A BILL TO BE ENTITLED
AN ACT TO SIMPLIFY THE NORTH CAROLINA TAX STRUCTURE AND TO REDUCE
INDIVIDUAL AND BUSINESS TAX RATES.

The General Assembly of North Carolina enacts:

PART I. INDIVIDUAL INCOME TAX CHANGES

SECTION 1.1.(a) The following statutes are recodified as indicated:

<table>
<thead>
<tr>
<th>Current Statute</th>
<th>Recodified Statute</th>
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</thead>
<tbody>
<tr>
<td>G.S. 105-133</td>
<td>G.S. 105-153.1</td>
</tr>
<tr>
<td>G.S. 105-134</td>
<td>G.S. 105-153.2</td>
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<td>G.S. 105-134.1</td>
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<td>G.S. 105-134.5</td>
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<td>G.S. 105-151</td>
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<td>G.S. 105-151.24</td>
<td>G.S. 105-153.10</td>
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<tr>
<td>G.S. 105-152</td>
<td>G.S. 105-153.8</td>
</tr>
</tbody>
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SECTION 1.1.(b) The following statutes are repealed:

<table>
<thead>
<tr>
<th>Statute Numbers</th>
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<tbody>
<tr>
<td>G.S. 105-134.2</td>
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<tr>
<td>G.S. 105-134.3</td>
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<td>G.S. 105-134.6</td>
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<td>G.S. 105-151.1</td>
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<td>G.S. 105-151.11</td>
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<td>G.S. 105-151.12</td>
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<td>G.S. 105-151.13</td>
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<td>G.S. 105-151.14</td>
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<td>G.S. 105-151.18</td>
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<td>G.S. 105-151.20</td>
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<td>G.S. 105-151.21</td>
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<td>G.S. 105-151.25</td>
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<td>G.S. 105-151.26</td>
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<tr>
<td>G.S. 105-151.33</td>
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SECTION 1.1.(c) G.S. 105-134.1, recodified by this Part as G.S. 105-153.3, reads
as rewritten:

"§ 105-153.3 Definitions."
The following definitions apply in this Part:

3. Department. — The Department of Revenue.
4. 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.
5. Fiscal year. — Defined in section 441(e) of the Code.
7. Head of household. — Defined in section 2(b) of the Code.
8. Individual. — A human being.
9. Limited liability company. — Either a domestic limited liability company organized under Chapter 57C of the General Statutes or a foreign limited liability company authorized by that Chapter to transact business in this State that is classified for federal income tax purposes as a partnership. As applied to a limited liability company that is a partnership under this Part, the term "partner" means a member of the limited liability company.
10. Married individual. — An individual who is married and is considered married as provided in section 7703 of the Code.
11. Nonresident individual. — An individual who is not a resident of this State.
14. Resident. — An individual who is domiciled in this State at any time during the taxable year or who resides in this State during the taxable year for other than a temporary or transitory purpose. In the absence of convincing proof to the contrary, an individual who is present within the State for more than 183 days during the taxable year is presumed to be a resident, but the absence of an individual from the state for more than 183 days raises no presumption that the individual is not a resident. A resident who removes from the State during a taxable year is considered a resident until he has both established a definite domicile elsewhere and abandoned any domicile in this State. The fact of marriage does not raise any presumption as to domicile or residence.
15. Retirement benefits. — Amounts paid to a former employee or the beneficiary of a former employee under a written retirement plan established by the employer to provide payments to an employee or the beneficiary of an employee after the end of the employee's employment with the employer where the right to receive the payments is based upon the employment relationship. With respect to a self-employed individual or the beneficiary of a self-employed individual, the term means amounts paid to the individual or beneficiary of the individual under a written retirement plan established by the individual to provide payments to the individual or the beneficiary of the individual after the end of the self-employment. In addition, the term includes amounts received from an individual retirement account described in section 408 of the Code or from an individual retirement annuity described in section 408 of the Code. For the purpose of this subdivision, the term "employee" includes a volunteer worker.
(15) Secretary. – The Secretary of Revenue.

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

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

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

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

SECTION 1.1.(d) Part 2 of Article 4 of Chapter 105 of the General Statutes is amended by adding the following new sections to read:

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

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

(1) Interest upon the obligations of any of the following:
   a. The United States or its possessions,
   b. This State, a political subdivision of this State, or a commission, an authority, or another agency of this State or of a political subdivision of this State,
   c. A nonprofit educational institution organized or chartered under the laws of this State.

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

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

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

(5) The amount received during the taxable year from one or more State, local, or federal government retirement plans to the extent the amount is exempt from tax under this Part pursuant to a court order in settlement of any of the following cases:
   a. Bailey v. State, 92 CVS 10221, 94 CVS 6904, 95 CVS 6625, 95 CVS 8230,
   b. Emory v. State, 98 CVS 0738,

(6) Income that meets both of the following requirements:
   a. Is earned or received by an enrolled member of a federally recognized Indian tribe,
   b. Is derived from activities on a federally recognized Indian reservation while the member resides on the reservation. Income from intangibles having a situs on the reservation and retirement income associated with activities on the reservation are considered income derived from activities on the reservation.

(7) The amount by which the basis of property under this Article exceeds the basis of the property under the Code, in the year the taxpayer disposes of the property.

(8) The amount allowed as a deduction under G.S. 105-153.6 as a result of an add-back for federal accelerated depreciation and expensing.

(b) Additions. – In calculating North Carolina taxable income, a taxpayer must add to the taxpayer's adjusted gross income any of the following items that are not included in the taxpayer's adjusted gross income:
Interest upon the obligations of states other than this State, political subdivisions of those states, and agencies of those states and their political subdivisions.

The amount by which a shareholder's share of S Corporation income is reduced under section 1366(f)(2) of the Code for the taxable year by the amount of built-in gains tax imposed on the S Corporation under section 1374 of the Code.

The amount by which the basis of property under the Code exceeds the basis of the property under this Article, in the year the taxpayer disposes of the property.

The amount excluded from gross income under section 199 of the Code.

The amount required to be added under G.S. 105-153.6 when the State decouples from federal accelerated depreciation and expensing.

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

(a) Special Accelerated Depreciation. — A taxpayer who places property in service during a taxable year listed in the table below and who takes a special accelerated depreciation deduction for that property under section 168(k) or 168(n) of the Code must add to the taxpayer's federal taxable income or adjusted gross income, as appropriate, eighty-five percent (85%) of the amount for that year under those Code provisions. For taxable years before 2012, the taxpayer must add the amount to the taxpayer's federal taxable income. For taxable year 2012 and after, the taxpayer must add the amount to the taxpayer's adjusted gross income.

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

<table>
<thead>
<tr>
<th>Taxable Year of</th>
<th>Five Taxable Years of</th>
</tr>
</thead>
<tbody>
<tr>
<td>85% Add-Back</td>
<td>20% Deduction</td>
</tr>
<tr>
<td>2010</td>
<td>2011 through 2015</td>
</tr>
<tr>
<td>2011</td>
<td>2012 through 2016</td>
</tr>
<tr>
<td>2012</td>
<td>2013 through 2017</td>
</tr>
<tr>
<td>2013</td>
<td>2014 through 2018</td>
</tr>
</tbody>
</table>

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

(c) Section 179 Expense. — For purposes of this subdivision, the definition of section 179 property has the same meaning as under section 179 of the Code as of January 1, 2011. A taxpayer who places section 179 property in service during a taxable year listed in the table below must add to the taxpayer's federal taxable income or adjusted gross income as appropriate, eighty-five percent (85%) of the amount by which the taxpayer's expense deduction under section 179 of the Code exceeds the amount that would have been allowed for that taxable year under section 179 of the Code as of May 1, 2010. For taxable years before 2012, the taxpayer must add the amount to the taxpayer's federal taxable income. For taxable year 2012 and after, the taxpayer must add the amount to the taxpayer's adjusted gross income.

A taxpayer who made the addition is allowed to deduct twenty percent (20%) of the add-back in each of the first five taxable years following the year the taxpayer is required to include the add-back in income. The table in subsection (a) of this section indicates the applicable five-year period.
(d) Asset Basis. – The adjustments made in this section do not result in a difference in basis of the affected assets for State and federal income tax purposes."

§ 105-153.7. Individual income tax imposed.
(a) Tax. – A tax is imposed for each taxable year on the North Carolina taxable income of an individual. The tax is five and four-tenths percent (5.4%) of the taxpayer’s North Carolina taxable income that exceeds the zero tax bracket for the taxpayer’s filing status. For purposes of Section 2 of Article V of the North Carolina Constitution, the zero tax bracket provides an exemption so that only net incomes are taxed.

The zero tax brackets are as follows:

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

<table>
<thead>
<tr>
<th>Over</th>
<th>Up To</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>$15,000</td>
<td>0.0%</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Over</th>
<th>Up To</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>$12,000</td>
<td>0.0%</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Over</th>
<th>Up To</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>$7,500</td>
<td>0.0%</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Over</th>
<th>Up To</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>$7,500</td>
<td>0.0%</td>
</tr>
</tbody>
</table>

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

SECTION 1.1.(e) This section becomes effective for taxable years beginning on or after January 1, 2014.

SECTION 1.2.(a) G.S. 105-153.7(a), as enacted by Section 1.1 of this Part, reads as rewritten:

"(a) Tax. – A tax is imposed for each taxable year on the North Carolina taxable income of an individual. The tax is five and four-tenths percent (5.4%) of the taxpayer’s North Carolina taxable income that exceeds the zero tax bracket for the taxpayer’s filing status. For purposes of Section 2 of Article V of the North Carolina Constitution, the zero tax bracket provides an exemption so that only net incomes are taxed.

...".

SECTION 1.2.(b) This section becomes effective for taxable years beginning on or after January 1, 2015.

SECTION 1.3.(a) G.S. 105-152 and G.S. 105-151, recodified by this Part as G.S. 105-153.8 and G.S. 105-153.9, read as rewritten:

"§ 105-153.8. Income tax returns.

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

(1) Every resident required to file an income tax return for the taxable year under the Code and every Code.

(1a) Every nonresident individual who (i) derived income from North Carolina sources during the taxable year and is attributable to

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the ownership of any interest in real or tangible personal property in this State or is derived from a business, trade, profession, or occupation carried on in this State and (ii) is derived from gambling activities in this State.

