report at any time to correct,~~
47 ~~update, or augment information included in a prior report.~~

48 The following information must be included on the annual report of a business:

49 (1) Its name.

- (2) The state or country under whose law it is incorporated or, if it is an insurance company and is not a corporation, the state or country under whose law it is organized.
- (3) The street address of its registered office in this State, the county in which the registered office is located, and the name of the registered agent at the registered office. If the registered office or registered agent differs from the registered office or registered agent listed on the preceding annual report, the report must indicate that the registered office or registered agent has changed. A change in registered office or registered agent that is indicated on an annual report is effective when the report is filed.
- (4) The mailing address of its registered office, if the street address of the office is not the mailing address.
- (5) The address and telephone number of its principal office.
- (6) The name, title, and business address of each of its principal officers.
- (7) A brief description of the nature of its business.

(c) ~~Due Date. – An annual report is due by the 15th day of the fourth month following the close of the fiscal year of the business filing the report. An annual report is delinquent if it is not filed within 120 days after it is due. eligible to be delivered to the Secretary of Revenue is due by the due date for filing the corporation's income and franchise tax returns. An extension of time to file a return is an extension of time to file an annual report. At the option of the filer, an annual report may be filed directly with the Secretary of State in electronic form. An annual report required to be delivered to the Secretary of State is due by the fifteenth day of the fourth month following the close of the corporation's fiscal year.~~

(d) ~~Incomplete Report. – If the Secretary of State determines that an annual report filed with the Secretary does not contain the information required by this section, the Secretary must send a written notice to the business that the report is incomplete. An annual report that is corrected to contain the information and filed with the Secretary within 30 days of the date of the notice is considered timely filed. If an annual report does not contain the information required by this section, the Secretary of State shall promptly notify the reporting domestic or foreign corporation in writing and return the report to it for correction. If the report is corrected to contain the information required by this section and delivered to the Secretary of State within 30 days after the effective date of notice, it is deemed to be timely filed.~~

(e) ~~Amendments to any previously filed annual report may be filed with the Secretary of State at any time for the purpose of correcting, updating, or augmenting the information contained in the annual report.~~

(f) ~~Expired.~~

(g) ~~When a statement of change of registered office or registered agent is filed in the annual report, the change shall become effective when the statement is received by the Secretary of State.~~

(h) ~~If the Secretary of State does not receive an annual report within 120 days of the date the return is due, the Secretary of State may presume that the annual report is delinquent. This presumption may be rebutted by receipt of the annual report from the Secretary of Revenue or by evidence of delivery presented by the filing corporation."~~

SECTION 4.2.(c) G.S. 57C-1-22(a)(25) reads as rewritten:

"(a) The Secretary of State shall collect the following fees when the documents described in this subsection are delivered to the Secretary of State for filing:

<u>Document</u>	<u>Fee</u>
...	
(25) Annual report	200.00 <u>No fee</u>
...."	

SECTION 4.2.(d) G.S. 59-35.2(a)(18) reads as rewritten:

"(a) The Secretary of State shall collect the following fees when the documents described in this subsection are submitted by a partnership to the Secretary of State for filing:

Document Fee

(18) Annual report200.00No fee

...."

SECTION 4.2.(e) G.S. 59-1106(a)(22) reads as rewritten:

"(a) The Secretary of State shall collect the following fees when the documents described in this subsection are delivered to the Secretary of State for filing:

Document Fee

(22) Annual report for a limited liability limited partnership200.00No fee

...."

SECTION 4.2.(f) G.S. 105-122.1 is repealed.

SECTION 4.2.(g) G.S. 105-228.90(a) reads as rewritten:

"(a) Scope. – This Article applies to Subchapters I, V, and VIII of this Chapter, to the annual report filing requirements of G.S. 55-16-22, to the primary forest product assessment levied under Article 12 of Chapter 113A of the General Statutes, and to inspection taxes levied under Article 3 of Chapter 119 of the General Statutes."

SECTION 4.2.(h) G.S. 105-256.1 is repealed.

SECTION 4.2.(i) G.S. 105-259(a) reads as rewritten:

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

(1) Employee or officer. – The term includes a former employee, a former officer, and a current or former member of a State board or commission.

(2) Tax information. – Any information from any source concerning the liability of a taxpayer for a tax, as defined in G.S. 105-228.90. The term includes the following:

- a. Information contained on a tax return, a tax report, or an application for a license for which a tax is imposed.
b. Information obtained through an audit of a taxpayer or by correspondence with a taxpayer.
c. Information on whether a taxpayer has filed a tax return or a tax report.
d. A list or other compilation of the names, addresses, social security numbers, or similar information concerning taxpayers.

The term does not include (i) statistics classified so that information about specific taxpayers cannot be identified, (ii) an annual report required to be filed under G.S. 55-16-22 or (iii) identified or the amount of tax refunds paid to either a governmental entity listed in G.S. 105-164.14(c) or a State agency."

SECTION 4.2.(j) This section becomes effective January 1, 2015. Subsection (f) of this section applies to returns due on or after April 15, 2015, for taxable years beginning on or after January 1, 2015. The remaining sections apply to annual reports due on or after January 1, 2015.

PART V. REDUCE SALES TAX RATE AND BROADEN SALES TAX BASE

SECTION 5.1.(a) G.S. 105-164.13(13c), (28), (30), (36), (39), and (50) are repealed.

SECTION 5.1.(b) This section becomes effective July 1, 2013.

SECTION 5.2.(a) The following statutes are repealed:

G.S. 105-33 G.S. 105-103

- 1 G.S. 105-33.1 G.S. 105-105
- 2 G.S. 105-37.1 G.S. 105-106
- 3 G.S. 105-38.1 G.S. 105-108
- 4 G.S. 105-40 G.S. 105-109

5 **SECTION 5.2.(b)** This section becomes effective January 1, 2014, and applies to
 6 receipts from admission tickets sold on or after that date.

7 **SECTION 5.3.(a)** G.S. 105-116, 105-116.1, 105-164.21A, and 159B-27(b), (c),
 8 (d), and (e) are repealed.

9 **SECTION 5.3.(b)** G.S. 105-164.13(44) and Article 5E of Chapter 105 of the
 10 General Statutes are repealed.

11 **SECTION 5.3.(c)** Pursuant to G.S. 62-31 and G.S. 62-32, the Utilities Commission
 12 must lower the rate set for the following utilities:

- 13 (1) Electricity to reflect the repeal of G.S. 105-116 and the resulting liability of
 14 electric power companies for the tax imposed under G.S. 105-114.4 and for
 15 the increase in the rate of tax imposed on sales of electricity under
 16 G.S. 105-164.4.
- 17 (2) Piped natural gas to reflect the repeal of Article 5E of Chapter 105 of the
 18 General Statutes, the repeal of the credit formerly allowed under
 19 G.S. 105-122(d1), and the resulting liability of companies for the tax
 20 imposed on sales of piped natural gas under G.S. 105-164.4.

21 **SECTION 5.3.(d)** Notwithstanding G.S. 160A-211:

- 22 (1) No city shall impose or collect any greater franchise, privilege, or license
 23 taxes, in the aggregate, on an electric power company that was imposed and
 24 collected on or before January 1, 1947.
- 25 (2) A city may not levy a license, franchise, or privilege tax on a person engaged
 26 in the business of supplying piped natural gas.

27 **SECTION 5.3.(e)** This section becomes effective January 1, 2014. Subsection (a)
 28 of this section applies to taxes due in the 2014 tax year or a subsequent year. Subsection (b) of
 29 this section applies to piped natural gas received on or after January 1, 2014, pursuant to a sale
 30 made on or before that date. The remainder of this section is effective when it becomes law.

31 **SECTION 5.4.(a)** G.S. 105-164.3 reads as rewritten:

32 **"§ 105-164.3. Definitions.**

33 The following definitions apply in this Article:

- 34 ...
- 35 (1c) Alteration, repair, maintenance, cleaning, and installation services. – The
 36 term includes the activities listed in this subdivision:
 - 37 a. Altering tangible personal property by tailoring, monogramming,
 38 engraving, or making similar changes to the property.
 - 39 b. Repairing tangible personal property to restore it to proper working
 40 order.
 - 41 c. Maintaining tangible personal property to keep the property in
 42 working order, to avoid breakdown, or to prevent unnecessary
 43 repairs.
 - 44 d. Cleaning tangible personal property.
 - 45 e. Installing tangible personal property.
- 46 ...
- 47 (2b) Capital equipment. – Equipment that is capitalized by the purchaser for tax
 48 purposes under the Code and attachments and repair parts for that
 49 equipment.
- 50 ...

1 (4a) Combined ~~general~~—rate. – The State's general rate of tax set in
 2 G.S. 105-164.4(a) plus the sum of the rates of the local sales and use taxes
 3 authorized by Subchapter VIII of this Chapter for every county in this State.

4 ...

5 (5e) Datacenter equipment. – Capital equipment that is located and used at a
 6 datacenter for any of the following:

7 a. For the provision of a service included in the business of the primary
 8 user of the datacenter, including equipment cooling systems for
 9 managing the performance of the property, hardware and software
 10 for distributed and mainframe computers and servers, data storage
 11 devices, network connectivity equipment, and peripheral components
 12 and equipment.

13 b. For the generation, transformation, transmission, distribution, or
 14 management of electricity, including exterior substations and other
 15 capital equipment used for these purposes.

16 c. To provide related computer engineering or computer science
 17 research.

18 ...

19 (35) Retailer. – A person engaged in the business of any of the following:

20 a. Making sales at retail, offering to make sales at retail, or soliciting
 21 sales at retail of tangible personal property, digital property, or
 22 services for storage, use, or consumption in this State. When the
 23 Secretary finds it necessary for the efficient administration of this
 24 Article to regard any sales representatives, solicitors, representatives,
 25 consignees, peddlers, or truckers as agents of the dealers,
 26 distributors, consignors, supervisors, employers, or persons under
 27 whom they operate or from whom they obtain the items sold by them
 28 regardless of whether they are making sales on their own behalf or on
 29 behalf of these dealers, distributors, consignors, supervisors,
 30 employers, or persons, the Secretary may so regard them and may
 31 regard the dealers, distributors, consignors, supervisors, employers,
 32 or persons as "retailers" for the purpose of this Article. A person who
 33 sells tangible personal property, other than the person's own
 34 household personal property, at a specialty market as defined in
 35 G.S. 66-250 is a retailer.

36 b. Delivering, erecting, installing, or applying tangible personal
 37 property for use in this State, regardless of whether the property is
 38 permanently affixed to real property or other tangible personal
 39 property.

40 c. Making a remote sale, if one of the conditions listed in
 41 G.S. 105-164.8(b) is met.

42 ...

43 (38b) Service contract. – A warranty agreement, a maintenance agreement, a repair
 44 contract, or a similar agreement or contract by which the seller agrees to
 45 maintain or repair tangible personal property.

46 (38d) Short-term lease or rental. – Defined in G.S. 105-187.1."

47 **SECTION 5.4.(b)** G.S. 105-164.4 reads as rewritten:

48 "**§ 105-164.4. Tax imposed on retailers. Privilege tax imposed on retailer at various rates.**

49 (a) Tax Imposed. – A privilege tax is imposed on a retailer at the following percentage
 50 rates of the retailer's net taxable sales of tangible personal property, digital property, and
 51 services. The general rate of tax is four and three-quarters percent (4.75%). The general rate

1 applies to a taxable item unless the item is subject to tax at the combined rate of tax or to a rate
2 of tax that differs from both the general rate and the combined rate. Subsection (b) of this
3 section lists the items that are subject to the general rate. An item taxable under subsection (b)
4 of this section is also subject to local sales and use tax. Subsection (c) of this section lists the
5 items that are subject to the combined rate.

6 (b) General Rate. – The general rate of tax applies to a retailer's net taxable sales of the
7 following:

8 (1) Tangible personal property. – Tangible personal property that is not subject
9 to tax under another subsection of this section. If tangible personal property
10 that is leased or rented is subject to a different rate under another subsection
11 of this section, then the rate and the maximum tax, if any, set in the other
12 subsection applies to the lease or rental of the property. A person who leases
13 or rents property must collect the tax imposed by this section on the separate
14 retail sale of the property.

15 (2) Digital property. – Digital property that is listed in this subdivision, is
16 delivered or accessed electronically, is not considered tangible personal
17 property, and would be taxable under this Article if sold in a tangible
18 medium. The tax applies regardless of whether the purchaser of the item has
19 a right to use it permanently or to use it without making continued payments.
20 The tax does not apply to a service that is taxed under another subdivision of
21 this subsection or to an information service. The following property is
22 subject to tax under this subdivision:

23 a. An audio work.

24 b. An audiovisual work.

25 c. A book, a magazine, a newspaper, a newsletter, a report, or another
26 publication.

27 d. A photograph or a greeting card.

28 e. Computer software.

29 (3) Accommodations. – The rental of an accommodation. These rentals are
30 taxed in accordance with G.S. 105-164.4E.

31 (4) Prepaid telephone service. – The sale or recharge of prepaid telephone
32 calling service. The tax applies regardless of whether tangible personal
33 property, such as a card or a telephone, is transferred. The tax applies to a
34 service that is sold in conjunction with prepaid wireless calling service.
35 Prepaid telephone calling service is taxable at the point of sale instead of at
36 the point of use and is sourced in accordance with G.S. 105-164.4B. Prepaid
37 telephone calling service taxed under this subdivision is not subject to tax as
38 a telecommunications service.

39 (5) Tangible personal property services. – Any of the following:

40 a. A service contract.

41 b. Alteration, repair, maintenance, cleaning, and installation services.

42 c. Short-term lease or rental of any of the following:

43 1. A mini-warehouse or other secure self-storage space.

44 2. Storage for furs and other clothing not held for sale.

45 3. Docking or storage for a boat or other watercraft.

46 4. Storage for an aircraft.

47 (6) Reserved.

48 (7) Reserved.

49 (8) Entertainment and recreation. – Charges for entertainment or recreational
50 activities are taxed in accordance with G.S. 105-164.4F.

