

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2013

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HOUSE BILL 1224
Senate Finance Committee Substitute Adopted 7/16/14
Senate Finance Committee Substitute Adopted 7/22/14
Fourth Edition Engrossed 7/24/14
Proposed Conference Committee Substitute H1224-PCCS20193-SV-6

Short Title: Local Sales Tax Options/Econ. Devpt. Changes.

(Public)

Sponsors:

Referred to:

May 28, 2014

A BILL TO BE ENTITLED

AN ACT TO LIMIT THE TOTAL LOCAL GOVERNMENT SALES AND USE TAX RATE TO TWO AND ONE-HALF PERCENT; TO ALLOW DURHAM, ORANGE, FORSYTH, GUILFORD, MECKLENBURG, AND WAKE COUNTIES TO RETAIN A LOCAL SALES AND USE TAX CAP OF TWO AND THREE-QUARTERS PERCENT IF A MAJORITY OF VOTERS IN THOSE COUNTIES APPROVE THE LEVY OF A ONE-QUARTER PERCENT TAX IN A SPECIAL ELECTION HELD IN 2014; TO GIVE COUNTIES THE FLEXIBILITY TO USE UP TO ONE-HALF PERCENT OF THE LOCAL SALES AND USE TAX FOR PUBLIC TRANSPORTATION, FOR PUBLIC EDUCATION, FOR GENERAL PURPOSES, OR FOR A COMBINATION THEREOF; TO DIRECT THE REVENUE LAWS STUDY COMMITTEE TO STUDY HISTORIC REHABILITATION INCENTIVES; TO MAKE VARIOUS CHANGES TO TAX AND ECONOMIC DEVELOPMENT LAWS; TO CLARIFY THE CONFIDENTIALITY OF UNEMPLOYMENT COMPENSATION RECORDS; AND TO MAKE TECHNICAL AND CLARIFYING CHANGES TO THE REVENUE LAWS.

The General Assembly of North Carolina enacts:

PART I. LOCAL OPTION SALES TAX OPTIONS

SECTION 1.1. Subchapter VIII of Chapter 105 of the General Statutes is amended by adding a new Article to read:

"Article 43A.

"County Sales and Use Tax for Public Education.

"§ 105-513.1. Short title; purpose.

This Article is the County Sales and Use Tax for Public Education. Article 43 of this Chapter, Article 46 of this Chapter, and this Article give the counties of this State an opportunity to obtain an additional source of revenue with which to meet their needs. A county may choose to use this source of revenue to finance local public transportation systems, as provided in Article 43 of this Chapter, for public education needs, as provided in this Article, or for general purposes, as provided in Article 46 of this Chapter.

"§ 105-513.2. Levy.



* H 1 2 2 4 - P C C S 2 0 1 9 3 - C C S S V - 6 *

1 (a) Referendum. – A tax levied under this Article must be approved in a referendum.
2 The board of commissioners of a county may direct the county board of elections to conduct an
3 advisory referendum on the question of whether to levy a local sales and use tax in the county
4 at a rate of up to one-half percent (1/2%). The applicable rate must meet all of the conditions
5 listed in this subsection. The election shall be held in accordance with the procedures of
6 G.S. 163-287. The conditions are:

7 (1) It must be in an increment of one-quarter percent (1/4%).

8 (2) It must be at a rate that, if levied, would not result in a total local sales and
9 use tax rate in the county in excess of two and one-half percent (2 1/2%).

10 (b) Ballot Question. – The form of the question to be presented on a ballot for a special
11 election concerning the levy of the tax authorized by this Article shall be:

12 "[] FOR [] AGAINST

13 Local sales and use tax at [the applicable rate stated in both words and as a percentage] in
14 addition to the current local sales and use taxes, to be used only for public education."

15 (c) Authority. – If the majority of those voting in a referendum held pursuant to this
16 Article vote for the levy of the tax, the board of commissioners of the county may, by
17 resolution and after 10 days' public notice, levy a local sales and use tax at the rate specified in
18 the ballot.

19 **"§ 105-513.3. Administration.**

20 Except as provided in this Article, the adoption, levy, collection, administration, and repeal
21 of these additional taxes must be in accordance with Article 39 of this Chapter. In applying the
22 provisions of Article 39 of this Chapter to this Article, references to "this Article" mean
23 "Article 43A of Chapter 105 of the General Statutes." G.S. 105-468.1 is an administrative
24 provision that applies to this Article. A tax levied under this Article does not apply to the sales
25 price of food that is exempt from tax pursuant to G.S. 105-164.13B or to the sales price of a
26 bundled transaction taxable pursuant to G.S. 105-467(a)(5a). The Secretary shall not divide the
27 amount allocated to a county between the county and the municipalities within the county.

28 **"§ 105-513.4. Use.**

29 A county may use the proceeds of a tax levied under this Article only for the following
30 purposes:

31 (1) Public school capital outlay purposes, as defined in G.S. 115C-426(f), or to
32 retire any indebtedness incurred by the county for these purposes.

33 (2) Salaries of classroom teachers, salaries of classroom teacher assistants, and
34 supplements of classroom teacher salaries. For the purposes of this section, a
35 classroom teacher is an employee of a local board of education employed as
36 a teacher who spends at least seventy percent (70%) of his or her work time
37 in classroom instruction, and a classroom teacher assistant is an employee of
38 a local board of education employed as a teacher assistant who spends at
39 least seventy percent (70%) of his or her work time assisting in a classroom.

40 (3) Financial support of community colleges, including funds to supplement
41 State financial support of community colleges."

42 **SECTION 1.2.(a)** G.S. 115C-429(b) reads as rewritten:

43 "(b) The board of county commissioners shall complete its action on the school budget
44 on or before July 1, or such later date as may be agreeable to the board of education. The
45 commissioners shall determine the amount of county revenues to be appropriated in the county
46 budget ordinance to the local school administrative unit for the budget year. The board of
47 county commissioners may, in its discretion, allocate part or all of its appropriation by purpose,
48 function, or project as defined in the uniform budget format. For allocations made by the board
49 of county commissioners for the purpose of or for a function related to instructional services,
50 the board of county commissioners may direct the amount of funds to be used for salaries of
51 classroom teachers, salaries of classroom teacher assistants, and supplements of classroom

1 teacher salaries. For the purposes of this section, a classroom teacher is an employee of a local
2 board of education employed as a teacher who spends at least seventy percent (70%) of his or
3 her work time in classroom instruction, and a classroom teacher assistant is an employee of a
4 local board of education employed as a teacher assistant who spends at least seventy percent
5 (70%) of his or her work time assisting in a classroom."

6 **SECTION 1.2.(b)** G.S. 115C-433(b) reads as rewritten:

7 "(b) If the board of county commissioners allocates part or all of its appropriations
8 pursuant to G.S. 115C-429(b), the board of education must obtain the approval of the board of
9 county commissioners for an amendment to the budget that does any of the following:

10 (1)(i) ~~increases~~—Increases or decreases expenditures from the capital outlay fund
11 for projects listed in G.S. 115C-426(f)(1) or (2), or (ii)(2).

12 (2) ~~increases~~—Increases or decreases the amount of county appropriation
13 allocated to a purpose or function by twenty-five percent (25%) or more
14 from the amount contained in the budget ordinance adopted by the board of
15 county commissioners: ~~Provided, provided,~~ that at its discretion, the board
16 may in its budget ordinance specify a lesser percentage, so long as such
17 percentage is not less than ten percent-percent (10%).

18 (3) ~~Decreases the amount of funds allocated for salaries of classroom teachers,~~
19 ~~salaries of classroom teacher assistants, and supplements of classroom~~
20 ~~teacher salaries. For the purposes of this section, a classroom teacher is an~~
21 ~~employee of a local board of education employed as a teacher who spends at~~
22 ~~least seventy percent (70%) of his or her work time in classroom instruction,~~
23 ~~and a classroom teacher assistant is an employee of a local board of~~
24 ~~education employed as a teacher assistant who spends at least seventy~~
25 ~~percent (70%) of his or her work time assisting in a classroom."~~

26 **SECTION 1.3.(a)** G.S. 115D-55(a) reads as rewritten:

27 "(a) Approval of Budget by Local Tax-Levying Authority. – By a date fixed by the local
28 tax-levying authority, the budget shall be submitted to the local tax-levying authority for
29 approval of that portion within its authority as stated in G.S. 115D-54(b). On or before July 1,
30 or such later date as may be agreeable to the board of trustees, but in no instance later than
31 September 1, the local tax-levying authority shall determine the amount of county revenue to
32 be appropriated to an institution for the budget year. The local tax-levying authority may
33 allocate part or all of an appropriation by purpose, function, or project as defined in the budget
34 manual as adopted by the State Board of Community Colleges. The local tax-levying authority
35 may direct the use of funds appropriated to the institution derived from a tax levied under
36 Article 43A of Chapter 105 of the General Statutes.

37 The local tax-levying authority shall have full authority to call for all books, records, audit
38 reports, and other information bearing on the financial operation of the institution except
39 records dealing with specific persons for which the persons' rights of privacy are protected by
40 either federal or State law.

41 Nothing in this Article shall be construed to place a duty on the local tax-levying authority
42 to fund a deficit incurred by an institution through failure of the institution to comply with the
43 provisions of this Article or rules and regulations issued pursuant hereto."

44 **SECTION 1.3.(b)** G.S. 115D-58(b) reads as rewritten:

45 "(b) If the local tax-levying authority allocates part or all of an appropriation pursuant to
46 G.S. 115D-55, the board of trustees must obtain approval of the local tax-levying authority for
47 an amendment to the budget which does any of the following:

48 (1) ~~increases~~—Increases or decreases the amount of that appropriation allocated to
49 a purpose, function, or project by twenty-five percent (25%) or more from
50 the amount contained in the budget ordinance adopted by the local
51 tax-levying authority or such lesser percentage as specified by the local

1 tax-levying authority in the original budget ordinance, so long as such
2 percentage is not less than ten percent (10%).