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


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

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

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

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

(e) Joint Returns. – A husband and wife whose federal taxable income is determined on a joint federal return must file a single income tax return jointly if each spouse either is a resident of this State or has North Carolina taxable income and may file a single income tax return jointly if one spouse is not a resident and has no North Carolina taxable income. Except as otherwise provided in this Part, a wife and husband filing jointly are treated as one taxpayer for the purpose of determining the tax imposed by this Part. A husband and wife filing jointly are jointly and severally liable for the tax imposed by this Part reduced by the sum of all credits allowable including tax payments made by or on behalf of the husband and wife. However, if a spouse qualifies for relief of liability for federal tax attributable to a substantial understatement by the other spouse pursuant to section 6015 of the Code, that spouse is not liable for the corresponding tax imposed by this Part attributable to the same substantial understatement by the other spouse. A wife and husband filing jointly have expressly agreed that if the amount of the payments made by them with respect to the taxes for which they are liable, including withheld and estimated taxes, exceeds the total of the taxes due, refund of the excess may be made payable to both spouses jointly or, if either is deceased, to the survivor alone.


§ 105-153.9. Tax credits for income taxes paid to other states by individuals.
General Assembly of North Carolina  Session 2013

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

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

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

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

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

SECTION 1.3.(b) This section becomes effective for taxable years beginning on or after January 1, 2014.

SECTION 1.4.(a) G.S. 105-131.2 reads as rewritten:

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

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

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

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

SECTION 1.4.(b) G.S. 105-131.5 reads as rewritten:

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

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

SECTION 1.4.(c) G.S. 105-131.7(c) reads as rewritten:

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

SECTION 1.4.(d) G.S. 105-131.8(a) reads as rewritten:
"(a) For purposes of G.S. 105-151-G.S. 105-153.9 and G.S. 105-160.4, each resident shareholder is considered to have paid a tax imposed on the shareholder in an amount equal to the shareholder's pro rata share of any net income tax paid by the S Corporation to a state that does not measure the income of S Corporation shareholders by the income of the S Corporation. For purposes of the preceding sentence, the term "net income tax" means any tax imposed on or measured by a corporation's net income."

SECTION 1.4.(e) G.S. 105-154(d) reads as rewritten:
"(d) Payment of Tax on Behalf of Nonresident Owner or Partner. – If a business conducted in this State is owned by a nonresident individual or by a partnership having one or more nonresident members, the manager of the business shall report the earnings of the business in this State, the distributive share of the income of each nonresident owner or partner, and any other information required by the Secretary. The manager of the business shall pay with the return the tax on each nonresident owner or partner's share of the income computed at the rate levied on individuals under G.S. 105-134.2(a)(3)-G.S. 105-153.7. The business may deduct the payment for each nonresident owner or partner from the owner or partner's distributive share of the profits of the business in this State. If the nonresident partner is not an individual and the partner has executed an affirmation that the partner will pay the tax with its corporate, partnership, trust, or estate income tax return, the manager of the business is not required to pay the tax on the partner's share. In this case, the manager shall include a copy of the affirmation with the report required by this subsection."

SECTION 1.4.(g) G.S. 105-163.1 reads as rewritten:
"§ 105-163.1. Definitions.
The following definitions apply in this Article:

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

…
(13) Wages. – The term has the same meaning as in section 3401 of the Code except it does not include either of the following:
a. The amount of severance wages paid to an employee during the taxable year that is exempt from State income tax for that taxable year under G.S. 105-134.6(b)(11).
b. The amount an employer pays an employee as reimbursement for ordinary and necessary expenses incurred by the employee on behalf of the employer and in the furtherance of the business of the employer.

…"

SECTION 1.4.(h) G.S. 105-163.22 reads as rewritten:
"§ 105-163.22. Reciprocity.
The Secretary may, with the approval of the Attorney General, enter into agreements with the taxing authorities of states having income tax withholding statutes with such agreements to govern the amounts to be withheld from the wages and salaries of residents of such other state or states under the provisions of this Article when such other state or states grant similar treatment to the residents of this State. Such agreements may provide for recognition of the anticipated tax credits allowed under the provisions of G.S. 105-151–G.S. 105-153.9 in determining the amounts to be withheld."

**SECTION 1.4.(j)** G.S. 105-309(d) reads as rewritten:

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

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

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

**SECTION 1.4.(k)** G.S. 105-320(a)(16) is repealed.

**SECTION 1.4.(l)** G.S. 110-130.1(a) reads as rewritten:

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

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

**SECTION 1.4.(m)** This section becomes effective January 1, 2014.

**SECTION 1.5.(a)** G.S. 105-277.3(d1) reads as rewritten:

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

SECTION 1.5.(d) G.S. 113-77.9(d) reads as rewritten:

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

SECTION 1.5.(c) G.S. 113A-231 reads as rewritten:

"§ 113A-231. Program to accomplish conservation purposes.
The Department of Environment and Natural Resources shall develop a nonregulatory program that uses conservation tax credits as a prominent tool to accomplish conservation purposes, including the maintenance of ecological systems. As a part of this program, the Department shall exercise its powers to protect real property and interests in real property donated for tax credit under G.S. 105-130.34 or G.S. 105-151.12; conserved with the use of other financial incentives; or, conserved through nonregulatory programs; conservation easements or conserved by other means. The Department shall call upon the Attorney General for legal assistance in developing and implementing the program."

SECTION 1.5.(d) G.S. 113A-232 reads as rewritten:

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

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

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

(1) possess or have a high potential to possess ecological value.
(2) Be reasonably restorable, and must qualify for tax credits under G.S. 105-130.34 or G.S. 105-151.12.
(3) Be useful for one or more of the following purposes:
   a. Public beach access or use.
   b. Public access to public waters or trails.
   c. Fish and wildlife conservation.
   d. Forestland or farmland conservation.
e. Watershed protection.

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

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 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 1.5.(e) 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 1.5.(f) G.S. 113A-256(g) is repealed.

SECTION 1.5.(g) This section becomes effective January 1, 2014.

PART II. PHASED ELIMINATION OF THE CORPORATE INCOME TAX
SECTION 2.1.(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 Years Beginning       Tax
In 1997                      7.5%
In 1998                      7.25%
In 1999                      7%
After 1999                   6.9%
In 2014                      6%
In 2015                      4%
In 2016                      2%.

SECTION 2.1.(b) This section becomes effective for taxable years beginning on or after January 1, 2014.

SECTION 2.2(a) Part 1 of Article 4 of Chapter 105 of the General Statutes is repealed.

SECTION 2.2.(b) Article 3C and Article 3K of Chapter 105 of the General Statutes is repealed.

SECTION 2.2.(c) This section becomes effective for taxable years beginning on or after January 1, 2017.

SECTION 2.2.(a) Part 1 of Article 4 of Chapter 105 of the General Statutes is repealed.

SECTION 2.2.(b) Article 3C and Article 3K of Chapter 105 of the General Statutes is repealed.

SECTION 2.2.(c) This section becomes effective for taxable years beginning on or after January 1, 2017.

SECTION 2.3.(a) G.S. 115C-546.1 reads as rewritten:

§ 115C-546.1. Creation of Fund; administration.

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

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

<table>
<thead>
<tr>
<th>Period</th>
<th>Fraction</th>
</tr>
</thead>
<tbody>
<tr>
<td>10/1/97 to 9/30/98</td>
<td>One-fifteenth (1/15)</td>
</tr>
<tr>
<td>10/1/98 to 9/30/99</td>
<td>Two-twentieths (2/20)</td>
</tr>
<tr>
<td>10/1/99 to 9/30/00</td>
<td>One-fourteenth (1/14)</td>
</tr>
<tr>
<td>After 9/30/00</td>
<td>Five-sixty-ninths (5/69)</td>
</tr>
</tbody>
</table>

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

SECTION 2.3.(b) G.S. 115C-546.2(a) is repealed.

SECTION 2.3.(c) This section is effective when it becomes law.

PART III. BUSINESS PRIVILEGE TAX ON CORPORATIONS, LLCS, AND OTHER LIMITED LIABILITY ENTITIES

SECTION 3.1.(a) Chapter 105 of the General Statutes is amended by adding a new Article to read:

"Article 3L.

"Business Privilege Tax"

§ 105-129.100. Business privilege tax.

(a) Nature of Tax. – This Article imposes a privilege tax on a business entity for the privilege of doing business in this State in an organizational form that confers limited liability on one or more owners of the entity. The tax is imposed for the exercise of this privilege during the income year of the business entity in which the taxes become due. 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.

(b) Tax Imposed. – An annual privilege tax is imposed on a business entity doing
business in this State in the amount set in the table below:

<table>
<thead>
<tr>
<th>Income Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>$400</td>
</tr>
<tr>
<td>2016</td>
<td>$600</td>
</tr>
<tr>
<td>After 2016</td>
<td>$750</td>
</tr>
</tbody>
</table>

(c) Return and Payment. – The tax 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.

(d) Income Year. – For purposes of this Article, the income year of a business entity is
the calendar year or the fiscal year upon the basis of which the net income is computed for
federal income tax purposes under the Code. After the end of the income year in which a
business entity is dissolved, the business entity is no longer subject to the tax levied in this
Article unless the Secretary finds that the business entity has engaged in business activities in
this State not appropriate to winding up and liquidating its business and affairs.

"§ 105-129.101. Definitions."

The following definitions apply in this Article:

(1) Business entity. – All of the following:
   b. Reserved.
   c. A domestic limited liability company formed under Chapter 57C of
      the General Statutes or a foreign limited liability company that is
      required to obtain a certificate of authority under one of those
      Chapters authorizing it to do business in this State.
   d. A domestic limited partnership formed under Article 5 of Chapter 59
      of the General Statutes or a foreign limited partnership that has
      received a certificate of authority under that Article authorizing it to
      do business in this State.
   e. A domestic limited liability partnership registered under Article 3B
      of Chapter 59 of the General Statutes or a foreign limited liability
      partnership registered under Article 4A of that Chapter.
   f. A domestic or foreign limited liability limited partnership registered
   g. Any other business whose form of organization confers limited
      liability on one or more of its owners that is not a C corporation.