- 1 (9) Satellite radio. – Satellite digital auto radio service. For services received by
2 a mobile or portable station, the service is sourced to the subscriber's
3 business or home address.
- 4 (c) Combined Rate. – The combined rate of tax applies to a retailer's net taxable sales of
5 the following:
- 6 (1) Telecommunications. – Providing telecommunications service and ancillary
7 service. These services are taxed in accordance with G.S. 105-164.4C.
- 8 (2) Video programming. – Providing video programming to a subscriber in this
9 State.
- 10 (3) Liquor. – Spirituous liquor other than mixed beverages. As used in this
11 subdivision, the terms "spirituous liquor" and "mixed beverage" have the
12 meanings provided in G.S. 18B-101.
- 13 (d) Manufactured and Modular Home. – The sale of a manufactured home or a modular
14 home is treated as if it were the sale of real property.
- 15 (a) ~~A privilege tax is imposed on a retailer at the following percentage rates of the~~
16 ~~retailer's net taxable sales or gross receipts, as appropriate. The general rate of tax is four and~~
17 ~~three-quarters percent (4.75%).~~
- 18 (1) ~~The general rate of tax applies to the sales price of each item or article of~~
19 ~~tangible personal property that is sold at retail and is not subject to tax under~~
20 ~~another subdivision in this section.~~
- 21 (1a) ~~The rate of two percent (2%) applies to the sales price of each manufactured~~
22 ~~home sold at retail, including all accessories attached to the manufactured~~
23 ~~home when it is delivered to the purchaser. The maximum tax is three~~
24 ~~hundred dollars (\$300.00) per article. Each section of a manufactured home~~
25 ~~that is transported separately to the site where it is to be erected is a separate~~
26 ~~article.~~
- 27 (1b) ~~The rate of three percent (3%) applies to the sales price of each aircraft or~~
28 ~~boat sold at retail, including all accessories attached to the item when it is~~
29 ~~delivered to the purchaser. The maximum tax is one thousand five hundred~~
30 ~~dollars (\$1,500) per article.~~
- 31 (1c), (1d) and (1e) ~~Repealed by Session Laws 2005-276, s. 33.4(b), effective~~
32 ~~January 1, 2006.~~
- 33 (1f) ~~The rate of two and eighty-three hundredths percent (2.83%) applies to the~~
34 ~~sales price of electricity that is measured by a separate meter or another~~
35 ~~separate device and sold to a commercial laundry or to a pressing and~~
36 ~~dry-cleaning establishment for use in machinery used in the direct~~
37 ~~performance of the laundering or the pressing and cleaning service.~~
- 38 a. ~~Repealed by Session Laws 2007-397, s. 10(b), effective October 1,~~
39 ~~2007, and applicable to sales occurring on or after that date.~~
- 40 b. ~~Repealed by Session Laws 2006-66, s. 24.19(a), effective July 1,~~
41 ~~2007, and applicable to sales made on or after that date.~~
- 42 c. ~~Repealed by Session Laws 2007-397, s. 10(b), effective October 1,~~
43 ~~2007, and applicable to sales occurring on or after that date.~~
- 44 (1g) ~~Repealed by Session Laws 2004-110, s. 6.1, effective October 1, 2004, and~~
45 ~~applicable to sales of electricity made on or after that date.~~
- 46 (1h) ~~Expired pursuant to Session Laws 2004-110, s. 6.4, effective for sales made~~
47 ~~on or after October 1, 2007.~~
- 48 (1i) ~~Repealed by Session Laws 2007-397, s. 10(a), effective October 1, 2007,~~
49 ~~and applicable to sales occurring on or after that date.~~
- 50 (1j) ~~Repealed by Session Laws 2007-397, s. 10(f), effective July 1, 2010, and~~
51 ~~applicable to sales occurring on or after that date.~~

- 1 a. ~~Sales of electricity to manufacturing industries and manufacturing~~
2 ~~plants for use in connection with the operation of the industries and~~
3 ~~plants.~~
4 b. ~~Sales of electricity to farmers to be used by them for any farming~~
5 ~~purposes other than preparing food, heating dwellings, and other~~
6 ~~household purposes.~~

7 (2) ~~The applicable percentage rate applies to the gross receipts derived from the~~
8 ~~lease or rental of tangible personal property by a person who is engaged in~~
9 ~~the business of leasing or renting tangible personal property, or is a retailer~~
10 ~~and leases or rents property of the type sold by the retailer. The applicable~~
11 ~~percentage rate is the rate and the maximum tax, if any, that applies to a sale~~
12 ~~of the property that is leased or rented. A person who leases or rents property~~
13 ~~shall also collect the tax imposed by this section on the separate retail sale of~~
14 ~~the property.~~

15 (3) ~~A tax at the general rate applies to the gross receipts derived from the rental~~
16 ~~of an accommodation. The tax does not apply to a private residence or~~
17 ~~cottage that is rented for fewer than 15 days in a calendar year or to an~~
18 ~~accommodation rented to the same person for a period of 90 or more~~
19 ~~continuous days.~~

20 ~~Gross receipts derived from the rental of an accommodation include the~~
21 ~~sales price of the rental of the accommodation. The sales price of the rental~~
22 ~~of an accommodation is determined as if the rental were a rental of tangible~~
23 ~~personal property. The sales price of the rental of an accommodation~~
24 ~~marketed by a facilitator includes charges designated as facilitation fees and~~
25 ~~any other charges necessary to complete the rental.~~

26 ~~A person who provides an accommodation that is offered for rent is~~
27 ~~considered a retailer under this Article. A facilitator must report to the~~
28 ~~retailer with whom it has a contract the sales price a consumer pays to the~~
29 ~~facilitator for an accommodation rental marketed by the facilitator. A retailer~~
30 ~~must notify a facilitator when an accommodation rental marketed by the~~
31 ~~facilitator is completed and, within three business days of receiving the~~
32 ~~notice, the facilitator must send the retailer the portion of the sales price the~~
33 ~~facilitator owes the retailer and the tax due on the sales price. A facilitator~~
34 ~~that does not send the retailer the tax due on the sales price is liable for the~~
35 ~~amount of tax the facilitator fails to send. A facilitator is not liable for tax~~
36 ~~sent to a retailer but not remitted by the retailer to the Secretary. Tax~~
37 ~~payments received by a retailer from a facilitator are held in trust by the~~
38 ~~retailer for remittance to the Secretary. A retailer that receives a tax payment~~
39 ~~from a facilitator must remit the amount received to the Secretary. A retailer~~
40 ~~is not liable for tax due but not received from a facilitator. The requirements~~
41 ~~imposed by this subdivision on a retailer and a facilitator are considered~~
42 ~~terms of the contract between the retailer and the facilitator.~~

43 ~~A person who, by written contract, agrees to be the rental agent for the~~
44 ~~provider of an accommodation is considered a retailer under this Article and~~
45 ~~is liable for the tax imposed by this subdivision. The liability of a rental~~
46 ~~agent for the tax imposed by this subdivision relieves the provider of the~~
47 ~~accommodation from liability. A rental agent includes a real estate broker, as~~
48 ~~defined in G.S. 93A-2. The following definitions apply in this subdivision:~~

- 49 a. ~~Accommodation.—A hotel room, a motel room, a residence, a~~
50 ~~cottage, or a similar lodging facility for occupancy by an individual.~~

- 1 b. Facilitator.—A person who is not a rental agent and who contracts
2 with a provider of an accommodation to market the accommodation
3 and to accept payment from the consumer for the accommodation.
- 4 (4) Every person engaged in the business of operating a dry cleaning, pressing,
5 or hat blocking establishment, a laundry, or any similar business, engaged in
6 the business of renting clean linen or towels or wearing apparel, or any
7 similar business, or engaged in the business of soliciting cleaning, pressing,
8 hat blocking, laundering or linen rental business for any of these businesses,
9 is considered a retailer under this Article. A tax at the general rate of tax is
10 levied on the gross receipts derived by these retailers from services rendered
11 in engaging in any of the occupations or businesses named in this
12 subdivision. The tax imposed by this subdivision does not apply to receipts
13 derived from coin, token, or card operated washing machines, extractors,
14 and dryers. The tax imposed by this subdivision does not apply to gross
15 receipts derived from services performed for resale by a retailer that pays the
16 tax on the total gross receipts derived from the services.
- 17 (4a) The rate of three percent (3%) applies to the gross receipts derived from
18 sales of electricity, other than sales of electricity subject to tax under another
19 subdivision in this section. A person who sells electricity is considered a
20 retailer under this Article.
- 21 (4b) A person who sells tangible personal property at a specialty market, other
22 than the person's own household personal property, is considered a retailer
23 under this Article. A tax at the general rate of tax is levied on the sales price
24 of each article sold by the retailer at the specialty market. The term
25 "specialty market" has the same meaning as defined in G.S. 66-250.
- 26 (4c) The combined general rate applies to the gross receipts derived from
27 providing telecommunications service and ancillary service. A person who
28 provides telecommunications service or ancillary service is considered a
29 retailer under this Article. These services are taxed in accordance with
30 G.S. 105-164.4C.
- 31 (4d) The sale or recharge of prepaid telephone calling service is taxable at the
32 general rate of tax. The tax applies regardless of whether tangible personal
33 property, such as a card or a telephone, is transferred. The tax applies to a
34 service that is sold in conjunction with prepaid wireless calling service.
35 Prepaid telephone calling service is taxable at the point of sale instead of at
36 the point of use and is sourced in accordance with G.S. 105-164.4B. Prepaid
37 telephone calling service taxed under this subdivision is not subject to tax as
38 a telecommunications service.
- 39 (5) Repealed by Session Laws 1998-212, s. 29A.1(a), effective May 1, 1999.
- 40 (6) The combined general rate applies to the gross receipts derived from
41 providing video programming to a subscriber in this State. A cable service
42 provider, a direct to home satellite service provider, and any other person
43 engaged in the business of providing video programming is considered a
44 retailer under this Article.
- 45 (6a) The general rate applies to the gross receipts derived from providing satellite
46 digital audio radio service. For services received by a mobile or portable
47 station, the service is sourced to the subscriber's business or home address. A
48 person engaged in the business of providing satellite digital audio radio
49 service is a retailer under this Article.
- 50 (6b) The general rate applies to the digital property that is listed in this
51 subdivision, is delivered or accessed electronically, is not considered

1 tangible personal property, and would be taxable under this Article if sold in
2 a tangible medium. The tax applies regardless of whether the purchaser of
3 the item has a right to use it permanently or to use it without making
4 continued payments. The tax does not apply to a service that is taxed under
5 another subdivision of this subsection or to an information service. The
6 following property is subject to tax under this subdivision:

- 7 a. ~~An audio work.~~
- 8 b. ~~An audiovisual work.~~
- 9 c. ~~A book, a magazine, a newspaper, a newsletter, a report, or another~~
10 ~~publication.~~
- 11 d. ~~A photograph or a greeting card.~~

12 (7) ~~The combined general rate applies to the sales price of spirituous liquor~~
13 ~~other than mixed beverages. As used in this subdivision, the terms~~
14 ~~"spirituous liquor" and "mixed beverage" have the meanings provided in~~
15 ~~G.S. 18B-101.~~

16 (8) ~~The rate of two and one-half percent (2.5%) applies to the sales price of each~~
17 ~~modular home sold at retail, including all accessories attached to the~~
18 ~~modular home when it is delivered to the purchaser. The sale of a modular~~
19 ~~home to a modular homebuilder is considered a retail sale. A person who~~
20 ~~sells a modular home at retail is allowed a credit against the tax imposed by~~
21 ~~this subdivision for sales or use tax paid to another state on tangible personal~~
22 ~~property incorporated in the modular home. The retail sale of a modular~~
23 ~~home occurs when a modular home manufacturer sells a modular home to a~~
24 ~~modular homebuilder or directly to the end user of the modular home.~~

25 (b) ~~The tax levied in this section shall be collected from the retailer and paid by him at~~
26 ~~the time and in the manner as hereinafter provided. Provided, however, that any person~~
27 ~~engaging or continuing in business as a retailer shall pay the tax required on the net taxable~~
28 ~~sales of such business at the rates specified when proper books are kept showing separately the~~
29 ~~gross proceeds of taxable and nontaxable sales of tangible personal property in such form as~~
30 ~~may be accurately and conveniently checked by the Secretary or his duly authorized agent. If~~
31 ~~such records are not kept separately the tax shall be paid as a retailer on the gross sales of~~
32 ~~business and the exemptions and exclusions provided by this Article shall not be allowed. The~~
33 ~~tax levied in this section is in addition to all other taxes whether levied in the form of excise,~~
34 ~~license or privilege or other taxes.~~

35 (c) ~~Certificate of Registration.—Before a person may engage in business as a retailer or~~
36 ~~a wholesale merchant, the person must obtain a certificate of registration from the Department~~
37 ~~in accordance with G.S. 105-164.29."~~

38 **SECTION 5.4.(c)** The following statutes are repealed:

- 39 G.S. 105-164.3(8e)
- 40 G.S. 105-164.13(49)
- 41 G.S. 105-164.13(49a)
- 42 G.S. 105-164.44G

43 **SECTION 5.4.(d)** Article 5 of Chapter 105 of the General Statutes is amended by
44 adding the following new sections to read:

45 **"§ 105-164.4E. Accommodation rentals.**

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

- 47 (1) Accommodation. – A hotel room, a motel room, a residence, a cottage, or a
48 similar lodging facility for occupancy by an individual.
- 49 (2) Facilitator. – A person who is not a rental agent and who contracts with a
50 provider of an accommodation to market the accommodation and to accept
51 payment from the consumer for the accommodation.

1 (3) Rental agent. – The term includes a real estate broker, as defined in
2 G.S. 93A-2.

3 (b) Tax. – The gross receipts derived from the rental of an accommodation are taxed at
4 the general rate set in G.S. 105-164.4. Gross receipts derived from the rental of an
5 accommodation include the sales price of the rental of the accommodation. The sales price of
6 the rental of an accommodation is determined as if the rental were a rental of tangible personal
7 property. The sales price of the rental of an accommodation marketed by a facilitator includes
8 charges designated as facilitation fees and any other charges necessary to complete the rental.

9 (c) Facilitator Transactions. – A facilitator must report to the retailer with whom it has a
10 contract the sales price a consumer pays to the facilitator for an accommodation rental
11 marketed by the facilitator. A retailer must notify a facilitator when an accommodation rental
12 marketed by the facilitator is completed and, within three business days of receiving the notice,
13 the facilitator must send the retailer the portion of the sales price the facilitator owes the retailer
14 and the tax due on the sales price. A facilitator that does not send the retailer the tax due on the
15 sales price is liable for the amount of tax the facilitator fails to send. A facilitator is not liable
16 for tax sent to a retailer but not remitted by the retailer to the Secretary. Tax payments received
17 by a retailer from a facilitator are held in trust by the retailer for remittance to the Secretary. A
18 retailer that receives a tax payment from a facilitator must remit the amount received to the
19 Secretary. A retailer is not liable for tax due but not received from a facilitator. The
20 requirements imposed by this section on a retailer and a facilitator are considered terms of the
21 contract between the retailer and the facilitator.

22 (d) Rental Agent. – A person who, by written contract, agrees to be the rental agent for
23 the provider of an accommodation is considered a retailer under this Article and is liable for the
24 tax imposed by this section. The liability of a rental agent for the tax imposed by this section
25 relieves the provider of the accommodation from liability.

26 (e) Exemptions. – The tax imposed by this section does not apply to the following:

- 27 (1) A private residence or cottage that is rented for fewer than 15 days in a
28 calendar year.
29 (2) An accommodation supplied to the same person for a period of 90 or more
30 continuous days.

31 **"§ 105.164.4F. Entertainment and recreation.**

32 (a) Tax. – Charges for an entertainment or recreational activity listed in this subsection
33 are taxed at the general rate set in G.S. 105-164.4. Charges include admission charges, user
34 charges, registration charges, membership charges, and charges for amenities. Offering an
35 activity listed in this subsection is a service.

36 (1) Charges for admittance to any of the following entertainment or recreational
37 activities:

38 a. A live performance or live event of any kind.

39 b. A movie or another audiovisual work.

40 c. A museum, a cultural site, a garden, an exhibit, a show, or a similar
41 attraction or a guided tour at any of these attractions.

42 (2) Charges that enable a consumer to play or participate in, or use property or a
43 facility to play or participate in, any of the entertainment or recreational
44 activities listed in this subdivision. A consumer's play or participation can be
45 in person or online. Charges for online play or participation include charges
46 to acquire virtual goods or attributes.

47 a. A game.

48 b. A sport.

49 c. A fitness activity.

50 (b) Exclusion for Membership Charges. – The tax imposed by this section does not
51 apply to the portion of a membership charge that meets any of the following descriptions:

- 1 (1) It is deductible as a charitable contribution under section 170 of the Code.
2 (2) It allows access to a dining facility or other property that does not enable the
3 member to play or participate in an entertainment or recreational activity
4 listed in subdivision (a)(2) of this section.

5 (c) Ticket Resales. – When an admission ticket is resold and the price of the admission
6 ticket is printed on the face of the ticket, the tax does not apply to the face price. When an
7 admission ticket is resold and the price of the admission ticket is not printed on the face of the
8 ticket, the tax applies to the difference between the amount the reseller paid for the ticket and
9 the amount the reseller charges for the ticket."