- 3 (2) Decreases the amount of the appropriation directed by the tax-levying
4 authority for a specific use from funds appropriated to the institution derived
5 from a tax levied under Article 43A of Chapter 105 of the General Statutes."

6 **SECTION 1.4.(a)** G.S. 105-506 reads as rewritten:

7 **"§ 105-506. Short title; purpose.**

8 This Article is the Local Government Public Transportation Sales Tax Act and may be cited
9 by that name. ~~This Article gives Article, Article 43A of this Chapter, and Article 46 of this~~
10 ~~Chapter give the counties and transportation authorities of this State an opportunity to obtain an~~
11 ~~additional source of revenue with which to meet their needs for financing needs. Counties and~~
12 ~~transportation authorities may choose to use this source of revenue to finance local public~~
13 ~~transportation systems. It provides them with authority to levy sales and use taxes. All such~~
14 ~~taxes systems under this Article, counties may choose to use this source of revenue to finance~~
15 ~~public education needs, as provided in Article 43A of this Chapter, or counties may choose to~~
16 ~~use this source of revenue for general purposes, as provided in Article 46 of this Chapter. A tax~~
17 ~~levied under this Article must be approved in a referendum."~~

18 **SECTION 1.4.(b)** Part 1 of Article 43 of Chapter 105 of the General Statutes is
19 amended by adding a new section to read:

20 **"§ 105-506.4. Tax rate.**

21 (a) Rate. – The applicable rate of local sales and use tax that may be levied under this
22 Article must meet all of the following conditions:

23 (1) It must be in an increment of one-quarter percent (1/4%).

24 (2) It must be at a rate that, if levied, would not result in a total local sales and
25 use tax rate in the county in excess of two and one-half percent (2 1/2%).

26 (b) One-Half Cent (1/2%) Transit-Authorized Counties. – Notwithstanding subsection
27 (a) of this section, the local sales and use tax rate of a county may exceed two and one-half
28 percent (2 1/2%) if all of the conditions listed in this subsection are met. In no event may a
29 county's local sales and use tax rate exceed two and three-quarters percent (2 3/4%). The
30 conditions are:

31 (1) The county is Durham, Forsyth, Guilford, Orange, Mecklenburg or Wake
32 County.

33 (2) The county levies a tax authorized under Part 2 of Article 43 of this Chapter,
34 the county levies a tax at the rate of one-half percent (1/2%) under Part 5 of
35 Article 43 of this Chapter, or the county is part of a special district
36 authorized to levy a tax under Part 4 of Article 43 of this Chapter.

37 (3) The county conducted one or more advisory referendums on or before
38 December 31, 2014, in which a majority of the voters approved the levy of a
39 local sales and use tax at the rate of one-quarter percent (1/4%) under Article
40 46 of this Chapter.

41 (c) Reinstatement of Cap. – If the levy of a tax under this Article or Article 46 of this
42 Chapter is repealed and the repeal results in the local sales and use tax rate falling below two
43 and three-quarters percent (2 3/4%) in a county listed in subdivision (b)(1) of this section, the
44 county may not enact a local sales and use tax under this Subchapter that results in a county
45 local sales and use tax rate that exceeds two and one-half percent (2 1/2%)."

46 **SECTION 1.4.(c)** G.S. 105-507.1 reads as rewritten:

47 **"§ 105-507.1. Local election on adoption of sales and use tax.**

48 (a) Resolution. – The board of commissioners of a county may direct the county board
49 of elections to conduct an advisory referendum within the county on the question of whether a
50 local sales and use tax at the rate of up to one-half percent (1/2%) may be levied in accordance
51 with this Part. The applicable rate must be in accordance with G.S. 105-506.4. The election

1 shall be held in accordance with the procedures of G.S. 163-287. The board of commissioners
2 shall hold a public hearing on the question at least 30 days before the date the election is to be
3 held.

4 (b) Ballot Question. – The form of the question to be presented on a ballot for a special
5 election concerning the levy of a tax authorized by this Article shall be:

6 "[] FOR [] AGAINST

7 ~~One-half percent (1/2%)~~ [The applicable rate stated in both words and as a percentage] local
8 sales and use taxes, in addition to the current local sales and use taxes, to be used only for
9 public transportation systems."

10 **SECTION 1.4.(d)** G.S. 105-507.2 reads as rewritten:

11 **"§ 105-507.2. Levy and collection of sales and use tax.**

12 If the majority of those voting in a referendum held pursuant to G.S. 105-507.1 vote for the
13 levy of the tax, the board of commissioners of the county may, by resolution, levy ~~one-half~~
14 ~~percent (1/2%)~~ local sales and use taxes a local sales and use tax at the rate specified in the
15 ballot in addition to any other State and local sales and use taxes levied pursuant to law. Except
16 as provided in this Part, the adoption, levy, collection, administration, and repeal of these
17 additional taxes shall be in accordance with Article 39 of this Chapter. In applying the
18 provisions of Article 39 of this Chapter to this Part, references to "this Article" mean "Part 1 of
19 Article 43 of Chapter 105 of the General Statutes".

20 **SECTION 1.4.(e)** G.S. 105-509 reads as rewritten:

21 **"§ 105-509. Local election on adoption of sales and use tax – regional public**
22 **transportation authority.**

23 ...

24 (b) Resolution. – The board of trustees of the regional public transportation authority
25 may, if all of the conditions listed in this subsection have been met, direct the respective county
26 board or boards of elections to conduct an advisory referendum within the special district on
27 the question of whether a local sales and use tax at the rate of up to one-half percent (1/2%)
28 may be levied within the district in accordance with this Part. The applicable rate must be in
29 accordance with G.S. 105-506.4. The tax may not be levied without voter approval. The
30 election shall be held on a date jointly agreed upon by the authority, the county board or boards
31 of commissioners, and the county board or boards of elections and shall be held on a date
32 permitted by and in accordance with the procedures of G.S. 163-287. The conditions are as
33 follows:

34 (1) The board of trustees has obtained approval to conduct a referendum by a
35 vote of the following:

- 36 a. A majority vote of each of the county boards of commissioners
37 within the special district, if it is a multicounty special district.
38 b. A majority of the county board of commissioners within the special
39 district, if it is a single-county special district.

40 (2) A public hearing is held on the question by the board or boards of
41 commissioners at least 30 days before the date the election is to be held.

42 (c) Ballot Question. – The form of the question to be presented on a ballot for a special
43 election concerning the levy of a tax authorized by this Article shall be:

44 "[] FOR [] AGAINST

45 ~~One-half percent (1/2%)~~ [The applicable rate stated in both words and as a percentage]
46 local sales and use taxes, in addition to the current local sales and use taxes, to be used only for
47 public transportation systems."
48"

49 **SECTION 1.4.(f)** G.S. 105-509.1 reads as rewritten:

50 **"§ 105-509.1. Levy and collection of sales and use tax – regional public transportation**
51 **authority.**

1 If the majority of those voting in a referendum held pursuant to G.S. 105-509 vote for the
 2 levy of the tax, the transportation authority may, by resolution, levy ~~one-half percent (1/2%)~~
 3 ~~local sales and use taxes~~ a local sales and use tax at the rate specified in the ballot within the
 4 special district, in addition to any other State and local sales and use taxes levied pursuant to
 5 law. In determining the results of the election in a multicounty district, all the counties of the
 6 district shall be considered to be one unit but also must receive a majority vote in each county,
 7 except that if the referendum is passed in one or more but not all of the counties, the counties in
 8 which the referendum was not approved are removed from the special district upon certification
 9 of the election result and the county or counties that approved the referendum shall remain in
 10 the special district. Except as provided in this Part, the adoption, levy, collection,
 11 administration, and repeal of these additional taxes shall be in accordance with Article 39 of
 12 this Chapter. In applying the provisions of Article 39 of this Chapter to this Article, references
 13 to "this Article" mean "Part 4 of Article 43 of Chapter 105 of the General Statutes." Any repeal
 14 of the tax shall be done by the same procedure as its enactment under this section, and in a
 15 multicounty district a petition for repeal under G.S. 105-473 shall be judged by the total votes
 16 in all the counties in the district."

17 **SECTION 1.4.(g)** G.S. 105-510 reads as rewritten:

18 "**§ 105-510. Local election on adoption of sales and use tax – regional transportation**
 19 **authority.**

20 ...

21 (b) Resolution. – The board of trustees of the regional transportation authority may, if
 22 all of the conditions listed in this subsection have been met, direct the respective county board
 23 or boards of elections to conduct an advisory referendum within the special district on the
 24 question of whether a local sales and use tax at the rate of up to one-half percent (1/2%) may be
 25 levied within the district in accordance with this Part. The applicable rate must be in
 26 accordance with G.S. 105-506.4. The tax may not be levied without voter approval. The
 27 election shall be held on a date jointly agreed upon by the authority, the county board or boards
 28 of commissioners, and the county board or boards of elections and shall be held on a date
 29 permitted by and in accordance with the procedures of G.S. 163-287. The conditions are as
 30 follows:

31 (1) The board of trustees has obtained approval to conduct a referendum by a
 32 vote of the following:

- 33 a. A majority vote of both of the county boards of commissioners
 34 within the special district, if it is a multicounty special district.
 35 b. A majority of the county board of commissioners within the special
 36 district, if it is a single-county special district.

37 (2) A public hearing is held on the question by the board or boards of
 38 commissioners at least 30 days before the date the election is to be held.