(2) C Corporation. – Defined in G.S. 105-131.
(3) Code. – Defined in G.S. 105-228.90.
(4) Person. – Defined in G.S. 105-228.90.
(6) Secretary. – Defined in G.S. 105-228.90.

"§ 105-129.101. Exempt business entities."

A business entity listed in this section is exempt from the business privilege tax imposed by
this Article. 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 section 501 of the Code.
(2) An insurance company subject to tax under Article 8B of this Chapter,"

SECTION 3.1.(b) This section becomes effective for taxable years beginning on or after January 1, 2015, and applies to taxes due in that year or a subsequent year.

SECTION 3.2.(a) G.S. 105-129.100(b), as enacted by this Part, reads as rewritten:
"(b) Tax Imposed. – An annual privilege tax is imposed on a business entity doing business in this State in the amount set in the table below:

<table>
<thead>
<tr>
<th>Income Years Beginning</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>In 2014</td>
<td>$400</td>
</tr>
<tr>
<td>In 2015</td>
<td>$600</td>
</tr>
<tr>
<td>After 2015</td>
<td>$750</td>
</tr>
</tbody>
</table>

SECTION 3.2.(b) G.S. 105-129.101, as enacted by this Part, reads as rewritten:
"(1) Business entity. – All of the following:

A domestic corporation organized under Chapter 55 of the General Statutes or a foreign corporation that has received a certificate of authority under that Chapter authorizing it to do business in this State.

b. Reserved. An electric membership corporation organized under Chapter 117 of the General Statutes.

... g. Any other business whose form of organization confers limited liability on one or more of its owners that is not a C corporation owners.".

SECTION 3.2.(c) This section becomes effective for taxable years beginning on or after January 1, 2018, and applies to taxes due in that year or a subsequent year.

PART IV. PHASED ELIMINATION OF THE FRANCHISE TAX

SECTION 4.1.(a) G.S. 105-114(a) and G.S. 105-122.1 are repealed.

SECTION 4.1.(b) G.S. 105-125(a) is amended by adding a new subdivision to read:
"(a) Exemptions. – The following corporations are exempt from the taxes levied by this Article. Upon request of the Secretary, an exempt corporation must establish its claim for exemption in writing:

...  

(2a) A S corporation subject to the privilege license tax under Article 2 of this Chapter. For purposes of this subdivision, a S corporation has the same meaning as defined in G.S. 105-33.1.

...".

SECTION 4.1.(c) 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. 105-122 reads as rewritten:
"§ 105-122. Franchise or privilege tax on domestic and foreign corporations.

...  

(d) After determining the proportion of its total capital stock, surplus and undivided profits as set out in subsection (c) of this section, which amount shall not be less than fifty-five percent (55%) of the appraised value as determined for ad valorem taxation of all the real and tangible personal property in this State of each corporation nor less than its total actual
investment in tangible property in this State, every corporation taxed under this section shall
annually pay to the Secretary of Revenue, at the time the report and statement are due, a
franchise or privilege tax at the rate of one dollar and fifty cents ($1.50) per one thousand
dollars ($1,000) of the total amount of capital stock, surplus and undivided profits as provided
in this section. The tax imposed in this section shall not be less than thirty-five dollars ($35.00)
and shall be provided in subsection (d2) of this section. The tax is imposed for the privilege of
carrying on, doing business, and/or the continuance of articles of incorporation or
domestication of each corporation in this State. Appraised value of tangible property including
real estate is the ad valorem valuation for the calendar year next preceding the due date of the
franchise tax return. The term "total actual investment in tangible property" as used in this
section means the total original purchase price or consideration to the reporting taxpayer of its
tangible properties, including real estate, in this State plus additions and improvements thereto
less reserve for depreciation as permitted for income tax purposes, and also less any
indebtedness incurred and existing by virtue of the purchase of any real estate and any
permanent improvements made thereon. In computing "total actual investment in tangible
personal property" there shall also be deducted reserves for the entire cost of any air-cleaning
device or sewage or waste treatment plant, including waste lagoons, and pollution abatement
equipment purchased or constructed and installed which reduces the amount of air or water
pollution resulting from the emission of air contaminants or the discharge of sewage and
industrial wastes or other polluting materials or substances into the outdoor atmosphere or into
streams, lakes, or rivers, upon condition that the corporation claiming this deduction shall
furnish to the Secretary a certificate from the Department of Environment and Natural
Resources or from a local air pollution control program for air-cleaning devices located in an
area where the Environmental Management Commission has certified a local air pollution
control program pursuant to G.S. 143-215.112 certifying that said Department or local air
pollution control program has found as a fact that the air-cleaning device, waste treatment plant
or pollution abatement equipment purchased or constructed and installed as above described
has actually been constructed and installed and that the device, plant or equipment complies
with the requirements of the Environmental Management Commission or local air pollution
control program with respect to the devices, plants or equipment, that the device, plant or
equipment is being effectively operated in accordance with the terms and conditions set forth in
the permit, certificate of approval, or other document of approval issued by the Environmental
Management Commission or local air pollution control program and that the primary purpose is
to reduce air or water pollution resulting from the emission of air contaminants or the discharge
of sewage and waste and not merely incidental to other purposes and functions. The cost of
constructing facilities of any private or public utility built for the purpose of providing sewer
service to residential and outlying areas is treated as deductible for the purposes of this section;
the deductible liability allowed by this section shall apply only with respect to pollution
abatement plants or equipment constructed or installed on or after January 1, 1955.

(d2) Tax Rate. – The rate is the amount set in the table below for each one thousand
dollars ($1,000) of the total amount of capital stock, surplus and undivided profits as provided
in subsection (d) of this section. The tax imposed in this section may not be less than the
amount set in the table below.

<table>
<thead>
<tr>
<th>Income Year</th>
<th>Tax Rate</th>
<th>Minimum Tax Due</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>$1.20</td>
<td>$500</td>
</tr>
<tr>
<td>2016</td>
<td>$0.90</td>
<td>$1,000</td>
</tr>
<tr>
<td>2017</td>
<td>$0.60</td>
<td>$2,000*</td>
</tr>
</tbody>
</table>

SECTION 4.2.(b) 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 4.3.(a) Article 3 of Chapter 105 of the General Statutes is repealed.
SECTION 4.3.(b) This section is effective for taxable years beginning on or after January 1, 2018.

PART V. ELIMINATE ANNUAL REPORT FILING FEES

SECTION 5.(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:

<table>
<thead>
<tr>
<th>Document</th>
<th>Fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>(23) Annual report (paper)</td>
<td>25.00</td>
</tr>
<tr>
<td>(23a) Annual report (electronic)</td>
<td>18.00</td>
</tr>
</tbody>
</table>

(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.
(2) Fifteen dollars ($15.00) for a paper certificate.
(3) Ten dollars ($10.00) for an electronic certificate.

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

SECTION 5.(b) G.S. 55-16-22 reads as rewritten:

"§ 55-16-22. Annual report.
(a) Except as provided in subsections (a1) and (a2) of this section, each domestic corporation and each foreign corporation authorized to transact business in this State shall deliver an annual report to the Secretary of Revenue in paper form or, in the alternative, directly to the Secretary of State in electronic form as prescribed by the Secretary of State under this section.

Requirement. – The following businesses must file an annual report with the Secretary of State on a form prescribed by the Secretary and in the manner required by the Secretary:

(1) A corporation that is incorporated under this Chapter.
(2) A corporation that has received a certificate of authority under this Chapter authorizing the corporation to transact business in this State.
(3) A company that is an insurance company regulated under Chapter 58 of the General Statutes.

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

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

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

(1) The name of the corporation and the state or country under whose law it is incorporated.
(2) The street address, and the mailing address if different from the street address, of the registered office, the county in which its registered office is located, and the name of its registered agent at that office in this State, and a
statement of any change of such registered office or registered agent, or both.

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

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

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

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

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

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

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

(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 5.(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:

<table>
<thead>
<tr>
<th>Document</th>
<th>Fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>(25) Annual report</td>
<td>200.00</td>
</tr>
</tbody>
</table>

SECTION 5.(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:

<table>
<thead>
<tr>
<th>Document</th>
<th>Fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>(18) Annual report</td>
<td>200.00</td>
</tr>
</tbody>
</table>

SECTION 5.(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:

<table>
<thead>
<tr>
<th>Document</th>
<th>Fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>(22) Annual report for a limited liability limited partnership</td>
<td>200.00</td>
</tr>
</tbody>
</table>

SECTION 5.(f) G.S. 105-122.1 is repealed.

SECTION 5.(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 5.(h) G.S. 105-256.1 is repealed.

SECTION 5.(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 to a State agency."

SECTION 5.(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 VI. ELIMINATE ARCHAIC STATE AND LOCAL PRIVILEGE LICENSE TAXES

SECTION 6.1.(a) Article 2 of Chapter 105 of the General Statutes is repealed.

SECTION 6.1.(b) This section becomes effective January 1, 2018, and applies as follows:

(1) For taxes payable under G.S. 105-41, 105-88, or 105-102.3, the section applies to taxes imposed under those statutes for taxable years beginning on or after July 1, 2018.

(2) For taxes payable under G.S. 105-102.6, the section applies to taxes due on or after January 31, 2018.

(3) For taxes payable under G.S. 105-83, the section applies to obligation dealt in, bought, or discounted on or after January 1, 2018.

SECTION 6.2.(a) G.S. 153A-152 reads as rewritten:

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

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

G.S. 105-50 Pawnbrokers.

G.S. 105-53 Peddlers, itinerant merchants, and specialty market operators.

G.S. 105-55 Installing elevators and automatic sprinkler systems.

G.S. 105-58 Fortune tellers, palmists, etc.

G.S. 105-65 Music machines.

G.S. 105-66.1 Electronic video games.

G.S. 105-80 Firearms dealers and dealers in other weapons.

G.S. 105-88 Loan agencies.

G.S. 105-89 Automobiles, wholesale supply dealers and service stations.

G.S. 105-89.1 Motorcycle dealers.

G.S. 105-90 Emigrant and employment agents.

G.S. 105-102.5 General business license.

(b) Telecommunications Restriction.—A county may not impose a license, franchise, or privilege tax on a company taxed under G.S. 105-164.4(a) (4c). A county may not levy a license, franchise, or privilege tax on a trade, occupation, profession, business, or franchise
SECTION 6.2.(b) G.S. 160A-211 reads as rewritten:

§ 160A-211. Privilege-No general authority for privilege license taxes.