10 **SECTION 5.4.(e)** G.S. 105-164.13 is amended by adding the following new
11 subdivisions to read:

12 "(60) Any of the following provided for tangible personal property that is exempt
13 from tax under this Article, other than an item exempt from tax under
14 G.S. 105-164.13(32):

- 15 a. A service contract.
16 b. Alteration, repair, maintenance, cleaning, or installation services.

17 (61) Reserved.

18 (62) A service provided by a self-employed individual who is 17 years of age or
19 younger.

20 (63) Admission charges to any of the following recreational or entertainment
21 activities:

- 22 a. An event that is held at an elementary or secondary school and is
23 sponsored by the school.
24 b. A commercial agricultural fair that meets the requirements of
25 G.S. 106-520.1, as determined by the Commissioner of Agriculture.
26 c. A festival or other recreational or entertainment activity that lasts no
27 more than seven consecutive days and is sponsored by a nonprofit
28 entity that is exempt from tax under Article 4 of this Chapter and
29 uses the entire proceeds of the activity exclusively for the entity's
30 nonprofit purposes. This exemption applies to no more than two
31 activities sponsored by the entity during a calendar year.

32 (64) Short-term lease or rental of a mini-warehouse or other secure self-storage
33 space by a member of the Armed Forces of the United States."

34 **SECTION 5.4.(f)** G.S. 105-187.3(a) reads as rewritten:

35 (a) Amount. – The rate of the use tax imposed by this Article is three percent (3%) of
36 the retail value of a motor vehicle for which a certificate of title is issued. The tax is payable as
37 provided in G.S. 105-187.4. ~~The maximum tax is one thousand dollars (\$1,000) for each~~
38 ~~certificate of title issued for a Class A or Class B motor vehicle that is a commercial motor~~
39 ~~vehicle, as defined in G.S. 20-4.01. The maximum tax is one thousand five hundred dollars~~
40 ~~(\$1,500) for each certificate of title issued for a recreational vehicle that is not subject to the~~
41 ~~one thousand dollar (\$1,000) maximum tax.~~

42 (b) Retail Value. – The retail value of a motor vehicle for which a certificate of title is
43 issued because of a sale of the motor vehicle by a retailer is the sales price of the motor vehicle,
44 including all accessories attached to the vehicle when it is delivered to the purchaser, adjusted
45 as follows:

- 46 (1) Documentation fees and other administrative charges are included in the
47 sales price.
48 (2) ~~less the~~ The amount of any allowance given by the retailer for a motor
49 vehicle taken in trade as a full or partial payment for the purchased motor
50 vehicle. vehicle is not included in the sales price.

1 The retail value of a motor vehicle for which a certificate of title is issued because of a sale
2 of the motor vehicle by a seller who is not a retailer is the market value of the vehicle, less the
3 amount of any allowance given by the seller for a motor vehicle taken in trade as a full or
4 partial payment for the purchased motor vehicle. A transaction in which two parties exchange
5 motor vehicles is considered a sale regardless of whether either party gives additional
6 consideration as part of the transaction.

7 The retail value of a motor vehicle for which a certificate of title is issued because of a
8 reason other than the sale of the motor vehicle is the market value of the vehicle. The market
9 value of a vehicle is presumed to be the value of the vehicle set in a schedule of values adopted
10 by the Commissioner.

11 The retail value of a vehicle for which a certificate of title is issued because of a transfer by
12 a State agency that assists the United States Department of Defense with purchasing,
13 transferring, or titling a vehicle to another State agency, a unit of local government, a volunteer
14 fire department, or a volunteer rescue squad is the sales price paid by the State agency, unit of
15 local government, volunteer fire department, or volunteer rescue squad.

16 (c) Schedules. – In adopting a schedule of values for motor vehicles, the Commissioner
17 shall adopt a schedule whose values do not exceed the wholesale values of motor vehicles as
18 published in a recognized automotive reference manual."

19 **SECTION 5.4.(g).** G.S. 105-187.9(a) reads as rewritten:

20 "(a) Distribution. – Taxes collected under this Article at the rate of eight percent (8%)
21 shall be credited to the General Fund. ~~Taxes~~Of the taxes collected under this Article at the rate
22 of three percent ~~(3%)~~(3%), ninety-five percent (95%) shall be credited to the North Carolina
23 Highway Trust ~~Fund~~Fund and five percent (5%) shall be credited to the General Fund."

24 **SECTION 5.4.(h)** This section becomes effective January 1, 2014, and applies to
25 sales made on or after that date and to gross receipts received on or after January 1, 2014, from
26 admissions purchased on or after that date. Gross receipts received on or after January 1, 2014,
27 from admissions purchased before that date are taxable under G.S. 105-37.1 or G.S. 105-38.1,
28 as appropriate.

29 **SECTION 5.5.(a)** G.S. 105-164.4(a), as amended by Section 5.4(b) of this act, is
30 further amended by adding the following new subdivisions to read:

31 "(6) Property care and maintenance services. – Any of the following:

32 a. Exterminating and controlling birds, mosquitoes, rodents, termites,
33 and other insects and pests.

34 b. Providing any of the following landscaping services:

35 1. Installing a tree, shrub, plant, lawn, or garden, either indoors
36 or outdoors, or providing other similar landscape care and
37 maintenance services.

38 2. Maintaining on a contract basis a tree, shrub, plant, lawn, or
39 garden, either indoors or outdoors.

40 2. Installing or maintaining a walkway, retaining wall, deck,
41 fence, water feature, or other similar structure to enhance the
42 landscape of an area.

43 c. Cleaning the interior or exterior of a building or other structure.

44 d. Cleaning an item, such as a carpet or gutter, that is attached to a
45 structure.

46 e. Cleaning a driveway, a parking lot, a swimming pool, the grounds at
47 a building or other structure, or another outdoor area.

48 (7) Security services. – Any of the following:

49 a. Guard or security patrol service.

50 b. Armored car service.

51 c. Remote monitoring of a security alarm system.

1 d. Locksmith service.

2 e. Telematic service that provides communication, tracking, and
3 emergency response services to motor vehicle owners."

4 **SECTION 5.5.(b)** Part 2 of Article 5 of Chapter 105 of the General Statutes is
5 amended by adding a new section to read:

6 "**§ 105-164.12D. Tangible personal property installed by a person who provides a**
7 **landscaping service.**

8 A person who provides a landscaping service and who installs a tree, shrub, or other
9 tangible personal property in the course of providing the service may do so as a performance
10 contractor or as an installing retailer. A person who provides a landscaping service as a
11 performance contractor is the consumer of all tangible personal property installed in the course
12 of providing the service. When a person provides a landscaping service as an installing retailer,
13 the purchaser of the service and not the provider of the service is considered the consumer of
14 tangible personal property installed in the course of providing the service.

15 A person is considered to provide a landscaping service as an installing retailer when the
16 person installs tangible personal property in the course of providing a landscaping service and
17 the person gives the purchaser a bill that separately states the sales price of the tangible
18 personal property that is installed. In this circumstance, tax applies to the sales price of the
19 tangible personal property that is separately stated and to the sales price of any other charges
20 for the service, and the service provider's prior purchase of the separately stated tangible
21 personal property is a purchase for resale. In the absence of a bill that separately states the sales
22 price of tangible personal property that is installed by a person who provides a landscaping
23 service, tax applies to the sales price of the service, and the provider's prior purchase of the
24 tangible personal property that is installed is a purchase for use or consumption."

25 **SECTION 5.5.(c)** G.S. 105-164.13 is amended by adding the following
26 subdivisions to read:

27 "(4h) A service provided to a farmer, as defined in subdivision (1) of this section,
28 to control pests in crops grown for commercial purposes.

29 ...

30 (61) A property maintenance service described in G.S. 105-164.4(a)(6) that is
31 provided for any of the following:

32 a. A newly constructed building or other structure.

33 b. A right-of-way or utility easement."

34 **SECTION 5.5.(d)** This section becomes effective July 1, 2014.

35 **SECTION 5.6.(a)** G.S. 105-164.13B reads as rewritten:

36 "**§ 105-164.13B. Food exempt from tax. Most food taxable at low rate.**

37 (a) ~~State Exemption. State Tax.~~ – Food is ~~exempt from the taxes imposed by this Article~~
38 subject to tax at the rate of one percent (1%) unless the food is included in one of the
39 subdivisions in this subsection. The following food items are subject to ~~tax; tax~~ at the general
40 rate:

41 (1) Repealed by Session Laws 2005-276, s. 33.10, effective October 1, 2005.

42 (2) Dietary supplements.

43 (3) Food sold through a vending machine.

44 (4) Prepared food, other than bakery items sold without eating utensils by an
45 artisan bakery. The term "bakery item" includes bread, rolls, buns, biscuits,
46 bagels, croissants, pastries, donuts, danish, cakes, tortes, pies, tarts, muffins,
47 bars, cookies, and tortillas. An artisan bakery is a bakery that meets all of the
48 following requirements:

49 a. It derives over eighty percent (80%) of its gross receipts from bakery
50 items.

b. Its annual gross receipts, combined with the gross receipts of all related persons as defined in G.S. 105-163.010, do not exceed one million eight hundred thousand dollars (\$1,800,000).

(5) Soft drinks.

(6) Repealed by Session Laws 2003-284, s. 45.6B, effective January 1, 2004.

(7) Candy.

(b) ~~Administration of Local Food Tax. Local Tax. – The Secretary must administer local sales and use taxes imposed on food as if they were imposed under this Article. This applies to local taxes on food imposed under Subchapter VIII of this Chapter and under Chapter 1096 of the 1967 Session Laws.~~ Food subject to tax under subsection (a) of this section is subject to a local tax at the rate of one percent (1%)."

SECTION 5.6.(b) G.S. 105-469(a) reads as rewritten:

"(a) The Secretary ~~shall~~ must collect and administer a tax levied by a county pursuant to this Article. ~~Notwithstanding G.S. 105-472, As directed by G.S. 105-164.13B, taxes levied by a county on food are administered as if they were levied by the State under Article 5 of this Chapter. The~~ the Secretary must, on a monthly basis, distribute local taxes levied on food taxable at one percent (1%) under G.S. 105-164.13B to the taxing counties as follows:

(1) The Secretary must allocate one-half of the net proceeds on a per capita basis according to the most recent annual population estimates certified to the Secretary by the State Budget Officer. ~~The Secretary must then adjust the amount allocated to each county as provided in G.S. 105-486(b). The Secretary must include one half of the amount allocated under this subdivision in the distribution made under Article 40 of this Chapter and must include the remaining one half in the distribution made under Article 42 of this Chapter.~~

(2) The Secretary must allocate the remaining net proceeds ~~proportionately to each taxing county based upon the amount of sales tax on food collected in the taxing county in the 1997-1998 fiscal year under Article 39 of this Chapter or under Chapter 1096 of the 1967 Session Laws relative to the total amount of sales tax on food collected in all taxing counties in the 1997-1998 fiscal year under Article 39 of this Chapter and under Chapter 1096 of the 1967 Session Laws. The Secretary must include the amount allocated under this subdivision in the distribution made under Article 39 of this Chapter to~~ each taxing county based on the county of collection."

SECTION 5.6.(c) This section becomes effective July 1, 2015.

SECTION 5.7.(a) G.S. 105-164.13(1a)b., (4c), and (4d) are repealed.

SECTION 5.7.(b) Article 5F of Chapter 105 of the General Statutes and G.S. 105-164.13(5a) are repealed.

SECTION 5.7.(c) G.S. 105-164.13 reads as rewritten:

"§ 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:

(1) Any of the following items sold to a farmer for use by the farmer in the planting, cultivating, harvesting, or curing of farm crops or in the production of dairy products, eggs, or animals. A "farmer" includes a dairy operator, a poultry farmer, an egg producer, a livestock farmer, a farmer of crops, and a farmer of an aquatic species, as defined in G.S. 106-758.

a. Commercial fertilizer, lime, land plaster, plastic mulch, plant bed covers, potting soil, baler twine, and seeds.

- 1 b. ~~Farm machinery, attachment and repair parts for farm machinery,~~
 2 ~~and lubricants applied to farm machinery. The term "machinery"~~
 3 ~~includes implements that have moving parts or are operated or drawn~~
 4 ~~by an animal. The term does not include implements operated wholly~~
 5 ~~by hand or machinery that is capital equipment, other than a motor~~
 6 ~~vehiclesvehicle required to be registered under Chapter 20 of the~~
 7 ~~General Statutes.~~
- 8 c. A horse or mule.
- 9 d. Fuel.
- 10 ...
- 11 (4f) Sales of the following to a person who is engaged in the commercial logging
 12 business:
- 13 a. ~~Logging machinery. – Logging machinery is machinery~~ Machinery
 14 that is used to harvest raw forest products for transport to first
 15 market. ~~market and is capital equipment.~~
- 16 b. ~~Attachments and repair parts for logging machinery.~~
- 17 e. ~~Lubricants applied to logging machinery.~~
- 18 d. Fuel used to operate logging machinery.
- 19 ...
- 20 (5b) Sales to a telephone company regularly engaged in providing
 21 telecommunications service to subscribers on a commercial basis of the
 22 following equipment that is capital equipment:
- 23 a. ~~central~~ Central office equipment, switchboard equipment.
- 24 b. Switchboard equipment, private equipment.
- 25 c. Private branch exchange equipment, terminal equipment.
- 26 d. Terminal equipment other than public pay telephone terminal
 27 equipment, and parts and accessories attached to the equipment.
- 28 (5c) Sales to a radio or television company licensed by the Federal
 29 Communications Commission of towers, towers and broadcasting
 30 equipment, and parts and accessories attached to the equipment to a radio or
 31 television company licensed by the Federal Communications
 32 Commission. ~~equipment that is capital equipment.~~
- 33 (5d) Sales to a cable service provider of broadcasting equipment and parts and
 34 accessories attached to the equipment to a cable service provider. that is
 35 capital equipment. For the purposes of this subdivision, "broadcasting
 36 equipment" does not include cable.
- 37 (5e) Sales to a major recycling facility of the following for use in connection with
 38 the facility:
- 39 a. Cranes, structural steel crane support systems, and foundations
 40 related to the cranes and support systems.
- 41 b. Port and dock facilities.
- 42 c. Rail equipment.
- 43 d. Material handling equipment.
- 44 (5f) Sales of mill machinery that is capital equipment and is purchased by one of
 45 the following:
- 46 a. A manufacturer. A manufacturer does not include a delicatessen,
 47 café, cafeteria, restaurant, or another similar retailer that is
 48 principally engaged in the retail sale of foods prepared by it for
 49 consumption on or off its premises.
- 50 b. A contractor or subcontractor for use in the performance of a contract
 51 with a manufacturer.

- 1 c. A subcontractor for use in the performance of a contract with a
- 2 general contractor that has a contract with a manufacturer.
- 3 (5g) Sales of capital equipment that is purchased by one of the following and
- 4 would be considered mill machinery if purchased by a manufacturing
- 5 industry or plant and used in manufacturing tangible personal property or in
- 6 the research and development of tangible personal property manufactured by
- 7 the industry or plant:
- 8 a. A research and development company in the physical, engineering,
- 9 and life sciences that is included in industry group 54171 of NAICS
- 10 for use by the company in the research and development of tangible
- 11 personal property.
- 12 b. A software publishing company that is included in industry group
- 13 5112 of NAICS for use by the company in the research and
- 14 development of tangible personal property.
- 15 c. An industrial machinery refurbishing company that is included in
- 16 industry group 811310 of NAICS for use by the company in
- 17 repairing or refurbishing tangible personal property.
- 18 (5h) Sales to a company located at a ports facility for waterborne commerce of
- 19 capital equipment for use at the facility to unload or process bulk cargo to
- 20 make the cargo suitable for delivery to and use by a manufacturer.
- 21 (5i) Datacenter machinery and equipment exempt from sales and use tax under
- 22 G.S. 105-164.13E.
- 23 ...
- 24 (10) Sales of the following to commercial laundries or to pressing and dry
- 25 cleaning establishments:
- 26 a. Articles or materials used for the identification of garments being
- 27 laundered or dry cleaned, wrapping paper, bags, hangers, starch,
- 28 soaps, detergents, cleaning fluids and other compounds or chemicals
- 29 applied directly to the garments in the direct performance of the
- 30 laundering or the pressing and cleaning service.
- 31 b. ~~Laundry and dry-cleaning machinery, parts and accessories attached~~
- 32 ~~to the machinery, and lubricants applied to the machinery.~~machinery
- 33 that is capital equipment.
- 34 c. ~~Fuel, other than electricity,~~Fuel used in the direct performance of the
- 35 laundering or the pressing and cleaning service. Electricity qualifies
- 36 for this exemption only if it is measured by a separate meter or
- 37 another separate device.