39 (c) Ballot Question. – The form of the question to be presented on a ballot for a special
 40 election concerning the levy of a tax authorized by this Article shall be:

41 "[] FOR [] AGAINST

42 ~~One-half percent (1/2%)~~ [The applicable rate stated in both words and as a percentage]
 43 local sales and use taxes, in addition to the current local sales and use taxes, to be used only for
 44 public transportation systems."
 45"

46 **SECTION 1.4.(h)** G.S. 105-510.1 reads as rewritten:

47 "**§ 105-510.1. Levy and collection of sales and use tax – regional transportation authority.**

48 If the majority of those voting in a referendum held pursuant to G.S. 105-510 vote for the
 49 levy of the tax, the transportation authority may, by resolution, levy ~~one-half percent (1/2%)~~
 50 ~~local sales and use taxes~~ a local sales and use tax at the rate specified in the ballot within the
 51 special district, in addition to any other State and local sales and use taxes levied pursuant to

1 law. In determining the results of the election in a multicounty district, all the counties of the
2 district shall be considered to be one unit but also must receive a majority vote in each county,
3 except that if the referendum is passed in one but not both of the counties, the county in which
4 the referendum was not approved is removed from the special district upon certification of the
5 election result and the county that approved the referendum shall remain in the special district.
6 Except as provided in this Part, the adoption, levy, collection, administration, and repeal of
7 these additional taxes shall be in accordance with Article 39 of this Chapter. In applying the
8 provisions of Article 39 of this Chapter to this Article, references to "this Article" mean "Part 5
9 of Article 43 of Chapter 105 of the General Statutes." Any repeal of the tax shall be done by the
10 same procedure as its enactment under this section, and in a multicounty district a petition for
11 repeal under G.S. 105-473 shall be judged by the total votes in all the counties in the district."

12 **SECTION 1.4.(i)** G.S. 105-511.2 reads as rewritten:

13 **"§ 105-511.2. Local election on adoption of sales and use tax.**

14 (a) Resolution. – The board of commissioners of a county may direct the county board
15 of elections to conduct an advisory referendum within the county on the question of whether a
16 local sales and use tax at ~~the rate of one-quarter percent (1/4%)~~ a rate of up to one-half percent
17 (1/2%) may be levied in accordance with this Part. The applicable rate must be in accordance
18 with G.S. 105-506.4. The election shall be held on a date jointly agreed upon by the boards and
19 shall be held on a date permitted by and in accordance with the procedures of G.S. 163-287.
20 The board of commissioners shall hold a public hearing on the question at least 30 days before
21 the date the election is to be held.

22 (b) Ballot Question. – The form of the question to be presented on a ballot for a special
23 election concerning the levy of a tax authorized by this Article shall be:

24 "[] FOR [] AGAINST

25 ~~One-quarter percent (1/4%)~~ [The applicable rate stated in both words and as a percentage]
26 local sales and use taxes, in addition to the current local sales and use taxes, to be used only for
27 public transportation systems.""

28 **SECTION 1.4.(j)** G.S. 105-511.3 reads as rewritten:

29 **"§ 105-511.3. Levy and collection of sales and use tax.**

30 (a) Authority to Levy. – If the majority of those voting in a referendum held pursuant to
31 this Part vote for the levy of the tax, the board of commissioners of the county may, by
32 resolution, levy ~~one-quarter percent (1/4%) local sales and use taxes~~ a local sales and use tax at
33 the rate specified in the ballot in addition to any other State and local sales and use taxes levied
34 pursuant to law.

35 (b) Administration. – Except as provided in this Part, the adoption, levy, collection,
36 administration, and repeal of these additional taxes shall be in accordance with Article 39 of
37 this Chapter. In applying the provisions of Article 39 of this Chapter to this Part, references to
38 "this Article" mean "Part 6 of Article 43 of Chapter 105 of the General Statutes.""

39 **SECTION 1.4.(k)** This section is effective when it becomes law.

40 **SECTION 1.5.(a)** Part 1 of Article 43 of Chapter 105 of the General Statutes, as
41 amended by Section 1.4 of this act, is amended by adding a new section to read:

42 **"§ 105-506.3. Applicability.**

43 A tax levied under Part 4 of this Article may not be in effect in a county at the same time as
44 a tax levied by that county under Part 6 of this Article."

45 **SECTION 1.5.(b)** G.S. 105-511 reads as rewritten:

46 **"§ 105-511. Applicability.**

47 This Part applies only in counties other than Durham, Forsyth, Guilford, Mecklenburg,
48 ~~Orange, or Wake or Orange."~~

49 **SECTION 1.5.(c)** This section is effective when it becomes law.

50 **SECTION 1.6.(a)** Article 46 of Chapter 105 of the General Statutes reads as
51 rewritten:

"Article 46.

"One-Quarter Cent (1/4¢) or One-Half Cent (1/2¢) County Sales and Use Tax.

"§ 105-535. Short title.

This Article is the One-Quarter Cent (1/4¢) or One-Half Cent (1/2¢) County Sales and Use Tax Act.

"§ 105-536. Limitations.

This Article applies only to counties that levy the first one-cent (1¢) sales and use tax under Article 39 of this Chapter or under Chapter 1096 of the 1967 Session Laws, the first one-half cent (1/2¢) local sales and use tax under Article 40 of this Chapter, and the second one-half cent (1/2¢) local sales and use tax under Article 42 of this Chapter.

"§ 105-537. Levy.

(a) Authority. – A tax levied under this Article must be approved in a referendum. If the majority of those voting in a referendum held pursuant to this Article vote for the levy of the tax, the board of county commissioners may, by resolution and after 10 days' public notice, levy a local sales and use tax at a rate of one-quarter percent (0.25%).the applicable rate. The applicable rate must meet all of the following conditions:

(1) It must be in an increment of one-quarter percent (1/4%).

(2) It must be at a rate that, if levied, would not result in a total local sales and use tax rate in the county in excess of two and one-half percent (2 1/2%).

(b) Vote. – The board of county commissioners may direct the county board of elections to conduct an advisory referendum on the question of whether to levy a local sales and use tax in the county as provided in this Article. The election shall be held in accordance with the procedures of G.S. 163-287.

(c) Ballot Question. – The form of the question to be presented on a ballot for a special election concerning the levy of the tax authorized by this Article shall be:

"[] FOR [] AGAINST

Local sales and use tax at the rate of one-quarter percent (0.25%) [The applicable rate stated in both words and as a percentage] in addition to all other State and local sales and use taxes."

...

(e) One-Half Cent (1/2%) Transit-Authorized Counties. – As of April 1, 2013, Durham County and Orange County levy a local sales and use tax at the rate of two and three-quarters percent (2 3/4%). As of August 1, 2014, Forsyth, Guilford, Mecklenburg, and Wake Counties levy a local sales and use tax at the rate of two and one-half percent (2 1/2%) or less but are authorized to levy a local sales and use tax at the rate of up to two and three-quarters percent (2 3/4%). Notwithstanding subsection (a) of this section, the local sales and use tax rate in these counties may exceed two and one-half percent (2 1/2%) if all of the conditions listed in this subsection are met. In no event may the local sales and use tax rate in these counties exceed two and three-quarters percent (2 3/4%). The conditions are:

(1) The county levies a tax authorized under Part 2 of Article 43 of this Chapter, the county levies a tax at the rate of one-half percent (1/2%) under Part 5 of Article 43 of this Chapter, or the county is part of a special district authorized to levy a tax under Part 4 of Article 43 of this Chapter.

(2) The county conducted one or more advisory referendums on or before December 31, 2014, in which a majority of the voters approved the levy of a local sales and use tax at the rate of one-quarter percent (1/4%) under this Article.

(f) Reinstatement of Cap. – If the levy of a tax under this Article or Article 43 of this Chapter is repealed and the repeal results in the local sales and use tax rate falling below two and three-quarters percent (2 3/4%) in a county named in subsection (e) of this section, the county may not enact a local sales and use tax under this Subchapter that results in a county local sales and use tax rate that exceeds two and one-half percent (2 1/2%).

1 **"§ 105-538. Administration of taxes.**

2 Except as provided in this Article, the adoption, levy, collection, administration, and repeal
3 of these additional taxes must be in accordance with Article 39 of this Chapter. G.S. 105-468.1
4 is an administrative provision that applies to this Article. A tax levied under this Article does
5 not apply to the sales price of food that is exempt from tax pursuant to G.S. 105-164.13B or to
6 the sales price of a bundled transaction taxable pursuant to G.S. 105-467(a)(5a). The Secretary
7 shall not divide the amount allocated to a county between the county and the municipalities
8 within the county.

9 **"§ 105-539. Use.**

10 (a) Referenda Held On or Before January 1, 2015. – A county that approves the levy of
11 a tax under this Article in a referendum held on or before January 1, 2015, must use the
12 proceeds of the tax levied under this Article for any lawful public purpose.

13 (b) Referenda Held After January 1, 2015. – A county that approves the levy of a tax
14 under this Article in a referendum held after January 1, 2015, must use the proceeds of a tax
15 levied under this Article for any lawful public purpose, except that the proceeds may not be
16 used for a purpose for which a tax levied under Article 43 of this Chapter must be used."

17 **SECTION 1.6.(b)** G.S. 105-164.3(4a) reads as rewritten:

18 "(4a) Combined general rate. – The sum of all of the following:

19 a. The State's general rate of tax set in ~~G.S. 105-164.4(a)~~
20 G.S. 105-164.4(a).

21 b. ~~plus the~~The sum of the rates of the local sales and use taxes
22 authorized for every county in this State by ~~Subchapter VIII~~Article
23 39 of this Chapter or Chapter 1096 of the 1967 Session Laws, Article
24 40 of this Chapter, and Article 42 of this Chapter for every county in
25 this State.~~Chapter.~~

26 c. One-half of the maximum rate of tax authorized by Article 46 of this
27 Chapter."

28 **SECTION 1.7.(a)** G.S. 158-7.1(b) reads as rewritten:

29 "(b) A county or city may undertake the following specific economic development
30 activities. (This listing is not intended to limit by implication or otherwise the grant of authority
31 set out in subsection (a) of this section). The activities listed in this subsection may be funded
32 by the levy of property taxes pursuant to G.S. 153A-149 and G.S. 160A-209 and by the
33 allocation of other revenues whose use is not otherwise restricted by law.

34 ...