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

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

G.S. 105-36.1 Amusements—Outdoor theatres.

G.S. 105-37 Amusements—Moving pictures—Admission.

G.S. 105-41 Attorneys-at-law and other professionals.

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

G.S. 105-45 Collecting agencies.

G.S. 105-46 Undertakers and retail dealers in coffins.

G.S. 105-50 Pawnbrokers.

G.S. 105-51.1 Alarm systems.

G.S. 105-53 Peddlers, itinerant merchants, and specialty market operators.

G.S. 105-54 Contractors and construction companies.

G.S. 105-55 Installing elevators and automatic sprinkler systems.

G.S. 105-61 Hotels, motels, tourist courts and tourist homes.

G.S. 105-62 Restaurants.

G.S. 105-65 Music machines.

G.S. 105-65.1 Merchandising dispensers and weighing machines.

G.S. 105-66.1 Electronic video games.

G.S. 105-74 Pressing clubs, dry cleaning plants, and hat blockers.

G.S. 105-77 Tobacco warehouses.

G.S. 105-80 Firearms dealers and dealers in other weapons.

G.S. 105-83 Installment paper dealers.

G.S. 105-85 Laundries.

G.S. 105-86 Outdoor advertising.

G.S. 105-88 Loan agencies.

G.S. 105-89 Automobiles, wholesale supply dealers, and service stations.

G.S. 105-89.1 Motorcycle dealers.

G.S. 105-90 Emigrant and employment agents.

G.S. 105-91 Plumbers, heating contractors, and electricians.

G.S. 105-97 Manufacturers of ice cream.

G.S. 105-98 Branch or chain stores.

G.S. 105-99 Wholesale distributors of motor fuels.

G.S. 105-102.1 Certain cooperative associations.

G.S. 105-102.3 Banks.

G.S. 105-102.5 General business license.

(b) Barbershop and Salon Restriction. A privilege license tax levied by a city on a barbershop or a beauty salon may not exceed two dollars and fifty cents ($2.50) for each barber, manicurist, cosmetologist, beautician, or other operator employed in the barbershop or beauty salon.
(c) Prohibition.—A city may not impose a license, franchise, or privilege tax on a person engaged in any of the businesses listed in this subsection. These businesses are subject to a State tax for which the city receives a share of the tax revenue.

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

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

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

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

SECTION 6.2.(c) This section becomes effective July 1, 2018, and applies to taxes imposed for fiscal years beginning on or after that date.

SECTION 6.3.(a) G.S. 93-12(12) and G.S. 105-259(b)(4) are repealed.

SECTION 6.3.(b) G.S. 53-165 reads as rewritten:

"§ 53-165. Definitions.

The following definitions apply in this Article:

(a)(1) "Amount of the loan" shall mean the aggregate of the cash advance and the charges authorized by G.S. 53-173 and G.S. 53-176.

(b)(2) "Borrower" shall mean any person who borrows money from any licensee or who pays or obligates himself to pay any money, or is obligated to pay money to, or otherwise furnishes any valuable consideration to any licensee for any act of the licensee as a licensee.

(c)(3) "Cash advance" shall mean the amount of cash or its equivalent that the borrower actually receives or is paid out at the discretion or on behalf of the borrower.

(d)(4) "Commission" shall mean the State Banking Commission.

(e)(5) "Commissioner" shall mean the Commissioner of Banks.

(f)(6) "Deputy commissioner" shall mean the deputy commissioner of banks.

(7) Installment paper dealer. – A person who buys or discounts notes or other evidences of debt secured, at the time the debt is incurred, by personal property located in this State.

(g)(8) "License" shall mean the certificate issued by the Commissioner under the authority of this Article to conduct a consumer finance business.

(h)(9) "Licensee" shall mean a person to whom one or more licenses have been issued.

(i)(10) "Loanable assets" shall mean cash or bank deposits or installment loans made as a licensee pursuant to this Article or installment loans made as a licensee pursuant to the Article which this Article supersedes or such other loans payable on an installment basis as the Commissioner of Banks may approve, or any combination of two or more thereof. Loanable assets. – Cash, bank deposits, installment loans, or any combination of these.

(j)(11) "Person" shall include any person. – An individual, a firm, a partnership, association or corporation, an association, a limited liability company, a corporation, or another group acting as a unit."
SECTION 6.3.(c) G.S. 53-172(a) reads as rewritten:

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

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

SECTION 6.3.(d) G.S. 53-172(a) reads as rewritten:

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

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

SECTION 6.3.(d) G.S. 53-191 reads as rewritten:


Nothing in this Article shall be construed to apply to any person, firm or corporation doing business under the authority of any law of this State or of the United States relating to banks, trust companies, savings and loan associations, cooperative credit unions, agricultural credit corporations or associations organized under the laws of North Carolina, production credit associations organized under the act of Congress known as the federal Farm Credit Act of 1933, pawnbrokers lending or advancing money on specific articles of personal property, industrial banks, the business of negotiating businesses that negotiate or solicit loans on real estate as defined in G.S. 105-41, agent for another for compensation, nor to installment paper dealers as defined in G.S. 105-83 other than persons, firms and corporations other than persons engaged in the business of accepting fees for endorsing or otherwise securing loans or contracts for the repayment of loans."

SECTION 6.3.(e) G.S. 95-47.2(d)(3)c. reads as rewritten:

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

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

…

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.


4. A collection agency, as defined in G.S. 58-70-15."

SECTION 6.3.(f) This section becomes effective July 1, 2018.

PART VII. ELECTRICITY AND PIPED NATURAL GAS TAX CHANGES

SECTION 7.1.(a) G.S. 105-116, 105-116.1, 105-164.21A, and 159B-27(b), (c), (d), and (e) are repealed.

"(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:

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

"..."

SECTION 7.1.(c) G.S. 105-164.4(a)(1f) and (a)(4a) are repealed.

SECTION 7.1.(d) G.S. 105-164.13(44) and Article 5E of Chapter 105 of the General Statutes are repealed.

SECTION 7.1.(e) G.S. 105-164.4(a) is amended by adding a new subdivision to read:

"(10) The combined general rate applies to the gross receipts derived from sales of electricity and piped natural gas."

SECTION 7.1.(f) G.S. 160A-211 reads as rewritten:

"(c) Prohibition. – A city may not impose a license, franchise, or privilege tax on a person engaged in any of the businesses listed in this subsection. These businesses are subject to a State tax, sales tax at the combined general rate for which the city receives a share of the tax revenue, revenue or they are subject to the local sales tax.

(1) Supplying piped natural gas taxed under Article 5E of Chapter 105 of the General Statutes.
(2) Providing telecommunications service taxed under G.S. 105-164.4(a)(4c).
(3) Providing video programming taxed under G.S. 105-164.4(a)(6).
(4) Providing electricity. A city may continue to impose and collect the license, franchise, or privilege taxes on an electric power company that it imposed and collected on or before January 1, 1947, but it may not impose or collect any greater franchise, privilege, or license taxes, in the aggregate, on an electric power company that was imposed and collected on or before January 1, 1947."

SECTION 7.1.(g) This section becomes effective July 1, 2014, and applies to bills issued on or after that date.

SECTION 7.2.(a) Pursuant to G.S. 62-31 and G.S. 62-32, the Utilities Commission must adjust the rate set for the following utilities:

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

SECTION 7.2.(b) This section is effective when it becomes law.

SECTION 7.3.(a) Part 8 of Article 5 of Chapter 105 of the General Statutes is amended by adding a new section to read:

"§ 105-164.44K. Distribution of part of tax on electricity to cities. 
(a) Distribution. – The Secretary must distribute to cities forty-four percent (44%) of the net proceeds of the tax collected under G.S. 105-164.4 on electricity. Each city's share of the amount to be distributed is its franchise tax share calculated under subsection (b) of this section plus its ad valorem share calculated under subsection (c) of this section. The Secretary must make the distribution within 75 days after the end of each quarter.
(b) Franchise Tax Share. – The quarterly franchise tax share of a city is the amount of electricity gross receipts franchise tax distributed to the city under repealed G.S. 105-116.1 for
the same related quarter that was the last quarter in which taxes were imposed on electric power
companies under repealed G.S. 105-116.

The franchise tax share of a city that has dissolved, merged with another city, or divided
into two or more cities since it received a distribution under repealed G.S. 105-116.1 is adjusted
as follows:

1. If a city dissolves and is no longer incorporated, the franchise tax share of
the city is added to the amount distributed under subsection (c) of this
section.
2. If two or more cities merge or otherwise consolidate, their franchise tax
shares are combined.
3. If a city divides into two or more cities, the franchise tax share of the city
that divides is allocated among the new cities in proportion to the total
amount of ad valorem taxes levied by each on property having a tax situs in
the city.

(c) Ad Valorem Share. – The ad valorem share of a city is its proportionate share of the
amount that remains for distribution after determining each city's franchise tax share under
subsection (b) of this section. A city's proportionate share is the amount of ad valorem taxes it
levies on property having a tax situs in the city compared to the ad valorem taxes levied by all
cities on property having a tax situs in the cities.

(d) Methodology. – The ad valorem method set out in G.S. 105-472(b)(2) applies in
determining the share of a city under this section based on ad valorem taxes, except that the
amount of ad valorem taxes levied by a city does not include ad valorem taxes levied on behalf
of a taxing district and collected by the city.

(e) Determination Final. – The determination made by the Department with respect to a
city's franchise tax share is final and is not subject to administrative or judicial review.

(f) Nature. – 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."

SECTION 7.3.(b) Part 8 of Article 5 of Chapter 105 of the General Statutes is
amended by adding a new section to read:

"§ 105-164.44L. Distribution of part of tax on piped natural gas to cities.
(a) Distribution. – The Secretary must distribute to cities twenty percent (20%) of the
net proceeds of the tax collected under G.S. 105-164.4 on piped natural gas. Each city's share of
the amount to be distributed is its excise tax share calculated under subsection (b) of this
section plus its ad valorem share calculated under subsection (c) of this section. The Secretary
must make the distribution within 75 days after the end of each quarter.