...."

SECTION 5.7.(d) G.S. 105-164.13 reads as rewritten:

"§ 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:

- 44 ...
- 45 (3) Products of forests and mines in their original ~~or unmanufactured~~ state when
- 46 such sales are made by the producer in the capacity of producer.
- 47 ...
- 48 (7) Sales of products of waters in their original ~~or unmanufactured~~ state when
- 49 such sales are made by the producer in the capacity of producer. Fish and
- 50 seafoods are likewise exempt when sold by the fisherman in that capacity.
- 51"

1 SECTION 5.7.(e) Part 3 of Article 5 of Chapter 105 of the General Statutes is
2 amended by adding a new section to read:

3 **"§ 105-164.13E. Exemption for datacenter.**

4 (a) Exemption. – Datacenter equipment is exempt from sales and use tax if it is located
5 and used at a datacenter that meets the requirements of subsection (b), (c), or (d) of this section.
6 Electricity used by a datacenter is exempt from sales and use tax if it is used at a datacenter that
7 meets the requirements of subsection (d) of this section.

8 (b) All Datacenters. – A datacenter qualifies under this subsection if it has received a
9 written determination from the Secretary of Commerce that it meets all of the following
10 requirements:

11 (1) The wage standard and health insurance requirements of
12 G.S. 143B-437.08A.

13 (2) The minimum investment level set in this subdivision for its location. The
14 level of investment must consist of private funds that have been or will be
15 invested in real and tangible property for the datacenter within five years of
16 the date the datacenter's owner makes its first property investment in the
17 datacenter.

18 a. For a datacenter in a development tier one area, the minimum
19 investment level is one hundred fifty million dollars (\$150,000,000).

20 b. For a datacenter located in a development tier two area or a
21 development tier three area, the minimum investment level is two
22 hundred twenty-five million dollars (\$225,000,000).

23 (c) Second Datacenter. – A datacenter qualifies under this subsection if it is owned by
24 or under common control with the owner of a datacenter that qualified under subsection (b) of
25 this section and it meets all of the following requirements:

26 (1) The Secretary of Commerce certifies that it meets the same requirements
27 that apply to the first datacenter under subsection (b) of this section except
28 that the minimum investment level is seventy-five million dollars
29 (\$75,000,000) and must be made within five years after the first datacenter is
30 placed in service.

31 (2) The two datacenters are linked through a fiber-optic connection or a similar
32 connection.

33 (3) The two datacenters are placed in service within five years of each other.

34 (d) Publishers and Portals. – A datacenter qualifies under this subsection if it meets all
35 of the following requirements:

36 (1) It is to be used primarily by a business engaged in software publishing
37 included in industry 511210 of NAICS or an Internet activity included in
38 industry 519130 of NAICS.

39 (2) It is comprised of a structure or series of structures located or to be located
40 on a single parcel of land or on contiguous parcels of land that are
41 commonly owned or owned by affiliation with the operator of the datacenter.

42 (3) It is located or to be located in a county that was designated an enterprise tier
43 one, two, or three area or a development tier one or two area.

44 (4) It has received a written determination from the Secretary of Commerce that
45 at least two hundred fifty million dollars (\$250,000,000) in private funds has
46 been or will be invested in real property or datacenter property within five
47 years after the commencement of construction of the datacenter.

48 (e) County Designation. – The enterprise or tier area of a county is determined as of the
49 date the datacenter applies to the Secretary of Commerce for a written determination of whether
50 it meets the requirements of those subsections. A change in a designation after certification by

1 the Secretary of Commerce does not affect the eligibility of a datacenter for the exemption
2 allowed under this section.

3 (f) Sunset. – The exemptions provided in subsections (b) and (c) of this section expire
4 for sales occurring on or after July 1, 2015."

5 **SECTION 5.7.(f)** This section becomes effective January 1, 2014.

6 **SECTION 5.8.(a)** G.S. 105-164.4(a), as amended by Section 5.4(b) of this act,
7 reads as rewritten:

8 "(a) Tax Imposed. – A privilege tax is imposed on a retailer at the following percentage
9 rates of the retailer's net taxable sales of tangible personal property, digital property, and
10 services. The general rate of tax is four and ~~three quarters one-half percent (4.75%)-(4.5%)~~. The
11 general rate applies to a taxable item unless the item is subject to tax at the combined rate of tax
12 or to a rate of tax that differs from both the general rate and the combined rate. Subsection (b)
13 of this section lists the items that are subject to the general rate. An item taxable under
14 subsection (b) of this section is also subject to local sales and use tax. Subsection (c) of this
15 section lists the items that are subject to the combined rate."

16 **SECTION 5.8.(b)** This section becomes effective September 1, 2014.

17 **SECTION 5.9.(a)** G.S. 105-467(a) reads as rewritten:

18 "(a) Sales Tax. – The sales tax that may be imposed under this Article is limited to a tax
19 at the rate of one percent (1%) of the ~~transactions listed in this subsection. The sales tax~~
20 ~~authorized by this Article does not apply to sales that are taxable by the State under~~
21 ~~G.S. 105-164.4 but are not specifically included in this subsection following:~~

- 22 (1) ~~A retailer's net taxable sales and gross receipts that are The sales price of~~
23 ~~tangible personal property subject to the general rate of sales tax imposed by~~
24 ~~the State under G.S. 105-164.4(a)(1) and (a)(4b).G.S. 105-164.4.~~
- 25 (2) ~~The gross receipts derived from the lease or rental of tangible personal~~
26 ~~property when the lease or rental of the property is subject to the general rate~~
27 ~~of sales tax imposed by the State under G.S. 105-164.4(a)(2).~~
- 28 (3) ~~The gross receipts derived from the rental of any room or other~~
29 ~~accommodations subject to the general rate of sales tax imposed by the State~~
30 ~~under G.S. 105-164.4(a)(3).~~
- 31 (4) ~~The gross receipts derived from services rendered by laundries, dry cleaners,~~
32 ~~and other businesses subject to the general rate of sales tax imposed by the~~
33 ~~State under G.S. 105-164.4(a)(4).~~
- 34 (5) The sales price of food that is not otherwise exempt from tax pursuant to
35 G.S. 105-164.13 but is exempt from the State sales and use tax pursuant to
36 G.S. 105-164.13B.
- 37 (5a) The sales price of a bundled transaction that includes food subject to tax
38 under subdivision (5) of this subsection, if the price of the food exceeds ten
39 percent (10%) of the price of the bundle. A retailer must determine the price
40 of food in a bundled transaction in accordance with G.S. 105-164.4D.
- 41 (5b) The sales price of bread, rolls, and buns that are sold at a bakery thrift store
42 and are exempt from State tax under G.S.105-164.13(27a).
- 43 (6) ~~The sales price of prepaid telephone calling service taxed as tangible~~
44 ~~personal property under G.S. 105-164.4(a)(4d).~~
- 45 (7) ~~The gross receipts derived from providing satellite digital audio radio service~~
46 ~~subject to the general rate of tax under G.S. 105-164.4(a)(6a)."~~

47 **SECTION 5.9.(b)** G.S. 105-467(a), as amended by subsection (a) of this section,
48 reads as rewritten:

49 "(a) Sales Tax. – The sales tax that may be imposed under this Article is limited to a tax
50 at the rate of one percent (1%) of the following:

51 ...

(5) ~~The sales price of food that is not otherwise exempt from tax pursuant to G.S. 105-164.13 but is exempt from the State sales and use tax pursuant to subject to tax under G.S. 105-164.13B.~~

(5a) The sales price of a bundled transaction that includes food subject to tax under ~~subdivision (5) of this subsection, G.S. 105-164.13B(b)~~ if the price of the food exceeds ten percent (10%) of the price of the bundle. A retailer must determine the price of food in a bundled transaction in accordance with G.S. 105-164.4D.

...."

SECTION 5.9.(c) Subsection (a) of this section becomes effective January 1, 2014. Subsection (b) of this section becomes effective July 1, 2015. This subsection is effective when it becomes law.

SECTION 5.10.(a) G.S. 105-469, as amended by Section 5.6(b) of this act, reads as rewritten:

"§ 105-469. Secretary to collect and administer local sales and use tax.

(a) Administration. – The Secretary must collect and administer a tax levied by a county pursuant to this Article. Except as provided in this section, the net proceeds must be allocated as provided in G.S. 105-472.

(a1) Food. ~~Notwithstanding G.S. 105-472, the~~ The Secretary must, on a monthly basis, distribute local taxes levied on food taxable at one percent (1%) under G.S. 105-164.13B to the taxing counties as follows:

(1) The Secretary must allocate one-half of the net proceeds on a per capita basis according to the most recent annual population estimates certified to the Secretary by the State Budget Officer.

(2) The Secretary must allocate the remaining net proceeds to each taxing county based on the county of collection.

(a2) Electricity and Piped Natural Gas. – The Secretary must, on a monthly basis, allocate to each taxing county for which the Secretary collects the tax the net proceeds of the tax collected in that county on electricity and piped natural gas. The term "net proceeds" has the same meaning as defined in G.S. 105-472. The Secretary must divide the amount allocated to each taxing county among the county and its municipalities in accordance with this subsection:

(1) Eighty percent (80%) to the municipalities in proportion to the total amount of ad valorem taxes levied by each on property having a tax situs in the taxing municipality during the fiscal year next preceding the distribution. The provisions in G.S. 105-472(b)(2) for determining the amount of ad valorem taxes by a municipality apply to this distribution.

(2) Twenty percent (20%) to the county.

(b) The Secretary shall require retailers who collect use tax on sales to North Carolina residents to ascertain the county of residence of each buyer and provide that information to the Secretary along with any other information necessary for the Secretary to allocate the use tax proceeds to the correct taxing county."

SECTION 5.10.(b) G.S. 105-486 is amended by adding a new subsection to read:

"(e) Electricity and Piped Natural Gas. – The Secretary must allocate and distribute the net proceeds of the tax collected on electricity and piped natural gas in accordance with G.S. 105-469(a)(2)."

SECTION 5.10.(c) G.S. 105-501 is amended by adding a new subsection to read:

"(c) Electricity and Piped Natural Gas. – The Secretary must allocate and distribute the net proceeds of the tax collected on electricity and piped natural gas in accordance with G.S. 105-469(a)(2). The amounts deductible under subsection (b) of this section may not be deducted from these tax proceeds."

SECTION 5.10.(d) This section becomes effective January 1, 2014.

1 located in a city in that county until the applicant has received from the city the applicable
 2 license for that activity."

3 **SECTION 6.2.(d)** G.S. 105-113.77 reads as rewritten:

4 **"§ 105-113.77. City beer and wine retail licenses.**

5 (a) ~~License and Tax.~~ License. – A person holding any of the following retail ABC
 6 permits for an establishment located in a city ~~shall~~ must obtain from the city a city license for
 7 that activity. ~~The annual tax for each license is as stated.~~

ABC Permit	Tax for Corresponding License
9 On-premises malt beverage.....	\$15.00
10 Off-premises malt beverage.....	5.00
11 On-premises unfortified wine, 12 on-premises fortified wine, or both.....	15.00
13 Off-premises unfortified wine, 14 off-premises fortified wine, or both.....	10.00

15 (b) ~~Tax on Additional License.~~ — The tax stated in subsection (a) is the tax for the first
 16 license issued to a person. ~~The tax for each additional license of the same type issued to that~~
 17 ~~person for the same year is one hundred ten percent (110%) of the base license tax, that~~
 18 ~~increase to apply progressively for each additional license."~~

19 **SECTION 6.2.(e)** G.S. 105-113.78 reads as rewritten:

20 **"§ 105-113.78. County beer and wine retail licenses.**

21 A person holding any of the following retail ABC permits for an establishment located in a
 22 county ~~shall~~ must obtain from the county a county license for that activity. ~~The annual tax for~~
 23 ~~each license is as stated.~~

ABC Permit	Tax for Corresponding License
25 On-premises malt beverage.....	\$25.00
26 Off-premises malt beverage.....	5.00
27 On-premises unfortified wine, 28 on-premises fortified wine, or both.....	25.00
29 Off-premises unfortified wine, 30 off-premises fortified wine, or both.....	25.00"

31 **SECTION 6.2.(f)** G.S. 105-113.79 reads as rewritten:

32 **"§ 105-113.79. City wholesaler license.**

33 A city may require city malt beverage and wine wholesaler licenses for businesses located
 34 inside the city, but may not require a license for a business located outside the city, regardless
 35 whether that business sells or delivers malt beverages or wine inside the city. ~~The city may~~
 36 ~~charge an annual tax of not more than thirty seven dollars and fifty cents (\$37.50) for a city~~
 37 ~~malt beverage wholesaler or a city wine wholesaler license."~~

38 **SECTION 6.2(g)** This section becomes effective January 1, 2014, and applies to
 39 taxes for periods beginning on or after May 1, 2014.

40 **SECTION 6.3.(a)** G.S. 153A-152 reads as rewritten:

41 **"§ 153A-152. Privilege No general authority for privilege license taxes.**

42 (a) ~~Authority.~~ — A county may levy privilege license taxes on trades, occupations,
 43 professions, businesses, and franchises to the extent authorized by Article 2 of Chapter 105 of
 44 the General Statutes and any other acts of the General Assembly. A county may levy privilege
 45 license taxes to the extent formerly authorized by the following sections of Article 2 of Chapter
 46 105 of the General Statutes before they were repealed:

47 G.S. 105-50	Pawnbrokers.
48 G.S. 105-53	Peddlers, itinerant merchants, and specialty market 49 operators.
50 G.S. 105-55	Installing elevators and automatic sprinkler systems.
51 G.S. 105-58	Fortune tellers, palmists, etc.