35 (8) A county or city may provide grants or loans for the rehabilitation of
36 underutilized mills, other industrial structures, or historic structures."

37 **SECTION 1.7.(b)** The Revenue Laws Study Committee is directed to conduct an
38 economic analysis of rehabilitating both income-producing and nonincome-producing historic
39 structures, including historic mill property. The Committee shall report its findings, along with
40 any legislative recommendations, to the 2015 Regular Session of the 2015 General Assembly
41 upon its convening. The study may include an examination of the following:

42 (1) The geographic distribution of historic properties in the State.

43 (2) The return on investment to the State of providing tax credits or grant
44 subsidies to encourage and enable historic rehabilitation.

45 (3) The short-term and long-term benefits of historic rehabilitation projects,
46 including job creation and income generated.

47 (4) The impact on property values.

48 (5) The role of historic preservation with regard to downtown, commercial
49 revitalization.

50 **SECTION 1.8.** Except as otherwise provided, this Part is effective when it
51 becomes law.

PART II. JMAC MODIFICATIONS

SECTION 2.(a) G.S. 143B-437.012 reads as rewritten:

"§ 143B-437.012. Job Maintenance and Capital Development Fund.

...
(d) Eligibility. – A business is eligible for consideration for a grant under this section if it satisfies the conditions of either subdivision (1) or (2) of this subsection and satisfies ~~the conditions of both subdivisions (3) and subdivision (4)~~ of this subsection:

- (1) The business is a major employer. A business is a major employer if the business meets the following requirements:
 - a. The Department certifies that the business has invested or intends to invest at least two hundred million dollars (\$200,000,000) of private funds in improvements to real property and additions to tangible personal property in the project within a six-year period beginning with the time the investment commences.
 - b. The business employs at least 2,000 full-time employees or equivalent full-time contract employees at the project that is the subject of the grant at the time the application is made, and the business agrees to maintain at least 2,000 full-time employees or equivalent full-time contract employees at the project for the full term of the grant agreement.
 - c. The project is located in a development tier one area at the time the business applies for a grant.
- (2) The business is a large manufacturing employer. A business is a large manufacturing employer if the business meets the following requirements:
 - a. The business is in manufacturing, as defined in G.S. 143B-437.01, and is converting its manufacturing process to change the product it ~~manufactures~~ manufactures or is investing in its manufacturing process by enhancing pollution controls or transitioning the manufacturing process from using coal to using natural gas for the purpose of becoming more energy efficient or reducing emissions.
 - b. The Department certifies that the business has invested or intends to invest at least ~~sixty-five~~fifty million dollars ~~(\$65,000,000)~~(\$50,000,000) of private funds in improvements to real property and additions to tangible personal property in the project within a ~~three-year~~five-year period beginning with the time the investment commences.
 - c. The business meets one of the following employment requirements:
 1. If in a development tier one area, the business employs at least 320 full-time employees at the project that is the subject of the grant at the time the application is made, and the business agrees to maintain at least 320 full-time employees at the project for the full term of the grant.
 2. If in a development tier two area with a population of less than 60,000 as of July 1, 2013, the business employs at least 800 full-time employees or equivalent full-time contract employees at the project that is the subject of the grant at the time the application is made, and the business agrees to maintain at least 800 full-time employees or equivalent full-time contract employees at the project for the full term of the grant.

- 1 (3) The project is located in a development tier one area at the time the business
2 applies for a grant.
3 (4) All newly hired employees of the business must be citizens of the United
4 States, States or have proper identification and documentation of their
5 authorization to reside and work in the United States.

6 ...
7 (n) Limitations. – The Department may enter into no more than five agreements under
8 this section. The total aggregate cost of all agreements entered into under this section may not
9 exceed ~~sixty nine million dollars (\$69,000,000)~~ seventy-nine million dollars (\$79,000,000).
10 The total annual cost of an agreement entered into under this section may not exceed six
11 million dollars (\$6,000,000)."

12 **SECTION 2.(b)** This section becomes effective July 1, 2014.

13 **PART III. JOB CATALYST FUND**

14 **SECTION 3.(a)** The title of Part 2G of Article 10 of Chapter 143B of the General
15 Statutes reads as rewritten:

16 "Part 2G. Job ~~Development Investment Grant Program~~ Development."

17 **SECTION 3.(b)** G.S. 143B-437.51 reads as rewritten:

18 **"§ 143B-437.51. Definitions.**

19 The following definitions apply in this Part:

- 20 ...
21 ...
22 (6) Full-time employee. – A person who is employed for consideration for at
23 least 35 hours a week, whose wages are subject to withholding under Article
24 4A of Chapter 105 of the General Statutes, and who is determined by the
25 Committee to be employed in a permanent position according to criteria it
26 develops in consultation with the Attorney General. The term does not
27 include any person who works as an independent contractor or on a
28 consulting basis for the business.
29 (6a) Full-time worker. – A person who is employed for consideration for at least
30 35 hours a week, whose wages are subject to withholding under Article 4A
31 of Chapter 105 of the General Statutes, and who is determined by the
32 Department to be employed in a permanent position. The term does not
33 include any person who works as an independent contractor or on a
34 consulting basis for the business.
35 (7) New employee. – A full-time employee or a full-time worker who represents
36 a net increase in the number of the business's employees or workers
37 statewide.

38 "

39 **SECTION 3.(c)** G.S. 143B-437.52 reads as rewritten:

40 "Subpart A. Job Development Investment Grant Program.

41 **"§ 143B-437.52. Job Development Investment Grant Program.**

42 (a) Program. – There is established the Job Development Investment Grant Program to
43 be administered by the Economic Investment Committee. In order to foster job creation and
44 investment in the economy of this State, the Committee may enter into agreements with
45 businesses to provide grants in accordance with the provisions of this Part. The Committee, in
46 consultation with the Attorney General, shall develop criteria to be used in determining whether
47 the conditions of this section are satisfied and whether the project described in the application
48 is otherwise consistent with the purposes of this Part. Before entering into an agreement, the
49 Committee must find that all the following conditions are met:

50 "

- 1 b. For development tier two areas, a local match of at least six dollars
2 (\$6.00) for every one hundred dollars (\$100.00) from the State is
3 required.
- 4 c. For development tier three areas, a local match of at least nine dollars
5 (\$9.00) for every one hundred dollars (\$100.00) from the State is
6 required.
- 7 (5) The funds are reserved for a project for which a business agrees to meet, for
8 the greater of 10 years or a time period not less than the sum of the full term
9 of the grant plus five years, the wage standard provided in this subdivision
10 for all full-time workers at the project. In making the wage calculation, all
11 full-time position jobs filled during the year for at least 1,600 hours are
12 included. The required wage standard is as follows:
- 13 a. For development tier one and two areas, an average weekly wage that
14 is at least equal to one hundred percent (100%) of the average wage
15 for all insured private employers in the county.
- 16 b. For development tier three areas, an average weekly wage that is at
17 least equal to one hundred ten percent (110%) of the average wage
18 for all insured private employers in the county.
- 19 (6) The funds are reserved for projects for which a business agrees to meet, for
20 the greater of 10 years or a time period not less than the sum of the full term
21 of the grant plus five years, a requirement to provide health insurance for all
22 full-time workers at the project. For purposes of this subdivision, a business
23 provides health insurance if it pays at least fifty percent (50%) of the
24 premiums for health care coverage that equals or exceeds the minimum
25 provisions of the basic health care plan of coverage recommended by the
26 Small Employer Carrier Committee pursuant to G.S. 58-50-125. A business
27 shall provide a certification that it continues to provide health insurance as
28 required by this subdivision.
- 29 (7) The funds are not used for a project at which is located, during the greater of
30 10 years or a time period not less than the sum of the full term of the grant
31 plus five years, a business that has received a notice of an overdue tax debt
32 and that overdue tax debt has not been satisfied or otherwise resolved.
- 33 (8) The funds are not used in favor of jobs created or property investments made
34 for which a business receives a tax credit under Article 3J of Chapter 105 of
35 the General Statutes.
- 36 (9) The funds are reserved for projects for a business that has no citations under
37 the Occupational Safety and Health Act that have become a final order
38 within the past three years for willful serious violations or for failing to abate
39 serious violations. In addition, the business must, for the greater of 10 years
40 or a time period not less than the sum of the full term of the grant plus five
41 years, have no citations under the Occupational Safety and Health Act that
42 have become a final order within the past three years for willful serious
43 violations or for failing to abate serious violations with respect to the project.
44 For purposes of this subsection, "serious violation" has the same meaning as
45 in G.S. 95-127.
- 46 (10) The funds are not used for a project that consists of a professional or
47 semiprofessional sports team or club or a project that consists solely of retail
48 facilities. If a project consists of both retail facilities and nonretail facilities,
49 only the portion of the project consisting of nonretail facilities is eligible for
50 a grant, and only full-time workers employed exclusively in the portion of
51 the project that represents nonretail facilities may be counted for purposes of

1 fulfilling the new worker position requirement. If a warehouse facility is part
2 of a retail facility and supplies only that retail facility, the warehouse facility
3 investment and full-time workers are not counted for purposes of the
4 requirements of this section. For the purposes of this Subpart, catalog
5 distribution centers are not retail facilities.

6 (b) Forfeiture. – If the business at the project fails to timely create and maintain the
7 required new jobs, to timely make the required level of investment, or to otherwise meet the
8 requirements of this section, the local governmental unit shall provide a means to recapture
9 from the business at the project an amount equal to the amount disbursed from the Fund for the
10 project, and the local governmental unit must reimburse the Fund for that disbursement.

11 (c) Records. – A business located at a project for which a grant was made from the
12 Fund shall maintain records and make available for inspection by the Secretary of Commerce
13 any records the Secretary considers necessary to determine and verify the business has met the
14 requirements of this section.