(b) Excise Tax Share. – The quarterly excise tax share of a city that is not a gas city is
the amount of piped natural gas excise tax distributed to the city under repealed
G.S. 105-187.44 for the same related quarter that was the last quarter in which taxes were
imposed on piped natural gas under repealed Article 5E of this Chapter. The Secretary must
determine the excise tax share of a gas city and divide that amount by four to calculate the
quarterly distribution amount for a gas city. The excise tax share of a gas city is the amount the
gas city would have received under repealed G.S. 105-187.44 for the last year in which taxes
were imposed under repealed Article 5E of this Chapter if piped natural gas consumed by the
city or delivered by the city to a customer had not been exempt from tax under repealed
G.S. 105-187.41(c)(1) and (c)(2). A gas city must report the information required by the
Secretary to make the distribution under this section in the form, manner, and time required by
the Secretary. For purposes of this subsection, the term "gas city" has the same meaning as
defined in repealed G.S. 105-187.40."
The excise tax share of a city that has dissolved, merged with another city, or divided into two or more cities since it received a distribution under repealed G.S. 105-187.44 is adjusted as follows:

(1) If a city dissolves and is no longer incorporated, the excise tax share of the city is added to the amount distributed under subsection (c) of this section.

(2) If two or more cities merge or otherwise consolidate, their excise tax shares are combined.

(3) If a city divides into two or more cities, the excise tax share of the city that divides is allocated among the new cities in proportion to the total amount of ad valorem taxes levied by each on property having a tax situs in the city.

(c) Ad Valorem Share. – The ad valorem share of a city is its proportionate share of the amount that remains for distribution after determining each city’s excise tax share under subsection (b) of this section. A city’s proportionate share is the amount of ad valorem taxes it levies on property having a tax situs in the city compared to the ad valorem taxes levied by all cities on property having a tax situs in the cities.

(d) Methodology. – The ad valorem method set out in G.S. 105-472(b)(2) applies in determining the share of a city under this section based on ad valorem taxes, except that the amount of ad valorem taxes levied by a city does not include ad valorem taxes levied on behalf of a taxing district and collected by the city.

(e) Determination Final. – The determination made by the Department with respect to a city’s excise tax share is final and is not subject to administrative or judicial review.

(f) Nature. – 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.

SECTION 7.3.(c) This section is effective for quarters beginning on or after July 1, 2014.

PART VIII. ELIMINATE SALES TAX SPECIAL EXEMPTIONS

SECTION 8.1.(a) G.S. 105-164.13(13c), (28), (30), and (50) are repealed.

SECTION 8.1.(b) This section becomes effective October 1, 2013, and applies to sales made on or after that date.

SECTION 8.2.(a) G.S. 105-164.13(27) and (27a), 105-164.13C, and 105-164.13D are repealed.

SECTION 8.2.(b) This section becomes effective July 1, 2014, and applies to sales made on or after that date.

SECTION 8.3.(a) G.S. 105-37.1, 105-38.1, and 105-40 are repealed.

SECTION 8.3.(b) G.S. 105-164.4(a) is amended by adding the following new subdivision to read:

"§ 105-164.4. Tax imposed on retailers.

(a) A privilege tax is imposed on a retailer at the following percentage rates of the retailer’s net taxable sales or gross receipts, as appropriate. The general rate of tax is four and three-quarters percent (4.75%).

(9) The general rate of tax applies to admission charges to an entertainment activity listed in this subdivision. Offering any of these listed activities is a service. An admission charge includes a charge for a single ticket, a multi-occasion ticket, a seasonal pass, an annual pass, and a cover charge.

An admission charge does not include a charge for amenities. If charges for amenities are not separately stated on the face of an admission ticket, then the charge for admission is considered to be equal to the admission charge.
charge for a ticket to the same event that does not include amenities and is
for a seat located directly in front of or closest to a seat that includes
amenities.

When an admission ticket is resold and the price of the admission ticket
is printed on the face of the ticket, the tax does not apply to the face price.
When an admission ticket is resold and the price of the admission ticket is
not printed on the face of the ticket, the tax applies to the difference between
the amount the reseller paid for the ticket and the amount the reseller charges
for the ticket.

Admission charges to the following entertainment activities are subject
to tax:

a. A live performance or other live event of any kind.
b. A movie.
c. A museum, a cultural site, a garden, an exhibit, a show, or a similar
   attraction or a guided tour at any of these attractions."

SECTION 8.3.(c) G.S. 105-164.13 is amended by adding the following new
subdivision to read:

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

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

(60) Admission charges to any of the following recreational or entertainment
activities:

a. An event that is held at an elementary or secondary school and is
   sponsored by the school.
b. A commercial agricultural fair that meets the requirements of
   G.S. 106-520.1, as determined by the Commissioner of Agriculture.
c. A festival or other recreational or entertainment activity that lasts no
   more than seven consecutive days and is sponsored by a nonprofit
   entity that is exempt from tax under Article 4 of this Chapter and
   uses the entire proceeds of the activity exclusively for the entity's
   nonprofit purposes. This exemption applies to no more than two
   activities sponsored by the entity during a calendar year.
d. A youth athletic contest sponsored by a nonprofit entity that is
   exempt from tax under Article 4 of this Chapter. For the purpose of
   this subdivision, a youth athletic contest is a contest in which each
   participating athlete is less than 20 years of age."

SECTION 8.3.(d) The following statutes are repealed:

G.S. 106-507
G.S. 106-516
G.S. 106-517
G.S. 106-518
G.S. 106-519
G.S. 106-520
G.S. 140-10.1

SECTION 8.3.(e) G.S. 105-164.9 is repealed.

SECTION 8.3.(f) G.S. 105-164.10 reads as rewritten:

"§ 105-164.10. Retail bracket system.

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

SECTION 8.3.(g) This section becomes effective October 1, 2013, and applies to admissions purchased on or after that date. For admissions to a live event, the tax applies to the initial sale or resale of tickets occurring on or after that date; gross receipts received on or after October 1, 2013, for admission to a live event, for which the initial sale of tickets occurred before that date, other than gross receipts received by a ticket reseller, are taxable under G.S. 105-37.1.

SECTION 8.4.(a) G.S. 105-164.14(c) is repealed.

SECTION 8.4.(b) G.S. 105-164.14(b) reads as rewritten:

"(b) Nonprofit Entities and Hospital Drugs. – A nonprofit entity is allowed a semiannual refund of sales and use taxes paid by it under this Article on direct purchases of tangible personal property and services, other than electricity, telecommunications service, and ancillary service, for use in carrying on the work of the nonprofit entity. Sales and use tax liability indirectly incurred by a nonprofit entity on building materials, supplies, fixtures, and equipment that become a part of or annexed to any building or structure that is owned or leased by the nonprofit entity and is being erected, altered, or repaired for use by the nonprofit entity for carrying on its nonprofit activities is considered a sales or use tax liability incurred on direct purchases by the nonprofit entity. A request for a refund must be in writing and must include any information and documentation required by the Secretary. A request for a refund for the first six months of a calendar year is due the following October 15; a request for a refund for the second six months of a calendar year is due the following April 15. The aggregate annual refund amount allowed for a nonprofit entity under this subsection for a fiscal year may not exceed the amount set in the table below:

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning July 1, 2014</td>
<td>$5,000,000</td>
</tr>
<tr>
<td>Beginning July 1, 2015</td>
<td>$1,000,000</td>
</tr>
<tr>
<td>Beginning on or after July 1, 2016</td>
<td>$ 100,000.</td>
</tr>
</tbody>
</table>

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

1. Hospitals not operated for profit, including hospitals and medical accommodations operated by an authority or other public hospital described in Article 2 of Chapter 131E of the General Statutes.
2. An organization that is exempt from income tax under section 501(c)(3) of the Code, other than an organization that is properly classified in any of the following major group areas of the National Taxonomy of Exempt Entities:
   a. Community Improvement and Capacity Building.
   b. Public and Societal Benefit.
   c. Mutual and Membership Benefit.
3. (2a) An organization that is exempt from income tax under the Code and is one of the following:
   a. A volunteer fire department.
   b. A volunteer emergency medical services squad.
4. Repealed by Session Laws 2008-107, s. 28.22(a), effective July 1, 2008, and applicable to purchases made on or after that date.
General Assembly of North Carolina
Session 2013

(4) Qualified retirement facilities whose property is excluded from property tax under G.S. 105-278.6A.

(5) A university affiliated nonprofit organization that procures, designs, constructs, or provides facilities to, or for use by, a constituent institution of The University of North Carolina. For purposes of this subdivision, a nonprofit organization includes an entity exempt from taxation as a disregarded entity of the nonprofit organization."

SECTION 8.4.(c) G.S. 105-164.14(d) reads as rewritten:

"(d) Late Applications. – Refunds applied for more than three years one year after the due date are barred."

SECTION 8.4.(d) G.S. 105-467(b) reads as rewritten:

"(b) Exemptions and Refunds. – The State exemptions and exclusions contained in G.S. 105-164.13, the State sales and use tax holidays contained in G.S. 105-164.13C and G.S. 105-164.13D, and the State refund provisions contained in G.S. 105-164.14 through G.S. 105-164.14B apply to the local sales and use tax authorized to be levied and imposed under this Article. The State refund provisions contained in G.S. 105-164.14 apply to the local sales and use tax authorized to be levied and imposed under this Article. Except: The aggregate local refund amount allowed to a nonprofit entity under G.S. 105-164.14(b) for a fiscal year may not exceed the amount set in the table below:

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning July 1, 2014</td>
<td>$1,500,000</td>
</tr>
<tr>
<td>Beginning July 1, 2015</td>
<td>$300,000</td>
</tr>
<tr>
<td>Beginning on or after July 1, 2016</td>
<td>$30,000</td>
</tr>
</tbody>
</table>

(b1) Additional Refunds. – Except as provided in this subsection, a taxing county may not allow an exemption, exclusion, or refund that is not allowed under the State sales and use tax. A local school administrative unit and a joint agency created by interlocal agreement among local school administrative units pursuant to G.S. 160A-462 to jointly purchase food service-related materials, supplies, and equipment on their behalf is allowed an annual refund of sales and use taxes paid by it under this Article on direct purchases of tangible personal property and services, other than electricity, telecommunications service, and ancillary service. Sales and use tax liability indirectly incurred by the entity on building materials, supplies, fixtures, and equipment that become a part of or annexed to any building or structure that is owned or leased by the entity and is being erected, altered, or repaired for use by the entity is considered a sales or use tax liability incurred on direct purchases by the entity for the purpose of this subsection. A request for a refund shall be in writing and shall include any information and documentation required by the Secretary. A request for a refund is due within six months after the end of the entity’s fiscal year. Refunds applied for more than three years one year after the due date are barred."