1	G.S. 105-65	Music machines.
2	G.S. 105-66.1	Electronic video games.
3	G.S. 105-80	Firearms dealers and dealers in other weapons.
4	G.S. 105-89	Automobiles, wholesale supply dealers and service
5		stations.
6	G.S. 105-89.1	Motorecycle dealers.
7	G.S. 105-90	Emigrant and employment agents.
8	G.S. 105-102.5	General business license.
9	(b) Telecommunications Restriction.—A county may not impose a license, franchise, or	
10	privilege tax on a company taxed under G.S. 105-164.4(a) (4c). A county may not levy a	
11	privilege license tax on a trade, occupation, profession, business, or franchise carried on within	
12	the county unless a statute or an act of the General Assembly authorizes the county to do so."	
13	SECTION 6.3.(b) G.S. 160A-211 reads as rewritten:	
14	"§ 160A-211. Privilege. No general authority for privilege license taxes.	
15	(a) Authority.—Except as otherwise provided by law, a city shall have power to levy	
16	privilege license taxes on all trades, occupations, professions, businesses, and franchises carried	
17	on within the city. A city may levy privilege license taxes on the businesses that were formerly	
18	taxed by the State under the following sections of Article 2 of Chapter 105 of the General	
19	Statutes only to the extent the sections authorized cities to tax the businesses before the sections	
20	were repealed:	
21	G.S. 105-36	Amusements—Manufacturing, selling, leasing, or
22		distributing moving picture films.
23	G.S. 105-36.1	Amusements—Outdoor theatres.
24	G.S. 105-37	Amusements—Moving pictures—Admission.
25	G.S. 105-42	Private detectives and investigators.
26	G.S. 105-45	Collecting agencies.
27	G.S. 105-46	Undertakers and retail dealers in coffins.
28	G.S. 105-50	Pawnbrokers.
29	G.S. 105-51.1	Alarm systems.
30	G.S. 105-53	Peddlers, itinerant merchants, and specialty market
31		operators.
32	G.S. 105-54	Contractors and construction companies.
33	G.S. 105-55	Installing elevators and automatic sprinkler systems.
34	G.S. 105-61	Hotels, motels, tourist courts and tourist homes.
35	G.S. 105-62	Restaurants.
36	G.S. 105-65	Music machines.
37	G.S. 105-65.1	Merchandising dispensers and weighing machines.
38	G.S. 105-66.1	Electronic video games.
39	G.S. 105-74	Pressing clubs, dry cleaning plants, and hat blockers.
40	G.S. 105-77	Tobacco warehouses.
41	G.S. 105-80	Firearms dealers and dealers in other weapons.
42	G.S. 105-85	Laundries.
43	G.S. 105-86	Outdoor advertising.
44	G.S. 105-89	Automobiles, wholesale supply dealers, and service
45		stations.
46	G.S. 105-89.1	Motorecycle dealers.
47	G.S. 105-90	Emigrant and employment agents.
48	G.S. 105-91	Plumbers, heating contractors, and electricians.
49	G.S. 105-97	Manufacturers of ice cream.
50	G.S. 105-98	Branch or chain stores.
51	G.S. 105-99	Wholesale distributors of motor fuels.

1 G.S. 105-102.1 Certain cooperative associations.

2 G.S. 105-102.5 General business license.

3 ~~(b) Barbershop and Salon Restriction.—A privilege license tax levied by a city on a~~
 4 ~~barbershop or a beauty salon may not exceed two dollars and fifty cents (\$2.50) for each~~
 5 ~~barber, manicurist, cosmetologist, beautician, or other operator employed in the barbershop or~~
 6 ~~beauty salon.~~

7 ~~(c) Prohibition.—A city may not impose a license, franchise, or privilege tax on a~~
 8 ~~person engaged in any of the businesses listed in this subsection. These businesses are subject~~
 9 ~~to a State tax for which the city receives a share of the tax revenue.~~

10 ~~(1) Supplying piped natural gas taxed under Article 5E of Chapter 105 of the~~
 11 ~~General Statutes.~~

12 ~~(2) Providing telecommunications service taxed under G.S. 105-164.4(a)(4e).~~

13 ~~(3) Providing video programming taxed under G.S. 105-164.4(a)(6).~~

14 ~~(d) Repealed by Session Laws 2006-151, s. 12, effective January 1, 2007. A city may~~
 15 ~~not levy a privilege license tax on a trade, occupation, profession, business, or franchise carried~~
 16 ~~on within the city unless a statute or an act of the General Assembly authorizes the city to do~~
 17 ~~so."~~

18 **SECTION 6.3.(c)** This section becomes effective July 1, 2014, and applies to taxes
 19 imposed for fiscal years beginning on or after that date.

20 **SECTION 6.4.(a)** G.S. 105-113.21 reads as rewritten:

21 "**§ 105-113.21. Discount; refund.**

22 ...

23 ~~(a1) Discount.—A distributor who files a timely report under G.S. 105-113.18 and who~~
 24 ~~sends a timely payment may deduct from the amount due with the report a discount of two~~
 25 ~~percent (2%). This discount covers expenses incurred in preparing the records and reports~~
 26 ~~required by this Part, and the expense of furnishing a bond.~~

27 (b) Refund. – A distributor in possession of packages of stale or otherwise unsalable
 28 cigarettes upon which the tax has been paid may return the cigarettes to the manufacturer as
 29 provided in this subsection and apply to the Secretary for refund of the tax. The application
 30 ~~shall~~must be in the form prescribed by the Secretary and ~~shall~~must be accompanied by an
 31 affidavit from the manufacturer stating the number of cigarettes returned to the manufacturer
 32 by the applicant. The Secretary ~~shall~~must refund the tax paid, ~~less the discount allowed, paid~~
 33 on the unsalable cigarettes. The distributor must return the cigarettes to the manufacturer of the
 34 cigarettes or to the affiliated manufacturer who is contracted by the manufacturer of the
 35 cigarettes to serve as the manufacturer's agent for the purposes of validating quantities and
 36 disposing of unsalable cigarettes."

37 **SECTION 6.4.(b)** G.S. 105-113.39 reads as rewritten:

38 "**§ 105-113.39. Discount; refund.**

39 ~~(a) Discount.—A wholesale dealer or a retail dealer who is primarily liable under~~
 40 ~~G.S. 105-113.35(b) for the excise taxes imposed by this Part, who files a timely report under~~
 41 ~~G.S. 105-113.37, and who sends a timely payment may deduct from the amount due with the~~
 42 ~~report a discount of two percent (2%). This discount covers expenses incurred in preparing the~~
 43 ~~records and reports required by this Part and the expense of furnishing a bond.~~

44 (b) Refund. – A wholesale dealer or retail dealer who is primarily liable under
 45 G.S. 105-113.35(b) for the excise taxes imposed by this Part and is in possession of stale or
 46 otherwise unsalable tobacco products upon which the tax has been paid may return the tobacco
 47 products to the manufacturer and apply to the Secretary for refund of the tax. The application
 48 ~~shall~~must be in the form prescribed by the Secretary and ~~shall~~must be accompanied by an
 49 affidavit from the manufacturer listing the tobacco products returned to the manufacturer by the
 50 applicant. The Secretary ~~shall~~must refund the tax paid, ~~less the discount allowed, paid~~
 51 on the listed products."

1 **SECTION 6.4.(c)** G.S. 105-113.85 is repealed.

2 **SECTION 6.4.(d)** This section becomes effective July 1, 2014, and applies to
3 returns filed for periods beginning on or after that date.

4
5 **PART VII. REPLACE LOCAL DISTRIBUTIONS WITH EXPANDED LOCAL**
6 **SALES TAX BASE**

7 **SECTION 7.1.(a)** G.S. 105-113.82 is repealed.

8 **SECTION 7.1.(b)** G.S. 108A-93 reads as rewritten:

9 **"§ 108A-93. Withholding of State moneys from counties failing to pay public assistance**
10 **costs.**

11 The Director of the Budget may withhold from any county that does not pay its full share of
12 public assistance costs to the State and has not obtained a loan for repayment under
13 G.S. 108A-89, any State moneys appropriated from the General Fund for public assistance and
14 related administrative costs, or may direct the Secretary of Revenue and State Controller to
15 withhold any tax owed to a county under ~~G.S. 105-113.82~~, Subchapter VIII of Chapter 105 of
16 the General Statutes, ~~Statutes~~ or Chapter 1096 of the Session Laws of 1967. The Director of the
17 Budget ~~shall~~ must notify the chair of the board of county commissioners of the proposed action
18 prior to the withholding of funds."

19 **SECTION 7.1.(c)** This section becomes effective July 1, 2014.

20 **SECTION 7.2.(a)** G.S. 105-486(b) is repealed.

21 **SECTION 7.2.(b)** This section becomes effective January 1, 2014.

22 **SECTION 7.3.(a)** Notwithstanding G.S. 105-523, the amount of a county's hold
23 harmless payment for the 2013-2014 fiscal year is one-half of the amount calculated under that
24 statute.

25 **SECTION 7.3.(b)** G.S. 105-523 is repealed.

26 **SECTION 7.3.(c)** Subsection (a) of this section becomes effective July 1, 2013.
27 Subsection (b) of this section becomes effective July 1, 2014. This subsection is effective when
28 it becomes law.

29 **SECTION 7.4.(a)** G.S. 115C-546.1 reads as rewritten:

30 **"§ 115C-546.1. Creation of Fund; administration.**

31 (a) There is created the Public School Building Capital Fund. The Fund shall be used to
32 assist county governments in meeting their public school building capital needs and their
33 equipment needs under their local school technology plans.

34 ~~(b) Each calendar quarter, the Secretary of Revenue shall remit to the State Treasurer~~
35 ~~for credit to the Public School Building Capital Fund an amount equal to the applicable fraction~~
36 ~~provided in the table below of the net collections received during the previous quarter by the~~
37 ~~Department of Revenue under G.S. 105-130.3. All funds deposited in the Public School~~
38 ~~Building Capital Fund shall be invested as provided in G.S. 147-69.2 and G.S. 147-69.3.~~

Period	Fraction
10/1/97 to 9/30/98	One fifteenth (1/15)
10/1/98 to 9/30/99	Two twenty ninths (2/29)
10/1/99 to 9/30/00	One fourteenth (1/14)
After 9/30/00	Five sixty ninths (5/69)

44 (c) The Fund shall be administered by the Department of Public Instruction."

45 **SECTION 7.4.(b)** G.S. 115C-546.2(a) is repealed.

46 **SECTION 7.4.(c)** This section becomes effective April 1, 2014, and applies to
47 distributions for collections for quarters beginning on or after that date.

48
49 **PART VIII. TRANSITIONAL PROVISIONS**

50 **SECTION 8.(a)** G.S. 105-237.1(a) reads as rewritten:

1 "(a) Authority. – The Secretary may compromise a taxpayer's liability for a tax that is
2 collectible under G.S. 105-241.22 when the Secretary determines that the compromise is in the
3 best interest of the State and makes one or more of the following findings:

4 ...

5 (6) The taxpayer is a retailer or a consumer under Article 5 of this Chapter, the
6 assessment is for sales or use tax the retailer failed to collect or the consumer
7 failed to pay on an item that first became taxable under that Article on or
8 after January 1, 2014, and the retailer or consumer made a good faith effort
9 to comply with the sales and use tax laws."

10 **SECTION 8.(b)** The Revenue Laws Study Committee is directed to study the
11 fiscal impact of the changes proposed by this act and to recommend to the General Assembly
12 any adjustments needed. The Committee is specifically directed to address the following:

- 13 (1) The application of the business privilege tax on related business entities and
14 to recommend to the General Assembly any changes needed to prevent
15 vertical or horizontal pyramiding of the tax.
16 (2) The amount of additional revenue received by counties and cities as a result
17 of the expansion of the sales tax base in this act and the amount by which
18 local revenue is reduced by the repeal of local privilege license taxes and
19 other taxes.
20 (3) The reasons for the remaining distributions of State tax revenue to local
21 governments and ways to eliminate as many of these distributions as
22 possible.

23 **SECTION 8.(c)** This act does not affect the rights or liabilities of the State, a
24 taxpayer, or another person arising under a statute amended or repealed by this act before the
25 effective date of its amendment or repeal; nor does it affect the right to any refund or credit of a
26 tax that accrued under the amended or repealed statute before the effective date of its
27 amendment or repeal.

28 **SECTION 8.(d)** This section is effective when it becomes law. Subsection (a) of
29 this section expires January 1, 2024.

30 **PART IX. PRIVILEGE TAX CONFORMING CHANGES**

31 **SECTION 9.(a)** G.S. 93-12(12) and G.S. 105-259(b)(4) are repealed.

32 **SECTION 9.(b)** G.S. 53-165 reads as rewritten:

33 **"§ 53-165. Definitions.**

34 The following definitions apply in this Article:

- 35 (a)(1) ~~"Amount of the loan" shall mean the~~ Amount of the loan. – The aggregate of
36 the cash advance and the charges authorized by G.S. 53-173 and
37 G.S. 53-176.
38 (b)(2) ~~"Borrower" shall mean any~~ Borrower. – A person who borrows money from
39 any licensee or who pays or obligates himself to pay any money from, pays
40 or is obligated to pay money to, or otherwise furnishes any valuable
41 consideration to any licensee for any act of the licensee as a licensee.
42 (c)(3) ~~"Cash advance" shall mean the~~ Cash advance. – The amount of cash or its
43 equivalent that the a borrower actually receives or is paid out at his
44 discretion or on his behalf, the discretion of the borrower or on behalf of the
45 borrower.
46 (d)(4) ~~"Commission" shall mean the~~ Commission. – The State Banking
47 Commission.
48 (e)(5) ~~"Commissioner" shall mean the~~ Commissioner. – The Commissioner of
49 Banks.
50

- 1 ~~(f)(6)~~ "~~Deputy commissioner~~" shall mean the Deputy commissioner. – The deputy
2 commissioner of banks.
- 3 (7) Installment paper dealer. – A person who buys or discounts notes or other
4 evidences of debt secured, at the time the debt is incurred, by personal
5 property located in this State.
- 6 ~~(g)(8)~~ "~~License~~" shall mean the License. – The certificate issued by the
7 Commissioner under the authority of this Article to conduct a consumer
8 finance business.
- 9 ~~(h)(9)~~ "~~Licensee~~" shall mean a Licensee. – A person to whom one or more licenses
10 have been issued.
- 11 ~~(i)(10)~~ "~~Loanable assets~~" shall mean cash or bank deposits or installment loans
12 made as a licensee pursuant to this Article or installment loans made as a
13 licensee pursuant to the Article which this Article supersedes or such other
14 loans payable on an installment basis as the Commissioner of Banks may
15 approve, or any combination of two or more thereof. Loanable assets. – Cash,
16 bank deposits, installment loans, or any combination of these.
- 17 ~~(j)(11)~~ "~~Person~~" shall include any person, Person. – An individual, a firm, a
18 partnership, association or corporation, an association, a limited liability
19 company, a corporation, or another group acting as a unit."

20 **SECTION 9.(c)** G.S. 53-172(a) reads as rewritten:

21 "(a) No licensee shall conduct the business of making loans under this Article within any
22 office, suite, room, or place of business in which any other business is solicited or transacted.
23 The business of making loans includes acting as an installment paper dealer and collecting a
24 loan made by a government regulated lender.

25 ~~Installment paper dealers as defined in G.S. 105-83, and the collection by a licensee of~~
26 ~~loans legally made in North Carolina, or another state by another government regulated lender~~
27 ~~or lending agency, shall not be considered as being any other business within the meaning of~~
28 ~~this section."~~

29 **SECTION 9.(d)** G.S. 53-191 reads as rewritten:

30 "**§ 53-191. Businesses exempted.**

31 ~~Nothing in this~~ This Article shall be construed to does not apply to any person, firm or
32 corporation person doing business under the authority of any law of this State or of the United
33 States relating to banks, trust companies, savings and loan associations, cooperative credit
34 unions, agricultural credit corporations or associations organized under the laws of North
35 Carolina, production credit associations organized under the ~~act of Congress known as the~~
36 federal Farm Credit Act of 1933, pawnbrokers lending or advancing money on specific articles
37 of personal property, industrial banks, the business of negotiating businesses that negotiate or
38 solicit loans on real estate as defined in G.S. 105-41, agent for another for compensation, nor to
39 or installment paper dealers as defined in G.S. 105-83 other than persons, firms and
40 corporations other than persons engaged in the business of accepting fees for endorsing or
41 otherwise securing loans or contracts for the repayment of loans."