15 (d) Report. – The Department shall publish a report on the Job Catalyst Fund on or
16 before April 30 of each year. The Department shall submit the report electronically to the
17 House of Representatives Finance Committee, the Senate Finance Committee, the House of
18 Representatives Appropriations Subcommittee on Natural and Economic Resources, the Senate
19 Appropriations Committee on Natural and Economic Resources, and the Fiscal Research
20 Division. The report shall include the following:

- 21 (1) A listing of each grant awarded during the preceding calendar year,
22 including the name of the business locating at the project, a description of
23 the project, the term of the grant, and the liability under the grant.
- 24 (2) An update on the status of projects under grants awarded before the
25 preceding calendar year.
- 26 (3) The number and development tier area of new worker positions to be created
27 by projects with respect to which grants have been awarded.
- 28 (4) A listing of the employment level for all businesses located at projects with
29 respect to which grants have been awarded and any changes in those levels
30 from the level of the next preceding year.
- 31 (5) The wage levels of all new worker positions to be created at projects with
32 respect to which grants have been awarded, aggregated, and listed in
33 increments of ten thousand dollars (\$10,000) or other appropriate
34 increments.
- 35 (6) The number of awards made for projects for new businesses and the number
36 of awards made for projects for existing, expanding businesses in the
37 preceding calendar year.
- 38 (7) The environmental impact of businesses at projects with respect to which
39 grants have been awarded.
- 40 (8) The geographic distribution of grants, by number and amount, awarded
41 under the program.
- 42 (9) For the first annual report after adoption of the guidelines developed by the
43 Department to implement this Subpart, a copy of such guidelines, and, for
44 subsequent reports, identification of any changes in those guidelines from
45 the previous calendar year."

46 **SECTION 3.(f)** The Secretary of Commerce shall develop guidelines related to the
47 administration of the Jobs Catalyst Fund, as authorized by this section, and to the selection of
48 projects. At least 20 days before the effective date of any guidelines or nontechnical
49 amendments to guidelines, the proposed guidelines must be published on the Department's Web
50 site and provide notice to persons who have requested notice of proposed guidelines. In
51 addition, the Department of Commerce shall accept oral and written comments on the proposed

1 guidelines during the 15 business days beginning on the first day the notice requirement of this
2 subsection have been completed. For purposes of this subsection, a technical amendment is one
3 that corrects a spelling or grammatical error or that makes a clarification based on public
4 comment and could have been anticipated by the public notice that immediately preceded the
5 public comment.

6 **SECTION 3.(g)** G.S. 150B-1(d) reads as rewritten:

7 "(d) Exemptions from Rule Making. – Article 2A of this Chapter does not apply to the
8 following:

9 ...

10 (10) The Economic Investment Committee in developing criteria for the Job
11 Development Investment Grant Program under ~~Part 2F~~Subpart A of Part 2G
12 of Article 10 of Chapter 143B of the General Statutes.

13 (10a) The Secretary of Commerce in developing criteria for the Job Catalyst Fund
14 under Subpart B of Part 2G of Article 10 of Chapter 143B of the General
15 Statutes.

16"

17 **SECTION 3.(h)** G.S. 143B-437.07(c) reads as rewritten:

18 "(c) Economic Development Incentive. – An economic development incentive includes
19 any grant from the following programs: Job Development Investment Grant Program; the Job
20 Catalyst Fund; the Job Maintenance and Capital Development Fund; One North Carolina Fund;
21 and the Utility Account. The State also incents economic development through the use of tax
22 expenditures in the form of tax credits and refunds. The Department of Revenue must report
23 annually on these statutory economic development incentives, as required under G.S. 105-256."

24 **SECTION 3.(i)** This section is effective when it becomes law.

25 **PART IV. JDIG MODIFICATIONS**

26 **SECTION 4.(a)** Section 15.19(a1) of S.L. 2013-360 reads as rewritten:

27 "SECTION 15.19.(a1) Notwithstanding G.S. 143B-437.52(c), for the 2013-2015 fiscal
28 biennium, the maximum total liability for grants awarded, including amounts transferred to the
29 Utility Account pursuant to G.S. 143B-437.61, is ~~twenty-two million five hundred thousand~~
30 ~~dollars (\$22,500,000)~~thirty-six million five hundred thousand dollars (\$36,500,000) and, for the
31 period from July 1, 2015, to December 31, 2015, the maximum total liability for grants
32 awarded, including amounts transferred to the Utility Account pursuant to G.S. 143B-437.61, is
33 seven million five hundred thousand dollars (\$7,500,000). No agreement may be entered into
34 that, when considered together with other existing agreements governing grants awarded during
35 an applicable time period provided in this subsection, could cause the State's potential total
36 ~~annual~~ liability for grants awarded in that time period to exceed the designated maximum
37 amount."

38 **SECTION 4.(b)** G.S. 143B-437.52 reads as rewritten:

39 "§ 143B-437.52. **Job Development Investment Grant Program.**

40 (a) Program. – There is established the Job Development Investment Grant Program to
41 be administered by the Economic Investment Committee. In order to foster job creation and
42 investment in the economy of this State, the Committee may enter into agreements with
43 businesses to provide grants in accordance with the provisions of this ~~Part~~Subpart. The
44 Committee, in consultation with the Attorney General, shall develop criteria to be used in
45 determining whether the conditions of this section are satisfied and whether the project
46 described in the application is otherwise consistent with the purposes of this ~~Part~~Subpart.
47 Before entering into an agreement, the Committee must find that all the following conditions
48 are met:
49

50 ...

- 1 (5) The total benefits of the project to the State outweigh its costs and render the
 2 grant appropriate for the project. If the total costs of the project to the State
 3 outweigh the benefits as a result of an award from the Job Catalyst Fund
 4 under Subpart B of this Part, the Committee may disregard the Job Catalyst
 5 Fund award in determining whether a grant is appropriate for the project.

6"

7 **SECTION 4.(c)** G.S. 143B-437.55 is amended by adding a new subsection to read:

8 "(c1) Monthly Reports. – The Committee shall, on the last day of each month other than
 9 the month of April, report electronically on the Job Development Investment Grant Program.
 10 The Committee shall submit the report, for months that, on the due date, the General Assembly
 11 is not in session, to the Revenue Laws Study Committee and the Fiscal Research Division and
 12 shall submit the report, for months that, on the due date, the General Assembly is in session, to
 13 the House of Representatives Finance Committee, the Senate Finance Committee, and the
 14 Fiscal Research Division. The report shall include each of the following:

15 (1) The total liability for grants awarded in a period, the remaining amount of
 16 liability for grants that may be awarded in that period, and the maximum
 17 amount of total liability for which grants may be awarded in that period.

18 (2) A listing of each grant awarded during the period, including, for each grant,
 19 the name of the business, the term of the grant, the percentage of
 20 withholdings used to determine the amount of the grant, the annual
 21 maximum State liability under the grant, and the maximum total lifetime
 22 State liability under the grant, jobs anticipated to be created at the project,
 23 average wage anticipated for jobs at the project, amount of money
 24 anticipated to be invested by the business at the project, and the total amount
 25 anticipated to be annually transferred to the Utility Account under this
 26 Subpart."

27 **SECTION 4.(d)** G.S. 143B-437.52(a), as rewritten by Section 4(b) of this act,
 28 reads as rewritten:

29 "(a) Program. – There is established the Job Development Investment Grant Program to
 30 be administered by the Economic Investment Committee. In order to foster job creation and
 31 investment in the economy of this State, the Committee may enter into agreements with
 32 businesses to provide grants in accordance with the provisions of this Subpart. The Committee,
 33 in consultation with the Attorney General, shall develop criteria to be used in determining
 34 whether the conditions of this section are satisfied and whether the project described in the
 35 application is otherwise consistent with the purposes of this Subpart. Before entering into an
 36 agreement, the Committee must find that all the following conditions are met:

37 ...

- 38 (5) The total benefits of the project to the State outweigh its costs and render the
 39 grant appropriate for the project. ~~If the total costs of the project to the State~~
 40 ~~outweigh the benefits as a result of an award from the Job Catalyst Fund~~
 41 ~~under Subpart B of this Part, the Committee may disregard the Job Catalyst~~
 42 ~~Fund award in determining whether a grant is appropriate for the project."~~

43 **SECTION 4.(e)** Section 4(d) of this act becomes effective July 1, 2015.

44 **PART V. CROWD FUNDING**

45 **SECTION 5.(a)** G.S. 78A-17 is amended by adding a new subdivision to read:

46 "(20) Any offer or sale of a security by an issuer if the offer or sale is conducted in
 47 accordance with G.S. 78A-17.1."

48 **SECTION 5.(b)** Article 3 of Chapter 78A of the General Statutes is amended by
 49 adding a new section to read:

50 **§ 78A-17.1. Invest NC exemption.**
 51

1 (a) Exemption. – Except as otherwise provided in this Chapter, an offer or sale of a
2 security by an issuer is exempt from G.S. 78A-24 and G.S. 78A-49(d) if the offer or sale is
3 conducted in accordance with each of the following requirements:

4 (1) The issuer of the security is a business entity formed under the laws of the
5 State and registered with the Secretary of State.

6 (2) The transaction meets the requirements of the federal exemption for
7 intrastate offerings in section 3(a)(11) of the Securities Act of 1933, 15
8 U.S.C. § 77c(a)(11), and SEC rule 147, 17 C.F.R. § 230.147.

9 (3) The sum of all cash and other consideration to be received for all sales of the
10 security in reliance upon this exemption does not exceed the cap provided in
11 this subdivision.

12 a. One million dollars (\$1,000,000), less the aggregate amount received
13 for all sales of securities by the issuer within the 12 months before
14 the first offer or sale made in reliance upon this exemption, if the
15 issuer has not undergone and made available to each prospective
16 investor and the Administrator the documentation resulting from a
17 financial audit with respect to its most recently completed fiscal year
18 and meeting generally accepted accounting principles.