SECTION 8.4.(e) This section becomes effective July 1, 2014, and applies to purchases made on or after that date.

SECTION 8.5.(a) G.S. 105-164.4(a) reads as rewritten:

(a) A privilege tax is imposed on a retailer at the following percentage rates of the retailer’s net taxable sales or gross receipts, as appropriate. The general rate of tax is four and three-quarters percent (4.75%).

…

(1a) The general rate of two percent (2%) applies to the sales price of each manufactured home sold at retail, including all accessories attached to the manufactured home when it is delivered to the purchaser. The maximum tax is three hundred dollars ($300.00) per article. Each section of a
manufactured home that is transported separately to the site where it is to be erected is a separate article.

…

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

SECTION 8.5.(b) G.S. 105-164.44G repealed.
SECTION 8.5.(c) G.S. 105-467(a) reads as rewritten:
"(a) Sales Tax. – The sales tax that may be imposed under this Article is limited to a tax at the rate of one percent (1%) of the following:

(1) A retailer's net taxable sales and gross receipts that are subject to the general rate of sales tax imposed by the State under G.S. 105-164.4-G.S. 105-164.4 except the tax does not apply to the sales price of a manufactured home or a modular home.

(2) through (4) Repealed by Session Laws 2011-330, s. 45, effective June 27, 2011.

(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 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, 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.

(5b) The sales price of bread, rolls, and buns that are sold at a bakery thrift store and are exempt from State tax under G.S. 105-164.13(27a).

(6), (7) Repealed by Session Laws 2011-330, s. 45, effective June 27, 2011."

SECTION 8.5.(d) This section becomes effective October 1, 2014, and applies to sales made on or after that date.

PART IX. ELIMINATE SALES TAX ON FOOD AND AUTHORIZE COUNTIES TO LEVY A LOCAL SALES TAX ON FOOD

SECTION 9.1.(a) G.S. 105-483 reads as rewritten:
"§ 105-483. Levy and collection of additional taxes.

Any county subject to this Article may levy one-half percent (1/2%) local sales and use taxes in addition to any other State and local sales and use taxes levied pursuant to law. Except as provided in this Article, the adoption, levy, collection, distribution, administration, and repeal of these additional taxes shall be in accordance with Article 39 of this Chapter. A tax levied under this Article does not apply to the sales price of food that is exempt from tax pursuant to G.S. 105-164.13B or to the sales price of a bundled transaction taxable pursuant to G.S. 105-467(a)(5a). In applying the provisions of Article 39 of this Chapter to this Article, references to "this Article" mean Article 40 of this Chapter. The exemption for building materials in G.S. 105-468.1 does not apply to taxes levied under this Article."

SECTION 9.1.(b) G.S. 105-498 reads as rewritten:
"§ 105-498. Levy and collection of additional taxes.
Any county subject to this Article may levy one-half percent (1/2%) local sales and use taxes in addition to any other State and local sales and use taxes levied pursuant to law. Except as provided in this Article, the adoption, levy, collection, distribution, administration, and repeal of these additional taxes shall be in accordance with Article 39 of this Chapter. A tax levied under this Article does not apply to the sales price of food that is exempt from tax pursuant to G.S. 105-164.13B or to the sales price of a bundled transaction taxable pursuant to G.S. 105-467(a)(5a). In applying the provisions of Article 39 of this Chapter to this Article, references to "this Article" mean Article 42 of this Chapter. The exemption for building materials in G.S. 105-468.1 does not apply to taxes levied under this Article.

SECTION 9.1.(c) This section becomes effective November 1, 2014, and applies to sales made on or after that date.

SECTION 9.2.(a) G.S. 105-164.13 is amended by adding a new subdivision to read:

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

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

... (38a) Food, unless the food is included in one of the food items listed below:
   a. Dietary supplements.
   b. Food sold through a vending machine.
   c. Prepared food.
   f. Soft drinks.
   g. Candy."

SECTION 9.2.(b) G.S. 105-164.13B is repealed.

SECTION 9.2.(c) G.S. 105-467(a), as amended by Part VIII of this act, reads as rewritten:

"(a) Sales Tax. – The sales tax that may be imposed under this Article is limited to a tax at the rate of one percent (1%) of the following:
(4) A of a retailer's net taxable sales and gross receipts that are subject to the general rate of sales imposed by the State under G.S. 105-164.4 except the tax does not apply to the sales price of a manufactured home or a modular home.
(2) through (4) Repealed by Session Laws 2011-330, s. 45, effective June 27, 2011.
(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 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, 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.
(5b) The sales price of bread, rolls, and buns that are sold at a bakery thrift store and are exempt from State tax under G.S. 105-164.13(27a).
(6), (7) Repealed by Session Laws 2011-330, s. 45, effective June 27, 2011."

SECTION 9.2.(d) G.S. 105-469(a) reads as rewritten:

"(a) The Secretary shall collect and administer a tax levied by a county pursuant to this Article. 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 Secretary must, on a monthly basis, distribute local taxes levied on food 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.

SECTION 9.2.(e) This section becomes effective November 1, 2016, and applies to sales made on or after that date.

SECTION 9.3.(a) Subchapter VIII of Chapter 105 of the General Statutes is amended by adding a new Article to read:

"Article 47.

"§ 105-540. Short title.
This Article is the Local Government Sales and Use Tax on Food.

"§ 105-541. Levy.
(a) Authority. – If the majority of those voting in a referendum held pursuant to this section vote for the levy of the tax on food, the board of commissioners of the county may, by resolution, levy local sales and use taxes on food. In addition, the board of county commissioners may, in the event no election has been held within five years under subsection (b) of this section in which the tax has been defeated, after not less than 10 days' public notice and after a public hearing held pursuant thereto, by resolution, impose and levy the local sales and use tax on food to the same extent and with the same effect as if the levy of the tax had been approved in an election held pursuant to subsection (b) of this section.

(b) Vote. – The board of commissioners of a county may direct the county board of elections to conduct an advisory referendum on the question of whether to levy local sales and use taxes in the county on food as provided in this Article. The election must be held in accordance with the procedures of G.S. 163-287 on the same date as the general election in an even numbered year. The form of the question to be presented on a ballot for a special election concerning the levy of the taxes authorized by this Article shall be:

' [ ] FOR [ ] AGAINST
Local sales and use taxes on food.'

(c) Rate. – The local sales and use tax rate on food is the sum of the rates of the local sales and use taxes authorized and levied by the county under Subchapter VIII of this Chapter and under Chapter 1096 of the 1967 Session Laws.

"§ 105-542. Administration.
Except as provided in this Article, the adoption, levy, collection, administration, and repeal of the tax authorized by this Article shall be in accordance with Article 39 of this Chapter.

"§ 105-543. Distribution of tax.
The Secretary must, on a monthly basis, allocate to each taxing county the net proceeds of the sales and use taxes collected in that county on food. If the Secretary collects taxes under this Article in a month and the taxes cannot be identified as being attributable to a particular taxing county, the Secretary must allocate the net proceeds of these taxes among the taxing counties.
counties in proportion to the amount of taxes collected in each county under this Article in that month.

The Secretary must divide and distribute the funds allocated to a taxing county each month under this section between the county and the municipalities located in the county in accordance with the method by which the one percent (1%) sales and use taxes levied in that county pursuant to Article 39 of this Chapter or Chapter 1096 of the 1967 Session Laws are distributed. No municipality may receive any funds under this section if it was incorporated with an effective date of on or after January 1, 2000, and is disqualified from receiving funds under G.S. 136-41.2. No municipality may receive any funds under this section, incorporated with an effective date on or after January 1, 2000, unless a majority of the mileage of its streets are open to the public."

SECTION 9.3.(b) This section becomes effective January 1, 2017.

PART X. SALES TAX PREFERENCES FOR FARMERS

SECTION 10.(a) Part 3 of Article 5 of Chapter 105 of the General statutes is amended by adding a new section to read:

"§ 105-163.13E. Exemption for farmer.

The following tangible personal property, digital property, and services are exempt from sales and use tax if purchased by a farmer and used for a farming. A farmer qualifies for this exemption if the farmer has an annual gross income of ten thousand dollars ($10,000) or more from farming operations for the preceding calendar year. For purposes of this section, 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.

(1) Fuel and electricity.
(2) Commercial fertilizer, lime, land plaster, plastic mulch, plant bed covers, potting soil, bale twine, and seeds.
(3) Farm machinery, attachment and repair parts for farm machinery, and lubricants applied to farm machinery. The term "machinery" includes implements that have moving parts or are operated or drawn by an animal. The term does not include implements operated wholly by hand or motor vehicles required to be registered under Chapter 20 of the General Statutes.
(4) Any of the following substances when purchased for use on animals or plants, as appropriate, held or produced for commercial purposes. This exemption does not apply to any equipment or devices used to administer, release, apply, or otherwise dispense these substances:
   a. Remedies, vaccines, medications, litter materials, and feeds for animals.
   b. Rodenticides, insecticides, herbicides, fungicides, and pesticides.
   c. Defoliants for use on cotton or other crops.
   d. Plant growth inhibitors, regulators, or stimulators, including systemic and contact or other sucker control agents for tobacco and other crops.
   e. Semen.
(5) Baby chicks and poults sold for commercial poultry or egg production.
(6) Any of the following tobacco items:
   a. The lease or rental of tobacco sheets used in handling tobacco in the warehouse and transporting tobacco to and from the warehouse.
   b. A metal flue sold for use in curing tobacco, whether the flue is attached to a hand fired furnace or used in connection with a mechanical burner.
c. A bulk tobacco barn or rack, parts and accessories attached to the tobacco barn or rack, and any similar apparatus, part, or accessory used to cure or dry tobacco or another crop.”