42 **SECTION 9.(e)** G.S. 95-47.2(d)(3)c. reads as rewritten:

43 "(d) Upon the receipt of an application for a license the Commissioner:

- 44 ...
- 45 (3) Upon completion of the investigation, or 60 days after the application was
46 received, whichever is later, but in no case more than 75 days after the
47 application was received, shall determine whether or not a license should be
48 issued. The license shall be denied for any of the following reasons:

49 ...

c. If the employment agency will be operated on the same premises as a ~~loan agency (as defined in G.S. 105-88) or collection agency (as defined in G.S. 58-70-15)~~ any of the following:

1. A business that makes loans and takes as security for repayment of the loans an assignment of wages or any other type of security.
2. A check cashing business regulated under Article 22 of Chapter 53 of the General Statutes.
3. A pawnbroker business regulated under Chapter 91A of the General Statutes.
4. A collection agency, as defined in G.S. 58-70-15."

SECTION 9.(f) G.S. 105-130.6A(a)(2) reads as rewritten:

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

...

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

...."

SECTION 9.(g) This section becomes effective January 1, 2014.

PART X. FRANCHISE AND CORPORATE INCOME TAX CONFORMING CHANGES

SECTION 10.(a) G.S. 105-129.27(b) reads as rewritten:

"(b) Taxes Credited. – The credit provided in this section is allowed against the ~~franchise~~ privilege tax levied in Article 3 of this Chapter and the income tax levied in Part 1 of Article 4 of this Chapter. Any other nonrefundable credits allowed the owner are subtracted before the credit allowed by this section."

SECTION 10.(b) G.S. 105-129.41(a1) reads as rewritten:

"(a1) Tax Election. – The credit allowed in this section is allowed against the ~~franchise~~ privilege tax levied in Article 3 of this Chapter, the income taxes levied in Article 4 of this Chapter, or the gross premiums tax levied in Article 8B of this Chapter. The taxpayer must elect the tax against which the credit will be claimed when filing the return on which the first installment of the credit is claimed. This election is binding. Any carryforwards of the credit must be claimed against the same tax."

SECTION 10.(c) G.S. 105-129.50 reads as rewritten:

"§ 105-129.50. Definitions.

The definitions in section 41 of the Code apply in this Article. In addition, the following definitions apply in this Article:

- (1) Development tier one area. – Defined in G.S. 143B-437.08.

(1a) Establishment. – Defined in 29 C.F.R. § 1904.46, as it existed on January 1, 2002.

- (2) Full-time job. – Defined in G.S. 105-129.81.

(3) Reserved.

(4) North Carolina university research expenses. – Any amount the taxpayer paid or incurred to a research university for qualified research performed in this State or basic research performed in this State.

(4a) Participating community college. – A community college, as defined in G.S. 115D-2, that offers an associate in applied science degree in simulation and game development.

- 1 (5) Period of measurement. – Defined in the Small Business Size Regulations of
2 the federal Small Business Administration.
- 3 (6) Qualified North Carolina research expenses. – Qualified research expenses,
4 other than North Carolina university research expenses, for research
5 performed in this State.
- 6 (7) Receipts. – Defined in the Small Business Size Regulations of the federal
7 Small Business Administration.
- 8 (8) Related person. – ~~Defined in G.S. 105-163.010.~~ A person described in one of
9 the relationships set forth in section 267(b) or 707(b) of the Code.
- 10 (9) Research university. – An institution of higher education that meets one or
11 both of the following conditions:
- 12 a. It is classified as one of the following in the most recent edition of
13 "A Classification of Institutions of Higher Education", the official
14 report of The Carnegie Foundation for the Advancement of
15 Teaching:
- 16 1. Doctoral/Research Universities, Extensive or Intensive.
17 2. Masters Colleges and Universities, I or II.
18 3. Baccalaureate Colleges, Liberal Arts or General.
- 19 b. It is a constituent institution of The University of North Carolina.
- 20 (10) Small business. – A business whose annual receipts, combined with the
21 annual receipts of all related persons, for the applicable period of
22 measurement did not exceed one million dollars (\$1,000,000)."

23 **SECTION 10.(d)** G.S. 105-129.51 reads as rewritten:

24 "**§ 105-129.51. Administration; Additional eligibility requirements and sunset.**

25 (a) Requirements. – A taxpayer is eligible for the credit allowed in this Article if it
26 satisfies the ~~requirements of G.S. 105-129.83(e), (d), (e), and (f) relating to wage standard,~~
27 ~~health insurance, environmental impact, and safety and health programs, respectively following~~
28 ~~standards:~~

- 29 (1) Wage. – For research performed at an establishment in a development tier
30 two or development tier three area, the taxpayer must meet the general wage
31 standard or, if applicable, the zone wage standard published by the Secretary
32 of Commerce under G.S. 143B-437.010A. For research performed at an
33 establishment in a development tier one area, no wage standard applies.
- 34 (2) Health insurance. – The health insurance standard set in
35 G.S. 143B-437.010A applies to all the jobs at an establishment for which a
36 credit or a carryforward of a credit is claimed under this Article. If a
37 taxpayer qualifies for a credit under this Article and then fails to meet the
38 health insurance standard during a taxable year, the credit expires, and the
39 taxpayer may not take any remaining carryforwards of the credit.
- 40 (3) Environmental impact. – The environmental standard set in
41 G.S. 143B-437.010A applies to a taxpayer who claims a credit under this
42 Article. A taxpayer must meet the standard at the time the taxpayer claims
43 the credit.
- 44 (4) Employee safety and health. – The employee safety and health standard set
45 in G.S. 143B-437.010A applies to a taxpayer who claims a credit under this
46 Article. A taxpayer must meet the standard at the time the taxpayer claims
47 the credit.

48 (b) Sunset. – This Article is repealed for taxable years beginning on or after January 1,
49 2014.

50 (c) Repealed by Session Laws 2004-124, s. 32D.4, effective for taxable years beginning
51 on or after January 1, 2006."

1 **SECTION 10.(e)** G.S. 105-129.96(b) reads as rewritten:

2 "(b) Taxes Credited. – The credit provided in this section is allowed against the ~~franchise~~
3 ~~privilege~~ tax levied in Article 3 of this Chapter or the income taxes levied in Article 4 of this
4 Chapter. The taxpayer must elect the tax against which a credit will be claimed when filing the
5 return on which the first installment of the credit is claimed. This election is binding. The credit
6 may not exceed fifty percent (50%) of the tax against which it is applied. Any unused portion
7 of a credit may be carried forward for the succeeding 10 years. Any carryforwards of a credit
8 must be claimed against the same tax."

9 **SECTION 10.(f)** G.S. 105-130.6A(a) reads as rewritten:

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

13 (1) Affiliated group. – A group that includes a corporation, all other
14 corporations that are affiliates or subsidiaries of that corporation, and all
15 other corporations that are affiliates or subsidiaries of another corporation in
16 the group.

17 (2) Bank holding company. – A holding company with an affiliate that is
18 engaged in the banking business, ~~subject to the privilege tax on banks levied~~
19 ~~in G.S. 105-102.3.~~

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

21 (4) Electric power holding company. – A holding company with an affiliate or a
22 subsidiary that is engaged in the business of producing electric
23 power, ~~subject to the franchise tax on electric power companies levied in~~
24 ~~G.S. 105-116.~~

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

27 (6) Holding company. – Defined in ~~G.S. 105-120.2~~, G.S. 105-114.2."

28 **SECTION 10.(g)** G.S. 105-130.6A(h) reads as rewritten:

29 "(h) Limitation on Credits. – The credits provided in this section are allowed against the
30 tax levied in this Part and the ~~franchise-privilege~~ tax levied in Article 3 of this Chapter. A
31 taxpayer may claim a credit against only one of the taxes against which it is allowed. Each
32 taxpayer must elect the tax against which the credit will be taken when filing the return on
33 which the first installment of the credit is claimed. This election is binding. All installments and
34 carryforwards of the credit must be taken against the same tax.

35 In order for a member of an affiliated group to take a credit, each member of the affiliated
36 group that is required to file a return under this Part or under Article 3 of this Chapter must
37 attach a schedule to its return that shows for every member of the group the amount of the
38 credit taken by it, the tax against which it is taken, and the amount of the resulting tax. In
39 addition, each member must provide any other documentation required by the Secretary.

40 A credit allowed in this section may not exceed the amount of tax against which it is taken
41 for the taxable year reduced by the sum of all credits allowable, except tax payments made by
42 or on behalf of the taxpayer. Any unused portion of the credit may be carried forward to
43 succeeding taxable years."

44 **SECTION 10.(h)** G.S. 105-130.9(4) is repealed.

45 **SECTION 10.(i)** G.S. 105-230 reads as rewritten:

46 "**§ 105-230. ~~Charter suspended for failure to report.~~Suspension of business entity's right**
47 **to do business for noncompliance.**

48 (a) Suspension. – ~~If a corporation or a limited liability company fails to file any~~ Failure
49 of a business entity, as defined in G.S. 105-114.2, to file a report or return or to pay any a tax or
50 fee required by this Subchapter for 90 days after it is due, the Secretary shall inform the
51 Secretary of State of this failure. The Secretary of State shall due is grounds to suspend the

1 business entity's articles of incorporation, articles of organization, or certificate of authority, as
2 appropriate, of the corporation or limited liability company. The Secretary of State shall
3 immediately notify by mail every domestic or foreign corporation or limited liability company
4 so suspended of its suspension, or certificate of registration, as appropriate. The Secretary must
5 notify the Secretary of State when a business entity's authority to transact business is subject to
6 suspension. The Secretary of State must then immediately suspend the business entity's articles
7 of incorporation or other authority to transact business and must notify the business entity by
8 mail of the suspension. The powers, privileges, and franchises conferred upon the corporation
9 or limited liability company by the articles of incorporation, the articles of organization, or the
10 certificate of authority business entity by its articles of incorporation or other authority to
11 transact business terminate upon suspension.

12 (b) Effect. – Any act performed or attempted to be performed during the period of
13 suspension the business entity's authority to transact business is suspended under this section is
14 invalid and of no effect, unless the Secretary of State reinstates the corporation or limited
15 liability company business entity's authority pursuant to G.S. 105-232."

16 SECTION 10.(j) G.S. 105-232 reads as rewritten:

17 "**§ 105-232. Rights restored; receivership and liquidation. Procedure for reinstatement**
18 **after suspension of business entity's authority to do business for**
19 **noncompliance.**

20 (a) Any corporation or limited liability company whose articles of incorporation,
21 articles of organization, or certificate of authority to do business in this State has been
22 suspended by the Secretary of State under G.S. 105-230, that complies with all the
23 requirements of this Subchapter and pays all State taxes, fees, or penalties due from it (which
24 total amount due may be computed, for years prior and subsequent to the suspension, in the
25 same manner as if the suspension had not taken place), and pays to the Secretary of Revenue a
26 fee of twenty five dollars (\$25.00) to cover the cost of reinstatement, is entitled to exercise
27 again its rights, privileges, and franchises in this State. The Secretary of Revenue shall notify
28 the Secretary of State of this compliance and the Secretary of State shall reinstate the
29 corporation or limited liability company by appropriate entry upon the records of the office of
30 the Secretary of State. Upon entry of reinstatement, it relates back to and takes effect as of the
31 date of the suspension by the Secretary of State and the corporation or limited liability
32 company resumes carrying on its business as if the suspension had never occurred, subject to
33 the rights of any person who reasonably relied, to that person's prejudice, upon the suspension.
34 The Secretary of State shall immediately notify by mail the corporation or limited liability
35 company of the reinstatement. The suspension under G.S. 105-230 of the authority of a business
36 entity to transact business terminates when the business entity resolves the noncompliance that
37 resulted in the suspension and pays a reinstatement fee of fifty dollars (\$50.00) to the Secretary
38 of Revenue. The Secretary of Revenue must notify the Secretary of State when a business
39 entity whose authority is suspended resolves the noncompliance. The Secretary of State must
40 then immediately reinstate the business entity's authority and must notify the business entity by
41 mail of the reinstatement. Reinstatement of a business entity's authority to do business relates
42 back to and takes effect as of the date of the suspension, subject to the rights of a person who
43 reasonably relied to that person's prejudice on the suspension.

44 (b) When the articles of incorporation, articles of organization, or certificate of
45 authority to do business in this State has been suspended by the Secretary of State under
46 G.S. 105-230, and the corporation or limited liability company has ceased to operate as a going
47 concern, if there remains property held in the name of the corporation or limited liability
48 company or undisposed of at the time of the suspension, or there remain future interests that
49 may accrue to the corporation, the limited liability company, or its successors, members, or
50 stockholders, any interested party may apply to the superior court for the appointment of a
51 receiver. Application for the receiver may be made in a civil action to which all stockholders,

1 ~~members, or their representatives or next of kin shall be made parties. Stockholders or members~~
2 ~~whose whereabouts are unknown, unknown stockholders or members, unknown heirs and next~~
3 ~~of kin of deceased stockholders, members, creditors, dealers, and other interested persons may~~
4 ~~be served by publication. A guardian ad litem may be appointed for any stockholders,~~
5 ~~members, or their representatives who are infants or incompetent. The receiver shall enter into~~
6 ~~a bond if the court requires one and shall give notice to creditors by publication or otherwise as~~
7 ~~the court may prescribe. Any creditor who fails to file a claim with the receiver within the time~~
8 ~~set shall be barred of the right to participate in the distribution of the assets. The receiver may~~
9 ~~(i) sell the property interests of the corporation or limited liability company upon such terms~~
10 ~~and in such manner as the court may order, (ii) apply the proceeds to the payment of any debts~~
11 ~~of the corporation or limited liability company, and (iii) distribute the remainder among the~~
12 ~~stockholders, the members, or their representatives in proportion to their interests in the~~
13 ~~property interests. Shares due to any stockholder or member who is unknown or whose~~
14 ~~whereabouts are unknown shall be paid into the office of the clerk of the superior court, to be~~
15 ~~disbursed according to law. In the event the records of the corporation or limited liability~~
16 ~~company are lost or do not reflect the owners of the property interests, the court shall determine~~
17 ~~the owners from the best evidence available, and the receiver shall be protected in acting in~~
18 ~~accordance with the court's finding. This proceeding is authorized for the sole purpose of~~
19 ~~providing a procedure for disposing of the assets of the corporation or limited liability company~~
20 ~~by the payment of its debts and by the transfer to its stockholders, its members, or their~~
21 ~~representatives their proportionate shares of its assets."~~

22 **SECTION 10.(k)** G.S. 105-259(b)(24), (37), and (38) are repealed.

23 **SECTION 10.(l)** G.S. 105-269.13 is repealed.

24 **SECTION 10.(m)** Article 10 of Chapter 143B of the General Statutes is amended
25 by adding a new section to read:

26 "**§ 143B-437.08A. Wage, health insurance, and other standards applicable to economic**
27 **development incentives.**

28 (a) Wage. – The Department must annually determine the average weekly wage for a
29 calendar year for all insured private employers in each county and in the State and must publish
30 the following wage standards applicable to economic development incentives:

31 (1) General wage standard. – A job meets the general wage standard if it pays an
32 average weekly wage that is at least equal to the lesser of one hundred ten
33 percent (110%) of the average wage for all insured private employers in the
34 State and ninety percent (90%) of the average wage for all insured private
35 employers in the county.

36 (2) Zone wage standard. – A job that is located within an urban progress zone or
37 an agrarian growth zone in a development tier two or tier three area satisfies
38 the wage standard if it pays an average weekly wage that is at least equal to
39 ninety percent (90%) of the lesser of the average wage for all insured private
40 employers in the State and the average wage for all insured private
41 employers in the county.

42 (3) Calculation. – In determining whether an employer meets a wage standard,
43 the employer may include only full-time jobs and must include any jobs that
44 were filled for at least 1,600 hours during the calendar year even if the jobs
45 are not filled at the time the employer applies for or claims an economic
46 incentive benefit. An employer whose taxable year is not a calendar year
47 must use the wage standard for the calendar year in which the taxable year
48 begins. A full-time job is a position that requires at least 1,600 hours of work
49 per year and is intended to be held by one employee during the entire year. A
50 full-time employee is an employee who holds a full-time job.