19 b. Two million dollars (\$2,000,000), less the aggregate amount received
20 for all sales of securities by the issuer within the 12 months before
21 the first offer or sale made in reliance upon this exemption, if the
22 issuer has undergone and made available to each prospective investor
23 and the Administrator the documentation resulting from a financial
24 audit with respect to its most recently completed fiscal year and
25 meeting generally accepted accounting principles.

26 (4) The issuer has not accepted more than two thousand dollars (\$2,000) from
27 any single purchaser unless the purchaser is an accredited investor as defined
28 by rule 501 of SEC regulation D, 17 C.F.R. § 230.501.

29 (5) Not less than 10 days prior to the commencement of an offering of securities
30 in reliance on this exemption or the use of any publicly available Web site in
31 connection with any such offering, the issuer shall file a notice with the
32 Administrator, in writing or in electronic form as specified by the
33 Administrator, containing the following:

34 a. A notice of claim of exemption from registration, specifying that the
35 issuer will be conducting an offering in reliance upon this exemption,
36 accompanied by the filing fee as specified in this section.

37 b. A copy of the disclosure statement to be provided to prospective
38 investors in connection with the offering, containing the following:

39 1. A description of the company, its type of entity, the address
40 and telephone number of its principal office, its history, its
41 business plan, and the intended use of the offering proceeds,
42 including any amounts to be paid, as compensation or
43 otherwise, to any owner, executive officer, director,
44 managing member, or other person occupying a similar status
45 or performing similar functions on behalf of the issuer.

46 2. The identity of all persons owning more than ten percent
47 (10%) of the ownership interests of any class of securities of
48 the company.

49 3. The identity of the executive officers, directors, managing
50 members, and other persons occupying a similar status or

- 1 performing similar functions in the name of and on behalf of
2 the issuer, including their titles and their prior experience.
- 3 4. The terms and conditions of the securities being offered and
4 of any outstanding securities of the company, the minimum
5 and maximum amount of securities being offered, if any, and
6 either the percentage ownership of the company represented
7 by the offered securities or the valuation of the company
8 implied by the price of the offered securities.
- 9 5. The identity of any person who has been or will be retained
10 by the issuer to assist the issuer in conducting the offering
11 and sale of the securities, including any Web sites, but
12 excluding persons acting solely as accountants or attorneys
13 and employees whose primary job responsibilities involve the
14 operating business of the issuer rather than assisting the issuer
15 in raising capital, and for each person identified in response
16 to this paragraph, a description of the consideration being
17 paid to such person for such assistance.
- 18 6. A description of any litigation or legal proceedings involving
19 the company or its management.
- 20 7. The names and addresses, including URL, of any Web sites
21 that will be used in connection with the offering.
- 22 c. An escrow agreement with a bank or other depository institution
23 located within this State in which the investor funds will be
24 deposited, providing that all offering proceeds will be released to the
25 issuer only when the aggregate capital raised from all investors is
26 equal to or greater than the minimum target offering amount
27 specified in the business plan as necessary to implement the business
28 plan and that all investors may cancel their commitments to invest if
29 that target offering amount is not raised by the time stated in the
30 disclosure document.
- 31 (6) The issuer is not, either before or as a result of the offering, an investment
32 company, as defined in section 3 of the Investment Company Act of 1940,
33 15 U.S.C. § 8a-3, or an entity that would be an investment company but for
34 the exclusions provided in section 3(c) of the act, or subject to the reporting
35 requirements of section 13 or 15(d) of the Securities Exchange Act of 1934,
36 15 U.S.C. § 78m and 78o(d).
- 37 (7) The issuer shall inform all prospective purchasers under this section that the
38 securities have not been registered under federal or State securities law and
39 that the securities are subject to limitations on resale. The issuer shall display
40 the following legend conspicuously on the cover page of the disclosure
41 document:
- 42 "IN MAKING AN INVESTMENT DECISION, INVESTORS
43 MUST RELY ON THEIR OWN EXAMINATION OF THE
44 ISSUER AND THE TERMS OF THE OFFERING, INCLUDING
45 THE MERITS AND RISKS INVOLVED. THESE SECURITIES
46 HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR
47 STATE SECURITIES COMMISSION OR REGULATORY
48 AUTHORITY. FURTHERMORE, THE FOREGOING
49 AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR
50 DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY
51 REPRESENTATION TO THE CONTRARY IS A CRIMINAL

1 OFFENSE. THESE SECURITIES ARE SUBJECT TO
2 RESTRICTIONS ON TRANSFERABILITY AND RESALE AND
3 MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS
4 PERMITTED BY SUBSECTION (E) OF SEC RULE 147, 17 C.F.R.
5 § 230.147(E) AS PROMULGATED UNDER THE SECURITIES
6 ACT OF 1933, AS AMENDED, AND THE APPLICABLE STATE
7 SECURITIES LAWS, PURSUANT TO REGISTRATION OR
8 EXEMPTION THEREFROM. INVESTORS SHOULD BE AWARE
9 THAT THEY WILL BE REQUIRED TO BEAR THE FINANCIAL
10 RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD
11 OF TIME."

12 (8) The issuer shall require each purchaser to certify in writing "I understand
13 and acknowledge that:

- 14 a. I am investing in a high-risk, speculative business venture. I may lose
15 all of my investment, and I can afford the loss of my investment.
16 b. This offering has not been reviewed or approved by any state or
17 federal securities commission or other regulatory authority and that
18 no such person or authority has confirmed the accuracy or
19 determined the adequacy of any disclosure made to me relating to
20 this offering.
21 c. The securities I am acquiring in this offering are illiquid, that there is
22 no ready market for the sale of such securities, that it may be difficult
23 or impossible for me to sell or otherwise dispose of this investment,
24 and that, accordingly, I may be required to hold this investment
25 indefinitely.
26 d. I may be subject to tax on my share of the taxable income and losses
27 of the company, whether or not I have sold or otherwise disposed of
28 my investment or received any dividends or other distributions from
29 the company."

30 (9) If the offer and sale of securities is made through an Internet Web site, the
31 following requirements apply:

- 32 a. Prior to the offer of an investment opportunity to residents of this
33 State through a Web site, the issuer shall provide to the Web site and
34 to the Administrator evidence that the issuer is organized under
35 North Carolina law and that it is authorized to do business within the
36 State.
37 b. The issuer shall obtain from each purchaser of a security under this
38 section evidence that the purchaser is a resident of North Carolina
39 and, if applicable, an accredited investor.
40 c. The Web site operator shall register with the Administrator by filing
41 a statement that it is a business entity that is organized under North
42 Carolina law and that it is authorized to do business within the State
43 and that it is being utilized to offer and sell securities pursuant to this
44 exemption. As part of the registration, the Web site shall notify the
45 Administrator of its and the issuer's identity, location, and contact
46 information.
47 d. The issuer and the Web site must keep and maintain records of the
48 offers and sales of securities effected through the Web site and must
49 provide ready access to the records to the Administrator, upon
50 request. The Administrator may access, inspect, and review any Web
51 site and its records.

1 (10) All payments for purchase of securities must be directed to and held by the
2 bank or depository institution subject to the provisions of sub-subdivision
3 (a)(5)c. of this section. The bank or depository institution shall notify the
4 Administrator of the receipt of payments for securities and the identity and
5 residence of the investors. The information shall be confidential and
6 considered trade secrets within the scope of G.S. 132-1.2 while in the
7 possession of the Administrator.

8 (11) No offers or sales of a security shall be made through an Internet Web site
9 unless the Web site is registered with the Administrator pursuant to
10 sub-subdivision (a)(9)c. of this section. The Web site shall not be subject to
11 the registration provisions of G.S. 78A-36, provided that all of the following
12 apply:

13 a. It does not offer investment advice or recommendations.

14 b. It does not solicit purchases, sales, or offers to buy the securities
15 offered or displayed on the Web site.

16 c. It does not compensate employees, agents, or other persons for the
17 solicitation or based on the sale of securities displayed or referenced
18 on the Web site.

19 d. It is not compensated based on the amount of securities sold, and it
20 does not hold, manage, possess, or otherwise handle investor funds
21 or securities.

22 e. It does not engage in such other activities as the Administrator, by
23 rule, determines appropriate.

24 (12) An executive officer, director, managing member, or person occupying a
25 similar status or performing similar functions in the name of and on behalf
26 of the issuer shall be exempt from the registration provisions of
27 G.S. 78A-36, provided that the person does not receive, directly or
28 indirectly, any commission or remuneration for offering and selling
29 securities of the issuer pursuant to this exemption.

30 (13) The issuer must provide a copy of the disclosure document provided to the
31 Administrator pursuant to sub-subdivision (a)(5)b. of this section to each
32 prospective investor at the time the offer of securities is made to the
33 prospective investor. In addition to the information described in
34 sub-subdivision (a)(5)b. of this section, the disclosure document provided to
35 the Administrator and to prospective investors should include additional
36 information material to the offering, including, where appropriate, a
37 discussion of significant factors that make the offering speculative or risky.
38 This discussion must be concise and organized logically and should not
39 present risks that could apply to any issuer or any offering.

40 (b) Indexing. – The dollar limitations provided in subdivision (a)(3) of this section shall
41 be cumulatively adjusted every fifth year by the Administrator to reflect the change in the
42 Consumer Price Index for All Urban Consumers published by the Bureau of Labor Statistics,
43 setting each dollar limitation to the nearest fifty thousand dollars (\$50,000).

44 (c) Report. – An issuer of a security, the offer and sale of which is exempt under this
45 section, shall provide a quarterly report to the issuer's investors until no securities issued under
46 this section are outstanding. The report required by this subsection shall be free of charge. An
47 issuer may satisfy the reporting requirement of this subsection by making the information
48 available on an Internet Web site address if the information is made available within 45 days of
49 the end of each fiscal quarter and remains available until the succeeding quarterly report is
50 issued. An issuer shall file each such quarterly report with the Administrator and must provide

1 a written copy of the report to any investor upon request. The report must contain each of the
2 following:

3 (1) Compensation received by each director and executive officer, including
4 cash compensation earned since the previous report and on an annual basis
5 and any bonuses, stock options, other rights to receive securities of the issuer
6 or any affiliate of the issuer, or other compensation received.