**SECTION 10.**(b) G.S. 105-164.13(1), (1b), (2a), (4a), and (4d) are repealed.

**SECTION 10.**(c) This section becomes effective July 1, 2015, and applies to sales made on or after that date.

PART XI. PHASED ELIMINATION OF VARIOUS SALES TAX EXEMPTIONS AND REFUNDS

**SECTION 11.1.**(a) Part 3 of Article 5 of Chapter 105 of the General Statutes is amended by adding a new section to read:

"§ 105-164.14C. Phase out of sales tax preferences.
(a) Refund Amount. – The refund amount allowed under this section for a fiscal year is the percentage amount of sales and use taxes paid during the fiscal year as provided in the table below:

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Percentage Allowed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning July 1, 2014</td>
<td>75%</td>
</tr>
<tr>
<td>Beginning July 1, 2015</td>
<td>50%</td>
</tr>
<tr>
<td>Beginning July 1, 2016</td>
<td>25%</td>
</tr>
</tbody>
</table>

(b) Administration. – A request for a refund must be in writing and must include any information and documentation required by the Secretary. A request for a refund is due within six months after the end of the State's fiscal year. Refunds applied for after the due date are barred.

(c) Not an Overpayment. – Taxes for which a refund is allowed under this section is not an overpayment of tax and do not accrue interest as provided in G.S. 105-241.21.

(d) Refund Allowed. – The following taxpayers are allowed an annual refund of sales and use taxes paid under this Article in the amount provided in subsection (a) of this section.

(1) Farmer. – A farmer that qualifies for a sales tax exemption under G.S. 105-164.13DE is allowed a refund of the sales and use tax paid by the farmer on the following items purchased for use in farming operations:

a. A container used for commercial fertilizer, lime, land plaster, plastic mulch, plant bed covers, potting soil, bale twine, and seeds.
b. A container used in packaging and transporting the farmer's product for sale.
c. A grain, feed, or soybean storage facility, and parts and accessories attached to the facility.
d. A commercially manufactured facility to be used for commercial purposes for housing, raising, or feeding animals or for housing equipment necessary for these commercial activities. The refund also applies to commercially manufactured equipment, and parts and accessories for the equipment, used in the facility.
e. Building materials, supplies, fixtures, and equipment that become a part of and are used in the construction, repair, or improvement of an enclosure or a structure specifically designed, constructed, and used for housing, raising, or feeding animals or for housing equipment necessary for one of these commercial activities. The refund also applies to commercially manufactured equipment, and parts and accessories for the equipment, used in the enclosure or a structure.

(2) Commercial logging. – A person engaged in the commercial logging business is allowed a refund of the sales and use tax by it on the following:
a. Logging machinery. – Logging machinery is machinery used to harvest raw forest products for transport to first market.

b. Attachments and repair parts for logging machinery.

c. Lubricants applied to logging machinery.

d. Fuel used to operate logging machinery.

(3) Wood chippers. – A person is allowed a refund of the sales and use tax paid by it on a wood chipper that meets all of the following requirements:

a. It is designed to be towed by a motor vehicle.

b. It is assigned a 17-digit vehicle identification number by the National Highway Transportation Safety Association.

c. It is sold to a person who purchases a motor vehicle in this State that is to be registered in another state and who uses the purchased motor vehicle to tow the wood chipper to the state in which the purchased motor vehicle is to be registered.

(4) Telephone company. – A telephone company regularly engaged in providing telecommunications service to subscribers on a commercial basis is allowed a refund of the sales and use tax paid by it on central office equipment, switchboard equipment, private branch exchange equipment, terminal equipment other than public pay telephone terminal equipment, and parts and accessories attached to the equipment.

(5) Radio or television company. – A radio or television company licensed by the Federal Communications Commission is allowed a refund of the sales and use tax paid by it on towers, broadcasting equipment, and parts and accessories attached to the equipment.

(6) Cable service provider. – A cable service provider is allowed a refund of the sales and use tax paid by it on broadcasting equipment and parts and accessories attached to the equipment. For the purposes of this subdivision, "broadcasting equipment" does not include cable.

(7) Commercial fishing. – A person listed in this subdivision is allowed a refund of the sales and use tax paid by it on boats, fuel oil, lubricating oils, machinery, equipment, nets, rigging, paints, parts, accessories, and supplies.

a. The holder of a standard commercial fishing license issued under G.S. 113-168.2 for principal use in commercial fishing operations.

b. The holder of a shellfish license issued under G.S. 113-169.2 for principal use in commercial shellfishing operations.

c. The operator of a for-hire boat, as defined in G.S. 113-174, for principal use in the commercial use of the boat.

(8) Commercial laundries and dry cleaners. – A commercial laundry or dry cleaning establishment is allowed a refund of the sales and use tax paid by it on the following:

a. Articles or materials used for the identification of garments being laundered or dry cleaned, wrapping paper, bags, hangers, starch, soaps, detergents, cleaning fluids and other compounds or chemicals applied directly to the garments in the direct performance of the laundering or the pressing and cleaning service.

b. Laundry and dry-cleaning machinery, parts and accessories attached to the machinery, and lubricants applied to the machinery.

c. Fuel used in the direct performance of the laundering or the pressing and cleaning service.

(9) Packaging items. – A manufacturer, producer, or retailer is allowed a refund of the sales and use tax paid by it on wrapping paper, labels, wrapping twine,
paper, cloth, plastic bags, cartons, packages and containers, cores, cones or spools, wooden boxes, baskets, coops and barrels, including paper cups, napkins and drinking straws and like articles, when such materials are used for packaging, shipment or delivery of tangible personal property which is sold either at wholesale or retail and when such articles constitute a part of the sale of such tangible personal property and are delivered with it to the customer.

(10) Commercial printer and publisher. – A commercial printer or a commercial publisher is allowed a refund of the sales and use tax paid by it on paper, ink, and other tangible personal property for use as ingredients or component parts of free distribution periodicals and sales by printers of free distribution periodicals to the publishers of these periodicals. As used in this subdivision, the term "free distribution periodical" means a publication that is continuously published on a periodic basis monthly or more frequently, is provided without charge to the recipient, and is distributed in any manner other than by mail.

(11) Railroad company. – A railroad company is allowed a refund of the sales and use tax paid by it on diesel fuel for use in rolling stock other than motor vehicles. The definitions in G.S. 105-333 apply in this subdivision.

(12) Passenger air carrier. – An interstate passenger air carrier is allowed a refund of the sales and use tax paid by it on fuel in excess of two million five hundred thousand dollars ($2,500,000). The amount of sales and use tax paid does not include a refund allowed to the interstate passenger air carrier under G.S. 105-164.14(a)."

SECTION 11.1.(b) G.S. 105-164.13(1a), (4c), (4f), (4g), (5b), (5c), (5d), (9), (10), (11a), (23)a, and (39) are repealed.

SECTION 11.1.(c) G.S. 105-467(b), as amended in Part VIII of this act, reads as rewritten:

"(b) Exemptions and Refunds. – The State exemptions and exclusions contained in G.S. 105-164.13 apply to the local sales and use tax authorized to be levied and imposed under this Article. The State refund provisions contained in G.S. 105-164.14 through G.S. 105-164.14B-105-164.14C apply to the local sales and use tax authorized to be levied and imposed under this Article. The amount of a refund allowed under G.S. 105-164.14C is the same percentage refund amount allowed for a State refund under that section. The aggregate local refund amount allowed to a nonprofit entity under G.S. 105-164.14(b) for a fiscal year may not exceed the amount set in the table below:

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning July 1, 2014</td>
<td>$1,500,000</td>
</tr>
<tr>
<td>Beginning July 1, 2015</td>
<td>$300,000</td>
</tr>
<tr>
<td>Beginning on or after July 1, 2016</td>
<td>$30,000</td>
</tr>
</tbody>
</table>

SECTION 11.1.(d) This section becomes effective July 1, 2014, and applies to sales and purchases made on or after that date.

SECTION 11.2.(a) G.S. 105-164.14C, as enacted by this Part, is repealed.

SECTION 11.2.(b) G.S. 105-467(b), as amended by this Part, reads as rewritten:

"(b) Exemptions and Refunds. – The State exemptions and exclusions contained in G.S. 105-164.13 apply to the local sales and use tax authorized to be levied and imposed under this Article. The State refund provisions contained in G.S. 105-164.14 through 105-164.14C 105-164.14B apply to the local sales and use tax authorized to be levied and imposed under this Article. The amount of a refund allowed under G.S. 105-164.14C is the same percentage refund amount allowed for a State refund under that section. The aggregate local refund amount
allowed to a nonprofit entity under G.S. 105-164.14(b) for a fiscal year may not exceed the amount set in the table below:

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning July 1, 2014</td>
<td>$1,500,000</td>
</tr>
<tr>
<td>Beginning July 1, 2015</td>
<td>$300,000</td>
</tr>
<tr>
<td>Beginning on or after July 1, 2016</td>
<td>$30,000</td>
</tr>
</tbody>
</table>

SECTION 11.2.(c) This section becomes effective July 1, 2017, and applies to purchases made on or after that date.

PART XII. ELIMINATE ESTATE TAX

SECTION 12.(a) Article 1A of Chapter 105 of the General Statutes is repealed.

SECTION 12.(b) G.S. 105-241.10 reads as rewritten:

"§ 105-241.10. Limit on refunds and assessments after a federal determination.

The limitations in this section apply when a taxpayer files a timely return reflecting a federal determination that affects the amount of State tax payable and the general statute of limitations for requesting a refund or proposing an assessment of the State tax has expired. A federal determination is a correction or final determination by the federal government of the amount of a federal tax due. A return reflecting a federal determination is timely if it is filed within the time required by G.S. 105-32.8, 105-130.20, 105-159, 105-160.8, or 105-163.6A, as appropriate. The limitations are:

(1) Refund. – A taxpayer is allowed a refund only if the refund is the result of adjustments related to the federal determination.

(2) Assessment. – A taxpayer is liable for additional tax only if the additional tax is the result of adjustments related to the federal determination. A proposed assessment may not include an amount that is outside the scope of this liability."

SECTION 12.(c) G.S. 105-236(a)(5) reads as rewritten:

"(a) Penalties. – The following civil penalties and criminal offenses apply:

…

(5) Negligence. –

…

e. Estate tax deficiencies. — This subdivision does not apply to estate tax deficiencies that are the result of valuation understatements.