1 **(b) Health Insurance.** – An employer meets the health insurance standard if the
2 employer does all of the following:

3 **(1)** Provides health insurance for all of its full-time jobs. A full-time job is a
4 position that requires at least 1,600 hours of work per year and is intended to
5 be held by one employee during the entire year.

6 **(2)** Pays at least fifty percent (50%) of the premiums for health care coverage
7 that equals or exceeds the minimum provisions of the basic health care plan
8 of coverage recommended by the Small Employer Carrier Committee
9 pursuant to G.S. 58-50-125.

10 **(c) Environmental Impact.** – A person meets the environmental standard if the person
11 has no pending administrative, civil, or criminal enforcement action based on alleged
12 significant violations of any program implemented by an agency of the Department of
13 Environment and Natural Resources and has had no final determination of responsibility for
14 any significant administrative, civil, or criminal violation of any program implemented by an
15 agency of the Department of Environment and Natural Resources within the last five years. A
16 significant violation is a violation or alleged violation that does not satisfy any of the conditions
17 of G.S. 143-215.6B(d). The Secretary of Environment and Natural Resources must notify the
18 Department of Commerce and the Department of Revenue annually of every person that
19 currently has any of these pending actions and every person that has had any of these final
20 determinations within the last five years.

21 **(d) Employee Safety and Health.** – An employer meets the employee safety and health
22 standard if the employer has no citations under the Occupational Safety and Health Act that
23 have become a final order within the past three years for willful serious violations or for failing
24 to abate serious violations. As used in this subsection, the term "serious violation" has the same
25 meaning as in G.S. 95-127. The Commissioner of Labor must notify the Department of
26 Commerce and the Department of Revenue annually of every person that has had these
27 citations become final orders within the past three years."

28 **SECTION 10.(n)** G.S. 143B-437.01(a) and (a1) read as rewritten:

29 **"(a) Creation and Purpose of Fund.** – There is created in the Department of Commerce
30 the Industrial Development Fund to provide funds to assist the local government units of the
31 most economically distressed counties in the State in creating and retaining jobs in certain
32 industries. The Department of Commerce shall adopt rules providing for the administration of
33 the program. Those rules shall include the following provisions, which shall apply to each grant
34 from the fund:

35 ...

36 **(6)** The funds shall not be used for any nonmanufacturing project that does not
37 meet the general wage standard set out in
38 G.S. 105-129.4(b).G.S. 143B-437.08A.

39 **(a1) Definitions.** – The following definitions apply in this section:

40 **(1)** Air courier services. – ~~Defined in G.S. 105-129.81.~~The furnishing of air
41 delivery of individually addressed letters and packages for compensation, in
42 interstate commerce, except by the United States Postal Service.

43 **(2)** Repealed by Session Laws 2006-252, s. 2.4, effective January 1, 2007.

44 **(2a)** Company headquarters. – ~~Defined in G.S. 105-129.81.~~A corporate,
45 subsidiary, or regional managing office, as defined by NAICS in United
46 States industry 551114, that is responsible for strategic or organizational
47 planning and decision making for the business on an international, national,
48 or multistate regional basis.

49 ...

50 **(6)** Information technology and services. – ~~Defined in G.S. 105-129.81.~~An
51 industry in one of the following, as defined by NAICS:

- 1 a. Data processing industry group 518.
 2 b. Software publishers industry group 5112.
 3 c. Computer systems design and related services industry group 5415.
 4 d. An Internet activity included in industry group 519130.

- 5 ...
 6 (8) Manufacturing. – Defined in G.S. 105-129.81. An industry in manufacturing
 7 sectors 31 through 33, as defined by NAICS, but not including quick
 8 printing or retail bakeries.
 9 (9) NAICS. – Defined in G.S. 105-228.90.
 10 (10) Warehousing. – Defined in G.S. 105-129.81. An industry in warehousing and
 11 storage subsector 493 as defined by NAICS.
 12 (11) Wholesale trade. – Defined in G.S. 105-129.81. An industry in wholesale
 13 trade sector 42 as defined by NAICS."

14 **SECTION 10.(o)** This section becomes effective January 1, 2014.

15
 16 **PART XI. INDIVIDUAL INCOME TAX CONFORMING CHANGES**

17 **SECTION 11.(a)** G.S. 105-131.2 reads as rewritten:

18 "**§ 105-131.2. Adjustment and characterization of income.**

19 (a) Adjustment. – Each shareholder's pro rata share of an S Corporation's income is
 20 subject to the adjustments provided in ~~G.S. 105-134.6.~~G.S. 105-153.5.

21 (b) Repealed by Session Laws 1989, c. 728, s. 1.35.

22 (c) Characterization of Income. – S Corporation items of income, loss, deduction, and
 23 credit taken into account by a shareholder pursuant to G.S. 105-131.1(b) are characterized as
 24 though received or incurred by the S Corporation and not its shareholder."

25 **SECTION 11.(b)** G.S. 105-131.5 reads as rewritten:

26 "**§ 105-131.5. Part-year resident shareholder.**

27 If a shareholder of an S Corporation is both a resident and nonresident of this State during
 28 any taxable period, the shareholder's pro rata share of the S Corporation's income attributable to
 29 the State and income not attributable to the State for the taxable period shall be further prorated
 30 between the shareholder's periods of residence and nonresidence, in accordance with the
 31 number of days in each period, as provided in ~~G.S. 105-134.5.~~G.S. 105-153.4."

32 **SECTION 11.(c)** G.S. 105-131.7(c) reads as rewritten:

33 "(c) An S Corporation ~~shall~~must file with the Department, on a form prescribed by the
 34 Secretary, the agreement of each nonresident shareholder of the corporation (i) to file a return
 35 and make timely payment of all taxes imposed by this State on the shareholder with respect to
 36 the income of the S Corporation, and (ii) to be subject to personal jurisdiction in this State for
 37 purposes of the collection of any unpaid income tax, together with related interest and
 38 penalties, owed by the nonresident shareholder. If the corporation fails to timely file an
 39 agreement required by this subsection on behalf of any of its nonresident shareholders, then the
 40 corporation ~~shall~~must at the time specified in subsection (d) of this section pay to the
 41 Department on behalf of each nonresident shareholder with respect to whom an agreement has
 42 not been timely filed an estimated amount of the tax due the State. The estimated amount of tax
 43 due the State ~~shall be~~is computed at the ~~rates~~rate levied in ~~G.S. 105-134.2(a)(3)~~
 44 G.S. 105-153.7 on the shareholder's pro rata share of the S Corporation's income attributable to
 45 the State reflected on the corporation's return for the taxable period. An S Corporation may
 46 recover a payment made pursuant to the preceding sentence from the shareholder on whose
 47 behalf the payment was made."

48 **SECTION 11.(d)** G.S. 105-131.8(a) reads as rewritten:

49 "(a) For purposes of ~~G.S. 105-151~~G.S. 105-153.9 and G.S. 105-160.4, each resident
 50 shareholder is considered to have paid a tax imposed on the shareholder in an amount equal to
 51 the shareholder's pro rata share of any net income tax paid by the S Corporation to a state that

1 does not measure the income of S Corporation shareholders by the income of the S
2 Corporation. For purposes of the preceding sentence, the term "net income tax" means any tax
3 imposed on or measured by a corporation's net income."

4 **SECTION 11.(e)** G.S. 105-154(d) reads as rewritten:

5 "(d) Payment of Tax on Behalf of Nonresident Owner or Partner. – If a business
6 conducted in this State is owned by a nonresident individual or by a partnership having one or
7 more nonresident members, the manager of the business ~~shall~~must report the earnings of the
8 business in this State, the distributive share of the income of each nonresident owner or partner,
9 and any other information required by the Secretary. The manager of the business ~~shall~~must
10 pay with the return the tax on each nonresident owner or partner's share of the income
11 computed at the rate levied on individuals under ~~G.S. 105-134.2(a)(3)~~. G.S. 105-153.7. The
12 business may deduct the payment for each nonresident owner or partner from the owner or
13 partner's distributive share of the profits of the business in this State. If the nonresident partner
14 is not an individual and the partner has executed an affirmation that the partner will pay the tax
15 with its corporate, partnership, trust, or estate income tax return, the manager of the business is
16 not required to pay the tax on the partner's share. In this case, the manager ~~shall~~must include a
17 copy of the affirmation with the report required by this subsection."

18 **SECTION 11.(f)** G.S. 105-159 reads as rewritten:

19 **"§ 105-159. Federal corrections.**

20 If a taxpayer's ~~federal taxable income~~adjusted gross income or federal tax credit is
21 corrected or otherwise determined by the federal government, the taxpayer must, within six
22 months after being notified of the correction or final determination by the federal government,
23 file an income tax return with the Secretary reflecting the corrected or determined ~~taxable~~
24 ~~income~~adjusted gross income or federal tax credit. The Secretary must propose an assessment
25 for any additional tax due from the taxpayer as provided in Article 9 of this Chapter. The
26 Secretary must refund any overpayment of tax as provided in Article 9 of this Chapter. A
27 taxpayer who fails to comply with this section is subject to the penalties in G.S. 105-236 and
28 forfeits the right to any refund due by reason of the determination."

29 **SECTION 11.(g)** G.S. 105-163.1 reads as rewritten:

30 **"§ 105-163.1. Definitions.**

31 The following definitions apply in this Article:

32 ...

33 (6) Individual. – Defined in ~~G.S. 105-134.1~~G.S. 105-153.3.

34 ...

35 (13) Wages. – The term has the same meaning as in section 3401 of the Code
36 except it does not include ~~either of the following~~:

37 a. ~~The amount of severance wages paid to an employee during the~~
38 ~~taxable year that is exempt from State income tax for that taxable~~
39 ~~year under G.S. 105-134.6(b)(11).~~

40 b. ~~The~~the amount an employer pays an employee as reimbursement for
41 ordinary and necessary expenses incurred by the employee on behalf
42 of the employer and in the furtherance of the business of the
43 employer.

44"

45 **SECTION 11.(h)** G.S. 105-163.22 reads as rewritten:

46 **"§ 105-163.22. Reciprocity.**

47 The Secretary may, with the approval of the Attorney General, enter into agreements with
48 the taxing authorities of states having income tax withholding statutes with such agreements to
49 govern the amounts to be withheld from the wages and salaries of residents of such other state
50 or states under the provisions of this Article when such other state or states grant similar
51 treatment to the residents of this State. ~~Such~~The agreements may provide for recognition of the

1 anticipated tax credits allowed under the provisions of ~~G.S. 105-151~~ G.S. 105-153.9 in
2 determining the amounts to be withheld."

3 **SECTION 11.(i)** Effective for taxable years beginning on or after January 1, 2014,
4 G.S. 105-259(b)(34) and (36) are repealed.

5 **SECTION 11.(j)** G.S. 105-277.3(d1) reads as rewritten:

6 "(d1) ~~Exception for Easements on Qualified Conservation Lands Previously Appraised at~~
7 ~~Use Value. Exception.~~ – Property that is appraised at its present-use value under
8 G.S. 105-277.4(b) shall continue to qualify for appraisal, assessment, and taxation as provided
9 in G.S. 105-277.2 through G.S. 105-277.7 as long as (i) ~~the property is subject to an~~
10 ~~enforceable conservation easement that would qualify for the conservation tax credit provided~~
11 ~~in G.S. 105-130.34 and G.S. 105-151.12, without regard to actual production or income~~
12 ~~requirements of this section; and (ii) the taxpayer received no more than seventy five percent~~
13 ~~(75%) of the fair market value of the donated property interest in compensation.~~ the property is
14 subject to a conservation easement that meets the property eligibility requirements under
15 G.S. 113A-232. Notwithstanding G.S. 105-277.3(b) and (b1), subsequent transfer of the
16 property does not extinguish its present-use value eligibility as long as the property remains
17 subject to an enforceable a qualifying conservation easement that qualifies for the conservation
18 tax credit provided in G.S. 105-130.34 and G.S. 105-151.12. easement. The exception provided
19 in this subsection applies only to that part of the property that is subject to the easement."

20 **SECTION 11.(k)** G.S. 105-309(d) reads as rewritten:

21 "(d) Personal property shall be listed to indicate the township and municipality, if any, in
22 which it is taxable and shall be itemized by the taxpayer in such detail as may be prescribed by
23 an abstract form approved by the Department of Revenue. ~~Personal property shall also be listed~~
24 ~~to indicate which property, if any, is subject to a tax credit under G.S. 105-151.21.~~

25 (1) If the assessor considers it necessary to obtain a complete listing of personal
26 property, the assessor may require a taxpayer to submit additional
27 information, inventories, or itemized lists of personal property.

28 (2) At the request of the assessor, the taxpayer shall furnish any information the
29 taxpayer has with respect to the true value of the personal property the
30 taxpayer is required to list."

31 **SECTION 11.(l)** G.S. 105-320(a)(16) is repealed.

32 **SECTION 11.(m)** G.S. 110-130.1(a) reads as rewritten:

33 "(a) All child support collection and paternity determination services provided under this
34 Article to recipients of public assistance shall be made available to any individual not receiving
35 public assistance in accordance with federal law and as contractually authorized by the
36 nonrecipient, upon proper application and payment of a nonrefundable application fee of
37 twenty-five dollars (\$25.00). The fee shall be reduced to ten dollars (\$10.00) if the individual
38 applying for the services is indigent. An indigent individual is an individual whose gross
39 income does not exceed one hundred percent (100%) of the federal poverty guidelines issued
40 each year in the Federal Register by the U.S. Department of Health and Human Services. For
41 the purposes of this subsection, the term "gross income" has the same meaning as defined in
42 ~~G.S. 105-134.1~~ section 61 of the Code, and the term "Code" has the same meaning as defined
43 in G.S. 105-228.90.

44 In the case of an individual who has never received assistance under a State program
45 funded pursuant to Title IV-A of the Social Security Act and for whom the State has collected
46 and disbursed to the family in a federal fiscal year at least five hundred dollars (\$500.00) of
47 support, the State shall impose an annual fee of twenty-five dollars (\$25.00) for each case in
48 which services are furnished. The child support agency shall retain the fee from support
49 collected on behalf of the individual. However, the child support agency shall not retain the fee
50 from the first five hundred dollars (\$500.00) collected. The child support agency shall use the
51 fee to support the ongoing operation of the program."

1 **SECTION 11.(n)** G.S. 113-77.9(d) reads as rewritten:

2 "(d) Acquisition. – The Department of Administration may, pursuant to G.S. 143-341,
3 acquire by purchase, gift, or devise all lands selected by the Trustees for acquisition pursuant to
4 this Article. Title to any land acquired pursuant to this Article shall be vested in the State. A
5 State agency with management responsibility for land acquired pursuant to this Article may
6 enter into a management agreement or lease with a county, city, town, or private nonprofit
7 organization ~~qualified under G.S. 105-151.12 and G.S. 105-130.34 and~~ certified under section
8 501(c)(3) of the Internal Revenue Code to aid in managing the land. A management agreement
9 or lease shall be executed by the Department of Administration pursuant to G.S. 143-341."

10 **SECTION 11.(o)** G.S. 113A-231 reads as rewritten:

11 "**§ 113A-231. Program to accomplish conservation purposes.**

12 The Department of Environment and Natural Resources shall develop a nonregulatory
13 program ~~that uses conservation tax credits as a prominent tool~~ to accomplish conservation
14 purposes, including the maintenance of ecological systems. As a part of this program, the
15 Department shall exercise its powers to protect real property and interests in real ~~property;~~
16 property donated for ~~tax credit under G.S. 105-130.34 or G.S. 105-151.12; conserved with the~~
17 ~~use of other financial incentives; or, conserved through nonregulatory programs.~~ conservation
18 or conserved by other means. The Department shall call upon the Attorney General for legal
19 assistance in developing and implementing the program."