7 (2) An analysis by management of the issuer of the business operations and
8 financial condition of the issuer.

9 (d) Offers and Sales to Controlling Persons. – The exemption provided in this section
10 shall not be used in conjunction with any other exemption under this Chapter, except offers and
11 sales to controlling persons shall not count toward the limitation in subdivision (3) of
12 subsection (a) of this section. A controlling person is an officer, director, partner, trustee, or
13 individual occupying similar status or performing similar functions with respect to the issuer or
14 to a person owning ten percent (10%) or more of the outstanding shares of any class or classes
15 of securities of the issuer.

16 (e) Disqualification. – The exemption allowed by this section shall not apply if an
17 issuer or person affiliated with the issuer or offering is subject to any disqualification contained
18 in 18 NCAC 06A .1207(a)(1) through (a)(6) or contained in Rule 262 as promulgated under the
19 Securities Act of 1933 (17 C.F.R. § 230.262). The provisions of this subsection shall not apply
20 if (i) upon a showing of good cause and without prejudice to any other action by the
21 Administrator, the Administrator determines that it is not necessary under the circumstances
22 that an exemption be denied and (ii) the issuer establishes that it made factual inquiry into
23 whether any disqualification existed under this subsection but did not know, and in the exercise
24 of reasonable care could not have known, that a disqualification existed under this subsection.
25 The nature and scope of the requisite inquiry will vary based on the circumstances of the issuer
26 and the other offering participants.

27 (f) Rules. – The Administrator may adopt rules to implement the provisions of this
28 section and to protect investors who purchase securities under this section.

29 (g) Fee. – The Administrator shall charge a nonrefundable filing fee of one hundred
30 fifty dollars (\$150.00) for filing an exemption notice required by subsection (a) of this section.
31 The fees paid to the Administrator pursuant to this subsection shall be used to pay the costs
32 incurred in administering and enforcing this Chapter. The revenue derived from the fee shall be
33 credited to a nonreverting agency revenue account."

34 **SECTION 5.(c)** G.S. 78A-49(d) reads as rewritten:

35 "(d) The Administrator may by rule or order require the filing of any prospectus,
36 pamphlet, circular, form letter, advertisement, or other sales literature or advertising
37 communication addressed or intended for distribution to prospective investors, unless the
38 security or transaction is exempted by ~~G.S. 78A-16 or 78A-17 (except 78A-17(9), (17), and~~
39 ~~(19))~~G.S. 78A-16 and G.S. 78A-17 (except G.S. 78A-17(9), (17), (19), and (20)) and such
40 exemption has not been denied or revoked under G.S. 78A-18 or the security is a security
41 covered under federal law or the transaction is with respect to a security covered under federal
42 law."

43 **SECTION 5.(d)** Notwithstanding any provision of Article 2A of Chapter 150B of
44 the General Statutes, within 12 months of the effective date of this act, the Secretary of State
45 shall adopt rules to implement the provisions of this act in accordance with the following
46 procedure:

47 (1) At least 15 business days prior to adopting a rule, submit the rule and a
48 notice of public hearing to the Codifier of Rules. The Codifier of Rules shall
49 publish the proposed rule and the notice of public hearing on the Internet
50 within five business days.

- 1 (2) At least 15 business days prior to adopting a rule, notify persons on the
2 mailing list maintained pursuant to G.S. 150B-21.2(d) and any other
3 interested parties of the Secretary's intent to adopt a rule and of the public
4 hearing.
- 5 (3) Accept written comments on the proposed rule for at least 15 business days
6 prior to adoption of the rule.
- 7 (4) Hold at least one public hearing on the proposed rule no less than five days
8 after the rule and notice have been published.

9 A rule adopted in accordance with this section becomes effective on the first day of
10 the month following the month the Secretary adopts the rule and submits the rule to the
11 Codifier of Rules for entry into the North Carolina Administrative Code. Any rule adopted
12 more than 12 months after the effective date of this act shall comply with the requirement of
13 Article 2A of Chapter 150B of the General Statutes.

14 **SECTION 5.(e)** Subsection (d) of this section is effective when it becomes law and
15 expires 12 months after the effective date of this act. The remainder of this section is effective
16 when it becomes law and expires on July 1, 2017.

17

18 **PART. VI. CONFIDENTIALITY OF UC INFORMATION**

19 **SECTION 6.(a)** G.S. 96-4(x) reads as rewritten:

20 "(x) Confidentiality of Records, Reports, and Information Obtained from Claimants,
21 Employers, and Units of Government. – ~~Disclosure~~ For purposes of this Chapter, the term
22 "confidential information" means any unemployment compensation information in the records
23 of the Division of Employment Security that pertains to the administration of the Employment
24 Security Law that is required to be kept confidential under 20 C.F.R. Part 603, including claim
25 information and any information that reveals the name or any identifying particular about any
26 individual or any past or present employer or employing unit, or that could foreseeably be
27 combined with other publicly available information to reveal any such particulars.

28 Confidential information is exempt from the public records disclosure requirements of
29 Chapter 132 of the General Statutes. Confidential information may be disclosed only as
30 permitted in this subsection. Any disclosure and redisclosure of confidential information shall
31 must be consistent with 20 C.F.R. Part 603 and any written guidance promulgated and issued
32 by the U.S. Department of Labor consistent with this regulation and any successor regulation.
33 To the extent a disclosure or redisclosure of confidential information is permitted or required
34 by this federal regulation, the Department's authority to disclose or redisclosure the information
35 includes the following:

- 36 (1) Confidentiality of Information Contained in Records and Reports. – (i)
37 Except as hereinafter otherwise provided, it shall be unlawful for any person
38 to obtain, disclose, or use, or to authorize or permit the use of any
39 information which is obtained from an employer, individual, or unit of
40 government pursuant to the administration of this Chapter or G.S. 108A-29.
41 (ii) Any claimant or employer or their legal representatives shall be supplied
42 with information from the records of the Division to the extent necessary for
43 the proper presentation of claims or defenses in any proceeding under this
44 Chapter. Notwithstanding any other provision of law, any claimant may be
45 supplied, subject to restrictions as the Division may by regulation prescribe,
46 with any information contained in his payment record or on his most recent
47 monetary determination, and any individual, as well as any interested
48 employer, may be supplied with information as to the individual's potential
49 benefit rights from claim records. (iii) Subject to restrictions as the Secretary
50 may by regulation provide, information from the records of the Division may
51 be made available to any agency or public official for any purpose for which

1 disclosure is required by statute or regulation. (iv) The Division may, in its
2 sole discretion, permit the use of information in its possession by public
3 officials in the performance of their public duties. (v) The Division shall
4 release the payment and the amount of unemployment compensation
5 benefits upon receipt of a subpoena in a proceeding involving child support.
6 (vi) The Division shall furnish to the State Controller any information the
7 State Controller needs to prepare and publish a comprehensive annual
8 financial report of the State or to track debtors of the State. (vii) The
9 Secretary may disclose or authorize redisclosure of any confidential
10 information to an individual, agency, or entity, public or private, consistent
11 with the requirements enumerated in 20 C.F.R. Part 603 or any successor
12 regulation and any written guidance promulgated and issued by the U.S.
13 Department of Labor consistent with 20 C.F.R. Part 603. (viii) The Division
14 may disclose final decisions and the records of the hearings that led to those
15 decisions only after the expiration of the appeal rights as provided under
16 G.S. 96-15.

17 "...."

18 **SECTION 6.(b)** G.S. 132-1.1 is amended by adding a new subsection to read:

19 "(h) Employment Security Information. – Confidential information obtained, compiled,
20 or maintained by the Division of Employment Security may not be disclosed except as
21 provided in G.S. 96-4. As used in this subsection, the term "confidential information" has the
22 same meaning as in G.S. 96-4(x)."

23 **SECTION 6.(c)** The Department of Commerce, Division of Employment Security,
24 shall immediately take any action necessary to implement this section. On or before September
25 1, 2014, the Division of Employment Security shall report to the Joint Legislative Oversight
26 Committee on Unemployment Insurance on the status of the implementation of this act.

27 **SECTION 6.(d)** This section is effective when it becomes law.

29 PART VII. REVENUE LAWS TECHNICAL CHANGES

30 **SECTION 7.1.(a)** Section 7.2(a) of S.L. 2014-3 reads as rewritten:

31 "SECTION 7.2.(a) This act shall not be construed to affect the interpretation of any statute
32 that is the subject of a State tax audit ~~pending as of the effective date of this act~~ for taxable
33 years beginning before January 1, 2015, or litigation that is a direct result of such audit."

34 **SECTION 7.1.(b)** Section 7.3 of S.L. 2014-3 reads as rewritten:

35 "SECTION 7.3. This Part becomes effective January 1, 2015, and applies to withdrawals
36 of items from inventory for contracts entered into on or after that date, sales on or after that
37 date date, and contracts entered into on or after that date."

38 **SECTION 7.2.(a)** Section 8.1(c) of S.L. 2014-3 reads as rewritten:

39 "SECTION 8.1.(c) With respect to the change in this section regarding the rental of a
40 private residence, cottage, or similar accommodation that is rented for fewer than 15 days in a
41 calendar year and that is listed with a real estate broker or agent, the following provisions
42 apply:

43 (1) A retailer is ~~not~~ liable for an overcollection ~~or undercollection~~ of sales tax or
44 occupancy tax for the rental of such an accommodation that is occupied or
45 available to be occupied for nights beginning June 14, 2012, and ending June
46 30, 2014, and must remit the tax collected.

47 (2) A retailer is not liable for an undercollection of sales tax or occupancy tax
48 for the rental of such an accommodation that is occupied or available to be
49 occupied for nights beginning June 1, 2014, and ending June 30, 2014, if the
50 retailer has made a good-faith effort to comply with the law and collect the
51 proper amount of tax and has, due to the change under this section,

1 ~~overcollected or undercollected the amount of sales tax or occupancy tax~~
2 ~~that is due. This subsection applies only to the period beginning June 14,~~
3 ~~2012, and ending July 1, 2014. tax."~~

4 **SECTION 7.2.(b)** This section becomes effective June 1, 2014.