…"

SECTION 12.(d) This section becomes effective January 1, 2013, and applies to the estates of decedents dying on or after that date.

PART XIII. DEED STAMP TAX PROCEEDS CREDITED TO GENERAL FUND

SECTION 13.(a) G.S. 105-228.30(b) reads as rewritten:

(b) The register of deeds of each county must remit the proceeds of the tax levied by this section to the county finance officer. The finance officer of each county must credit one-half of the proceeds to the county's general fund and remit the remaining one-half of the proceeds, less taxes refunded and the county's allowance for administrative expenses, to the Department of Revenue on a monthly basis. A county may retain two percent (2%) of the amount of tax proceeds allocated for remittance to the Department of Revenue as compensation for the county's cost in collecting and remitting the State's share of the tax. Of the funds remitted to it pursuant to this section, the Department of Revenue must credit seventy-five percent (75%) to the Parks and Recreation Trust Fund established under G.S. 113-44.15 and twenty-five percent (25%) to the Natural Heritage Trust Fund established under G.S. 113-77.7. The Department of Revenue shall credit the funds remitted to it under this subsection to the General Fund."

SECTION 13.(b) G.S. 113-44.15(a) reads as rewritten:
"(a) Fund Created. – There is established a Parks and Recreation Trust Fund in the State Treasurer's Office. The Trust Fund shall be a nonreverting special revenue fund consisting of gifts and grants to the Trust Fund, monies credited to the Trust Fund pursuant to G.S. 105-228.30(b) Fund and other monies appropriated to the Trust Fund by the General Assembly. Investment earnings credited to the assets of the Fund shall become part of the Fund."

SECTION 13.(c) G.S. 113-77.9 reads as rewritten:

"§ 113-77.9. Acquisition of lands with funds from the Natural Heritage Trust Fund.

... 

(b) Land Acquisition and Debt Service. – The Trustees may authorize expenditures from the Fund for the following purposes:

(1) To acquire land that represents the ecological diversity of North Carolina, including natural features such as riverine, montane, coastal, and geologic systems and other natural areas to ensure their preservation and conservation for recreational, scientific, educational, cultural, and aesthetic purposes, and to retire debt incurred for this purpose under Article 9 of Chapter 142 of the General Statutes.

(2) To acquire land as additions to the system of parks, State trails, aesthetic forests, fish and wildlife management areas, wild and scenic rivers, and natural areas for the beneficial use and enjoyment of the public, and to retire debt incurred for this purpose under Article 9 of Chapter 142 of the General Statutes.

(3) Subject to the limitations of subsection (b2) of this section, to acquire land that contributes to the development of a balanced State program of historic properties.

... 

(b2) Historic Properties. — The Trustees may authorize expenditure of up to twenty-five percent (25%) of the funds credited to the Fund pursuant to G.S. 105-228.30 during the preceding fiscal year to acquire land under subdivision (3) of subsection (b) of this section. No other funds in the Fund may be used for expenditures to acquire land under subdivision (3) of subsection (b) of this section.

(b3) Debt. — Of the funds credited annually to the Fund pursuant to G.S. 105-228.30, the Trustees may authorize expenditure of up to sixty percent (60%) to reimburse the General Fund for debt service on special indebtedness to be issued or incurred under Article 9 of Chapter 142 of the General Statutes for the purposes provided in subdivisions (b)(1) and (2) of this section. In order to authorize expenditure of funds for debt service reimbursement, the Trustees must identify to the State Treasurer and the Department of Administration the specific natural heritage projects for which they would like special indebtedness to be issued or incurred and the annual amount they intend to make available, and request the State Treasurer to issue or incur the indebtedness. After special indebtedness has been issued or incurred for a natural heritage project requested by the Trustees, the Trustees must direct the State Treasurer to credit to the General Fund each year the actual aggregate principal and interest payments to be made in that year on the special indebtedness, as identified by the State Treasurer.

..."

SECTION 13.(d) This section becomes effective July 1, 2013, and applies to transfers made on or after that date.

PART XIV. SCRAP TIRE DISPOSAL TAX PROCEEDS CREDITED TO GENERAL FUND

SECTION 14.(a) G.S. 105-187.19(b) reads as rewritten:
"(b) Each quarter, the Secretary shall credit eight percent (8%) of the net tax proceeds to the Solid Waste Management Trust Fund, seventeen percent (17%) of the net tax proceeds to the Scrap Tire Disposal Account, two and one half percent (2.5%) of the net tax proceeds to the Inactive Hazardous Sites Cleanup Fund, and two and one half percent (2.5%) of the net tax proceeds to the Bernard Allen Memorial Emergency Drinking Water Fund. The Secretary shall distribute the remaining seventy percent (70%) of the net tax proceeds among the counties on a per capita basis according to the most recent annual population estimates certified to the Secretary by the State Budget Officer."

SECTION 14.(b) G.S. 130A-309.63 is repealed.

SECTION 14.(c) Part 2B of Article 9 of Chapter 130A of the General Statutes is amended by adding a new section to read:

§ 130A-309.64. Scrap Tire Disposal Program; other Department activities related to scrap tires.

(a) The Department may make grants to units of local government to assist them in disposing of scrap tires. To administer the grants, the Department shall establish procedures for applying for a grant and the criteria for selecting among grant applicants. The criteria shall include the financial ability of a unit of local government to provide for scrap tire disposal, the severity of a unit of local government's scrap tire disposal problem, the effort made by a unit of local government to ensure that only tires generated in the normal course of business in this State are provided free disposal, and the effort made by a unit of local government to provide for scrap tire disposal within the resources available to it.

(b) A unit of local government is not eligible for a grant under subsection (a) of this section unless its costs for disposing of scrap tires for the six-month period preceding the date the unit of local government files an application for a grant exceeded the amount of local government received during that period from the proceeds of the scrap tire tax under G.S. 105-187.19. A grant to a unit of local government for scrap tire disposal may not exceed the unit of local government's unreimbursed cost for the six-month period.

(c) The Department may support a position to provide local governments with assistance in developing and implementing scrap tire management programs designed to complete the cleanup of nuisance tire collection sites and prevent scrap tires generated from outside of the State from being presented for free disposal in the State.

(d) The Department may clean up scrap tire collection sites that the Department has determined are a nuisance. The Department may use funds to clean up a nuisance tire collection site only if no other funds are available for that purpose.

(e) The Department shall include in the report to be delivered to the Environmental Review Commission on or before January 15 of each year pursuant to G.S. 130A-309.06(c) a description of the implementation of the North Carolina Scrap Tire Disposal Act under this Part for the fiscal year ending the preceding June 30. The description of the implementation of the North Carolina Scrap Tire Disposal Act shall include a list of the recipients of grants under subsection (a) of this section and the amount of each grant for the previous 12-month period. The report also shall include the amount of funds used to clean up nuisance sites under subsection (d) of this section.

(f) The Department may adopt any rules necessary to implement this section."

SECTION 14.(d) G.S. 130A-309.06(c) reads as rewritten:

"(c) The Department shall report to the Environmental Review Commission on or before 15 January of each year on the status of solid waste management efforts in the State. The report shall include:

…

(10) A description of the implementation of the North Carolina Scrap Tire Disposal Act that includes the beginning and ending balances in the Scrap
Tire Disposal Account for the reporting period, the amount credited to the Scrap Tire Disposal Account during the reporting period, and the amount of revenue used for grants and to clean up nuisance tire collection sites, as required by G.S. 130A-309.63(e) under the provisions of G.S. 130A-309.64.

SECTION 14.(e) G.S. 130A-309.09C(g) reads as rewritten:
"(g) In addition to any other penalties provided by law, a unit of local government that does not comply with the requirements of G.S. 130A-309.09A(b) and G.S. 130A-309.09B(a) shall not be eligible for grants from the Solid Waste Management Trust Fund, the Scrap Tire Disposal Account Fund or the White Goods Management Account and shall not receive the proceeds of the scrap tire disposal tax imposed by Article 5B of Chapter 105 of the General Statutes or the proceeds of the white goods disposal tax imposed by Article 5C of Chapter 105 of the General Statutes to which the unit of local government would otherwise be entitled. The Secretary shall notify the Secretary of Revenue to withhold payment of these funds to any unit of local government that fails to comply with the requirements of G.S. 130A-309.09A(b) and G.S. 130A-309.09B(a). Proceeds of the scrap tire disposal tax that are withheld pursuant to this subsection shall be credited to the Scrap Tire Disposal Account General Fund and may be used as provided in G.S. 130A-309.63. G.S. 130A-309.64. Proceeds of the white goods disposal tax that are withheld pursuant to this subsection shall be credited to the White Goods Management Account and may be used as provided in G.S. 130A-309.83."

SECTION 14.(f) Any tax proceeds remaining in the Scrap Tire Disposal Account, repealed under subsection (b) of this section, as of the effective date of this section shall continue to be used for the same purposes and in the same manner as the Scrap Tire Disposal Account, except the funds in the Scrap Tire Disposal Account shall not be used for grants to encourage the use of processed scrap tire materials.

SECTION 14.(g) This section becomes effective July 1, 2013.

PART XV. EFFECTIVE DATE

SECTION 15.(a) This act does not affect the rights or liabilities of the State, a taxpayer, or another person arising under a statute amended or repealed by this act before the effective date of its amendment or repeal; nor does it affect the right to any refund or credit of a tax that accrued under the amended or repealed statute before the effective date of its amendment or repeal.

SECTION 15.(b) G.S. 105-237.1(a) reads as rewritten:
"(a) Authority. – The Secretary may compromise a taxpayer's liability for a tax that is collectible under G.S. 105-241.22 when the Secretary determines that the compromise is in the best interest of the State and makes one or more of the following findings:

…

(6) The taxpayer is a retailer or a person under Article 5 of this Chapter, the assessment is for sales or use tax the retailer failed to collect or the person failed to pay on an item taxable under G.S. 105-164.4(a)(9) and the retailer or person made a good-faith effort to comply with the sales and use tax laws.

This subdivision expires for assessments issued after July 1, 2020."

SECTION 15.(c) Except as otherwise provided, this act is effective when it becomes law.