20 **SECTION 11.(p)** G.S. 113A-232 reads as rewritten:

21 "**§ 113A-232. Conservation Grant Fund.**

22 (a) Fund Created. – The Conservation Grant Fund is created within the Department of
23 Environment and Natural Resources. The Fund shall be administered by the Department. The
24 purpose of the Fund is to stimulate the use of conservation ~~easements and conservation tax~~
25 ~~credits, easements,~~ to improve the capacity of private nonprofit land trust organizations to
26 successfully accomplish conservation projects, to better equip real estate related professionals
27 to pursue opportunities for conservation, to increase landowner participation in land and water
28 conservation, and to provide an opportunity to leverage private and other public monies for
29 conservation easements.

30 (b) Fund Sources. – The Conservation Grant Fund shall consist of any monies
31 appropriated to it by the General Assembly and any monies received from public or private
32 sources. Unexpended monies in the Fund that were appropriated from the General Fund by the
33 General Assembly shall revert at the end of the fiscal year unless the General Assembly
34 otherwise provides. Unexpended monies in the Fund from other sources shall not revert and
35 shall remain available for expenditure in accordance with this Article.

36 (c) Property Eligibility. – In order for real property or an interest in real property to be
37 the subject of a grant under this Article, the real property or interest in real property must meet
38 all of the following conditions:

39 (1) ~~possess~~ Possess or have a high potential to possess ecological ~~value, must be~~
40 value.

41 (2) Be reasonably restorable, and must qualify for tax credits under
42 G.S. 105-130.34 or G.S. 105-151.12. restorable.

43 (3) Be useful for one or more of the following purposes:

44 a. Public beach access or use.

45 b. Public access to public waters or trails.

46 c. Fish and wildlife conservation.

47 d. Forestland or farmland conservation.

48 e. Watershed protection.

49 f. Conservation of natural areas as that term is defined in
50 G.S. 113A-164.3(3).

51 g. Conservation of predominantly natural parkland.

(4) Be donated in perpetuity to and accepted by the State, a local government, or a body that is both organized to receive and administer lands for conservation purposes and qualified to receive charitable contributions under G.S. 105-130.9. Land required to be dedicated pursuant to local governmental regulation or ordinance and dedications made to increase building density levels permitted under a regulation or ordinance do not qualify.

(c1) Grant Eligibility. – State conservation land management agencies, local government conservation land management agencies, and private nonprofit land trust organizations are eligible to receive grants from the Conservation Grant Fund. Private nonprofit land trust organizations must be ~~qualified pursuant to G.S. 105-130.34 and G.S. 105-151.12 and must be certified under section 501(c)(3) of the Internal Revenue Code.~~Code to aid in managing the land.

(d) Use of Revenue. – Revenue in the Conservation Grant Fund may be used only for the following purposes:

- (1) The administrative costs of the Department in administering the Fund.
- (2) Conservation grants made in accordance with this Article.
- (3) To establish an endowment account, the interest from which will be used for a purpose described in G.S. 113A-233(a)."

SECTION 11.(q) G.S. 113A-233 reads as rewritten:

"§ 113A-233. **Uses of a grant from the Conservation Grant Fund.**

(a) Allowable Uses. – A grant from the Conservation Grant Fund may be used only to pay for one or more of the following costs:

- (1) Reimbursement for total or partial transaction costs for a donation of real property or an interest in real property from an individual or corporation satisfying either of the following:
 - a. Insufficient financial ability to pay all costs or insufficient taxable income to allow these costs to be included in the donated value.
 - b. Insufficient tax burdens to allow these costs to be offset by ~~the value of tax credits under G.S. 105-130.34 or G.S. 105-151.12 or by~~ charitable deductions.
- (2) Management support, including initial baseline inventory and planning.
- (3) Monitoring compliance with conservation easements, the related use of riparian buffers, natural areas, and greenways, and the presence of ecological integrity.
- (4) Education on conservation, including information materials intended for landowners and education for staff and volunteers.
- (5) Stewardship of land.
- (6) Transaction costs for recipients, including legal expenses, closing and title costs, and unusual direct costs, such as overnight travel.
- (7) Administrative costs for short-term growth or for building capacity.

(b) Prohibition. – The Fund shall not be used to pay the purchase price of real property or an interest in real property."

SECTION 11.(r) G.S. 113A-256(g) is repealed.

SECTION 11.(s) This section becomes effective January 1, 2015.

PART XII. SALES TAX CONFORMING CHANGES

SECTION 12.1.(a) The following statutes are repealed:

G.S. 106-507

G.S. 106-516

G.S. 106-517

1 G.S. 106-518
2 G.S. 106-519
3 G.S. 106-520
4 G.S. 140-10.1

5 **SECTION 12.1.(b)** G.S. 105-164.9 is repealed.

6 **SECTION 12.1.(c)** G.S. 105-164.10 reads as rewritten:

7 **"§ 105-164.10. Retail bracket system.**

8 For the convenience of the retailer in collecting the tax due under this Article, the Secretary
9 ~~shall~~must prescribe tables that compute the tax due on sales by rounding off the amount of tax
10 due to the nearest whole cent. The Secretary ~~shall~~must issue a separate table for each rate of
11 tax that may apply to a sale, ~~including the general rate established in G.S. 105-164.4,~~
12 ~~preferential rates, and combined State and local rates. Use of the tables prescribed by the~~
13 ~~Secretary does not relieve a retailer of liability for the applicable rate of tax due on the gross~~
14 ~~receipts or net taxable sales of the retailer.sale."~~

15 **SECTION 12.1.(d)** G.S. 105-164.44F(a) reads as rewritten:

16 "(a) Amount. – The Secretary must distribute part of the taxes imposed by
17 ~~G.S. 105-164.4(a)(4e)~~ G.S. 105-164.4 on telecommunications service and ancillary service.
18 The Secretary must make the distribution within 75 days after the end of each calendar quarter.
19 The amount the Secretary must distribute is the following percentages of the net proceeds of
20 the taxes collected during the quarter:

21"

22 **SECTION 12.1.(e)** G.S. 105-164.44I(a) reads as rewritten:

23 "(a) Distribution. – The Secretary must distribute to the counties and cities part of the
24 taxes imposed by ~~G.S. 105-164.4(a)(4e)~~ G.S. 105-164.4 on telecommunications service and
25 ~~G.S. 105-164.4(a)(6)~~ on video programming service. The Secretary must make the distribution
26 within 75 days after the end of each calendar quarter. The amount the Secretary must distribute
27 is the sum of the revenue listed in this subsection. The Secretary must distribute two million
28 dollars (\$2,000,000) of this amount in accordance with subsection (b) of this section and the
29 remainder in accordance with subsections (c) and (d) of this section. The revenue to be
30 distributed under this section consists of the following:

31"

32 **SECTION 12.1.(f)** G.S. 105-449.106(c) reads as rewritten:

33 "(c) Special Mobile Equipment. – A person who purchases and uses motor fuel to
34 operate special mobile equipment off-highway may receive a quarterly refund, for the excise
35 tax paid during the preceding quarter, at a rate equal to the flat cents-per-gallon rate plus the
36 variable cents-per-gallon rate in effect during the quarter for which the refund is claimed, less
37 the amount of sales and use tax ~~or privilege tax~~ due on the fuel under this Chapter, as
38 determined in accordance with G.S. 105-449.107(c). An application for a refund must be made
39 in accordance with this Part."

40 **SECTION 12.1.(g)** G.S. 105-449.107 reads as rewritten:

41 **"§ 105-449.107. Annual refunds for off-highway use and use by certain vehicles with
42 power attachments.**

43 (a) Off-Highway. – A person who purchases and uses motor fuel for a purpose other
44 than to operate a licensed highway vehicle may receive an annual refund for the excise tax the
45 person paid on fuel used during the preceding calendar year. The amount of refund allowed is
46 the amount of the flat cents-per-gallon rate in effect during the year for which the refund is
47 claimed plus the average of the two variable cents-per-gallon rates in effect during that year,
48 less the amount of sales and use tax ~~or privilege tax~~ due on the fuel under this Chapter. An
49 application for a refund allowed under this section must be made in accordance with this Part.

1 (b) Certain Vehicles. – A person who purchases and uses motor fuel in one of the
2 vehicles listed below may receive an annual refund for the amount of fuel consumed by the
3 vehicle:

- 4 (1) A concrete mixing vehicle.
- 5 (2) A solid waste compacting vehicle.
- 6 (3) A bulk feed vehicle that delivers feed to poultry or livestock and uses a
7 power takeoff to unload the feed.
- 8 (4) A vehicle that delivers lime or fertilizer in bulk to farms and uses a power
9 takeoff to unload the lime or fertilizer.
- 10 (5) A tank wagon that delivers alternative fuel, as defined in G.S. 105-449.130,
11 or motor fuel or another type of liquid fuel into storage tanks and uses a
12 power takeoff to make the delivery.
- 13 (6) A commercial vehicle that delivers and spreads mulch, soils, composts, sand,
14 sawdust, and similar materials and that uses a power takeoff to unload, blow,
15 and spread the materials.
- 16 (7) A commercial vehicle that uses a power takeoff to remove and dispose of
17 septage and for which an annual fee is required to be paid to the Department
18 of Environment and Natural Resources under G.S. 130A-291.1.
- 19 (8) A sweeper.

20 The amount of refund allowed is thirty-three and one-third percent (33 1/3%) of the
21 following: the sum of the flat cents-per-gallon rate in effect during the year for which the
22 refund is claimed and the average of the two variable cents-per-gallon rates in effect during that
23 year, less the amount of sales and use tax ~~or privilege tax~~ due on the fuel under this Chapter.
24 An application for a refund allowed under this section must be made in accordance with this
25 Part. This refund is allowed for the amount of fuel consumed by the vehicle in its mixing,
26 compacting, or unloading operations, as distinguished from propelling the vehicle, which
27 amount is considered to be one-third of the amount of fuel consumed by the vehicle.

28 (c) Sales Tax Amount. – Article 5 of this Chapter determines the amount of sales and
29 use tax to be deducted under this section from a motor fuel excise tax refund. ~~Article 5F of this~~
30 ~~Chapter determines the amount of privilege tax to be deducted under this section from a motor~~
31 ~~fuel excise tax refund.~~ The sales price and the cost price of motor fuel to be used in determining
32 the amount to deduct is the average of the wholesale prices used under G.S. 105-449.80 to
33 determine the excise tax rates in effect for the two six-month periods of the year for which the
34 refund is claimed."

35 **SECTION 12.1.(h)** This section becomes effective January 1, 2014. Subsections
36 (f) and (g) of this section apply to a claim for refund of taxes paid on motor fuel on or after
37 January 1, 2014.

38 **SECTION 12.2.(a)** G.S. 105-164.14(c) reads as rewritten:

39 "(c) Certain Governmental Entities. – A governmental entity listed in this subsection is
40 allowed an annual refund of sales and use taxes paid by it under this Article on direct purchases
41 of tangible personal property and services, other than electricity, telecommunications service,
42 ~~and ancillary service.~~ ancillary service, and piped natural gas. Sales and use tax liability
43 indirectly incurred by a governmental entity on building materials, supplies, fixtures, and
44 equipment that become a part of or annexed to any building or structure that is owned or leased
45 by the governmental entity and is being erected, altered, or repaired for use by the
46 governmental entity is considered a sales or use tax liability incurred on direct purchases by the
47 governmental entity for the purpose of this subsection. A request for a refund must be in
48 writing and must include any information and documentation required by the Secretary. A
49 request for a refund is due within six months after the end of the governmental entity's fiscal
50 year.

51 This subsection applies only to the following governmental entities:

...."

SECTION 12.2.(b) This section becomes effective January 1, 2014.

PART XIII. LOCAL GOVERNMENT DISTRIBUTION CONFORMING CHANGES

SECTION 13.(a) G.S. 153A-134 reads as rewritten:

"§ 153A-134. **Regulating and licensing businesses, trades, etc.**

A county may by ordinance, subject to the general law of the State, regulate and license occupations, businesses, trades, professions, and forms of amusement or entertainment and prohibit those that may be inimical to the public health, welfare, safety, order, or convenience. In licensing trades, occupations, and professions, the county may, consistent with the general law of the State, require applicants for licenses to be examined and charge a reasonable fee ~~therefor. for the examination.~~ ~~This~~

This section does not authorize a county to examine do any of the following:

- (1) Examine or license a person holding a license issued by an occupational licensing board of this State as to the profession or trade ~~that he the person~~ has been licensed to practice or pursue by the State.
- (2) Levy a privilege license tax on an entity that is subject to regulation and license under this section.

~~This section does not impair the county's power to levy privilege license taxes on occupations, businesses, trades, professions, and other activities pursuant to G.S. 153A-152."~~

SECTION 13.(b) The catch line to G.S. 153A-156 reads as rewritten:

"§ 153A-156. ~~Gross receipts tax on short-term leases or rentals.~~ **Motor vehicle gross receipts tax in lieu of property tax.**"

SECTION 13.(c) G.S. 153A-156(a) reads as rewritten:

"(a) ~~As a substitute for and in replacement of the ad valorem tax, which is excluded by G.S. 105-275(42), a~~ A county may levy a gross receipts tax on the gross receipts from the short-term lease or rental of vehicles at retail to the general public. The tax rate shall not exceed one and one-half percent (1.5%) of the gross receipts from ~~such the~~ short-term leases or rentals. Motor vehicles subject to this tax are exempt from property tax under G.S. 105-275, and this tax provides an alternative to the property tax on the motor vehicles."

SECTION 13.(d) G.S. 160A-194 reads as rewritten:

"§ 160A-194. **Regulating and licensing businesses, trades, etc.**

A city may by ordinance, subject to the general law of the State, regulate and license occupations, businesses, trades, professions, and forms of amusement or entertainment and prohibit those that may be inimical to the public health, welfare, safety, order, or convenience. In licensing trades, occupations, and professions, the city may, consistent with the general law of the State, require applicants for licenses to be examined and charge a reasonable fee ~~therefor. for the examination.~~ ~~Nothing in this section shall impair the city's power to levy privilege license taxes on occupations, businesses, trades, professions, and other activities pursuant to G.S. 160A-211.~~

~~Nothing in this section shall~~ This section does not authorize a city to ~~examine~~ do any of the following:

- (1) Examine or license a person holding a license issued by an occupational licensing board of this State as to the profession or trade ~~that he the person~~ has been licensed to practice or pursue by the State.
- (2) Levy a privilege license tax on an entity that is subject to regulation and license under this section."

SECTION 13.(e) The catch line to G.S. 160A-215.1 reads as rewritten:

"§ 160A-215.1. ~~Gross receipts tax on short-term leases or rentals.~~ **Motor vehicle gross receipts tax in lieu of property tax.**"

SECTION 13.(f) G.S. 160A-215.1(a) reads as rewritten:

1 ~~"(a) As a substitute for and in replacement of the ad valorem tax, which is excluded by~~
2 ~~G.S. 105-275(42), a~~ A city may levy a gross receipts tax on the gross receipts from the
3 short-term lease or rental of vehicles at retail to the general public. The tax rate shall not exceed
4 one and one-half percent (1.5%) of the gross receipts from ~~such~~ the short-term leases or rentals.
5 ~~This tax on gross receipts is in addition to the privilege taxes authorized by~~
6 ~~G.S. 160A-211. Motor vehicles subject to this tax are exempt from property tax under~~
7 ~~G.S. 105-275, and this tax provides an alternative to the property tax on the motor vehicles."~~

8 **SECTION 13.(g)** This section becomes effective July 1, 2014.

9
10 **PART XIV. EFFECTIVE DATE**

11 **SECTION 14.** Except as otherwise provided, this act is effective when it becomes
12 law.