5 **SECTION 7.3.** Section 14.26 of S.L. 2014-3 is repealed.

6 **SECTION 7.4.(a)** G.S. 105-113.35(d) reads as rewritten:

7 "(d) **Manufacturer's Option.** – A manufacturer who is not a retail dealer and who ships
8 tobacco products other than cigarettes to either a wholesale dealer or retail dealer licensed
9 under this Part may apply to the Secretary to be relieved of paying the tax imposed by this
10 section on the tobacco products. A manufacturer who ships vapor products to either a
11 wholesale dealer or retail dealer licensed under this Part may apply to the Secretary to be
12 relieved of paying the tax imposed by this section on the vapor products shipped to either a
13 wholesale dealer or retail dealer. Once granted permission, a manufacturer may choose not to
14 pay the tax until otherwise notified by the Secretary. To be relieved of payment of the tax
15 imposed by this section, a manufacturer must comply with the requirements set by the
16 Secretary.

17 Permission granted under this subsection to a manufacturer to be relieved of paying the tax
18 imposed by this section applies to an integrated wholesale dealer with whom the manufacturer
19 is an affiliate. A manufacturer must notify the Secretary of any integrated wholesale dealer with
20 whom it is an affiliate when the manufacturer applies to the Secretary for permission to be
21 relieved of paying the tax and when an integrated wholesale dealer becomes an affiliate of the
22 manufacturer after the Secretary has given the manufacturer permission to be relieved of
23 paying the tax.

24 If a person is both a manufacturer of cigarettes and a wholesale dealer of tobacco products
25 other than cigarettes and the person is granted permission under G.S. 105-113.10 to be relieved
26 of paying the cigarette excise tax, the permission applies to the tax imposed by this section on
27 tobacco products other than cigarettes. A cigarette manufacturer who becomes a wholesale
28 dealer after receiving permission to be relieved of the cigarette excise tax must notify the
29 Secretary of the permission received under G.S. 105-113.10 when applying for a license as a
30 wholesale dealer."

31 **SECTION 7.4.(b)** This section becomes effective June 1, 2015.

32 **SECTION 7.5.** G.S. 105-129.16A reads as rewritten:

33 "**§ 105-129.16A. Credit for investing in renewable energy property.**

34 (a) **Credit.** – ~~If a taxpayer that has constructed, purchased, or leased renewable energy~~
35 ~~property places it in service in this State during the taxable year, the taxpayer is allowed a~~
36 ~~credit equal to thirty five percent (35%) of the cost of the property. A taxpayer that has~~
37 constructed, purchased, or leased renewable energy property is allowed a credit equal to
38 thirty-five percent (35%) of the cost of the property if the property is placed in service in this
39 State during the taxable year. In the case of renewable energy property that serves a
40 nonbusiness purpose, the credit must be taken for the taxable year in which the property is
41 placed in service. For all other renewable energy property, the entire credit may not be taken
42 for the taxable year in which the property is placed in service but must be taken in five equal
43 installments beginning with the taxable year in which the property is placed in service. Upon
44 request of a taxpayer that leases renewable energy property, the lessor of the property must give
45 the taxpayer a statement that describes the renewable energy property and states the cost of the
46 property. No credit is allowed under this section to the extent the cost of the renewable energy
47 property was provided by public funds. For the purposes of this section, "public funds" does not
48 include grants made under section 1603 of the American Recovery and Reinvestment Tax Act
49 of 2009.

50 "

51 **SECTION 7.6.** Section 1.1(a) of S.L. 2014-3 is rewritten to read:

1 "SECTION 1.1.(a) G.S. 105-130.5(b), as amended by Section 14.3 of this act, reads as
2 rewritten:

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

5 ...

6 (4) ~~Losses in the nature of~~ Any unused portion of a net economic loss as allowed
7 under G.S. 105-130.8A(e). ~~losses sustained by the corporation in any or all of~~
8 ~~the 15 preceding years pursuant to the provisions of G.S. 105-130.8. A~~
9 ~~corporation required to allocate and apportion its net income under the~~
10 ~~provisions of G.S. 105-130.4 shall deduct its allocable and apportionable net~~
11 ~~economic loss only from total income allocable and apportionable to this~~
12 ~~State pursuant to the provisions of G.S. 105-130.8. This subdivision expires~~
13 ~~for taxable years beginning on or after January 1, 2030.~~

14 (4a) A State net loss as allowed under G.S. 105-130.8A. A corporation may
15 deduct its allocable and apportionable State net loss only from total income
16 allocable and apportionable to this State.

17"

18 SECTION 7.7.(a) G.S. 105-134.6A, as amended by S.L. 2014-3, reads as
19 rewritten:

20 "(h) Definitions. - ~~For purposes of this section, a "transferor" is an~~ The following
21 definitions apply in this section:

22 (1) Transferor. - An individual, partnership, corporation, S Corporation, limited
23 liability company, or an estate or trust that does not fully distribute income
24 to its beneficiaries, and an "owner in a transferor" is a beneficiaries.

25 (2) Owner in a transferor. - One or more of the following of a transferor:

26 a. A partner, shareholder, member, or beneficiary or member.

27 b. A beneficiary subject to tax under Part 2 or 3 of Article 4 of this
28 Chapter of a transferor. ~~Chapter."~~

29 SECTION 7.7.(b) G.S. 105-153.6, as amended by S.L. 2014-3, reads as rewritten:

30 "(h) Definitions. - ~~For purposes of this section, a "transferor" is an~~ The following
31 definitions apply in this section:

32 (1) Transferor. - An individual, partnership, corporation, S Corporation, limited
33 liability company, or an estate or trust that does not fully distribute income
34 to its beneficiaries, and an "owner in a transferor" is a beneficiaries.

35 (2) Owner in a transferor. - One or more of the following of a transferor:

36 a. A partner, shareholder, member, or beneficiary or member.

37 b. A beneficiary subject to tax under Part 2 or 3 of Article 4 of this
38 Chapter of a transferor. ~~Chapter."~~

39 SECTION 7.7.(c) Subsection (a) of this section is effective for taxable years
40 beginning on or after January 1, 2013. Subsection (b) of this section is effective for taxable
41 years beginning on or after January 1, 2014. The remainder of this section is effective when it
42 becomes law.

43 SECTION 7.8.(a) Notwithstanding G.S. 105-163.15, the Secretary of Revenue
44 may not impose interest with respect to an underpayment of income tax to the extent the
45 underpayment was created or increased by the changes made in Section 2.2 of S.L. 2014-3.
46 Notwithstanding G.S. 105-163.8, a withholding agent is not liable for the amount of tax the
47 agent fails to withhold to the extent the amount of tax not withheld was created or increased by
48 the changes made in Section 2.2 of S.L. 2014-3.

49 SECTION 7.8.(b) This section is effective when it becomes law and applies to
50 taxable years beginning on or after January 1, 2014, and before January 1, 2015, and to payroll
51 periods beginning on or after January 1, 2014, and before January 1, 2015.

1 **SECTION 7.9.** G.S. 105-164.3(35), as amended by Section 14.7 of S.L. 2014-3,
2 reads as rewritten:

3 **"§ 105-164.3. Definitions.**

4 The following definitions apply in this Article:

5 ...

6 (35) ~~Retailer. – A person engaged in business of any of the following:~~ Any of the
7 following persons:

8 a. ~~Making~~ A person engaged in business of making sales at retail,
9 offering to make sales at retail, or soliciting sales at retail of tangible
10 personal property, digital property, or services for storage, use, or
11 consumption in this State. When the Secretary finds it necessary for
12 the efficient administration of this Article to regard any sales
13 representatives, solicitors, representatives, consignees, peddlers, or
14 truckers as agents of the dealers, distributors, consignors,
15 supervisors, employers, or persons under whom they operate or from
16 whom they obtain the items sold by them regardless of whether they
17 are making sales on their own behalf or on behalf of these dealers,
18 distributors, consignors, supervisors, employers, or persons, the
19 Secretary may so regard them and may regard the dealers,
20 distributors, consignors, supervisors, employers, or persons as
21 "retailers" for the purpose of this Article.

22 b. ~~Delivering~~ A person engaged in business of delivering, erecting,
23 installing, or applying tangible personal property for use in this State,
24 regardless of whether the property is permanently affixed to real
25 property or other tangible personal property.

26 c. ~~Making~~ A person engaged in business of making a remote sale, if
27 one of the conditions listed in G.S. 105-164.8(b) is met.

28 d. A person, other than a facilitator, required to collect the tax levied
29 under G.S. 105-164.4(a)."

30 **SECTION 7.10.** G.S. 105-164.4G, as enacted by S.L. 2014-3, reads as rewritten:

31 **"§ 105-164.4G. Entertainment activity.**

32 ...

33 (f) Exemptions. – The sale at retail and the use, storage, or consumption in this State of
34 the following gross receipts derived from an admission charge to an entertainment activity are
35 specifically exempt from the tax imposed by this Article:

36 ...

37 (g) Sourcing. – ~~Admission~~ An admission charge to an entertainment activity is sourced
38 to the location where admission to the entertainment activity may be gained by a person. When
39 the location where admission may be gained is not known at the time of the receipt of the gross
40 receipts for an admission charge, the sourcing principles in G.S. 105-164.4B(a) apply."

41 **SECTION 7.11.** G.S. 105-164.13, as amended by Section 6.1(f) of S.L. 2014-3,
42 reads rewritten:

43 **"§ 105-164.13. Retail sales and use tax.**

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

47 ...

48 (8a) Sales to a small power production facility, as defined in 16 U.S.C. §
49 796(17)(A), of fuel and piped natural gas used by the facility to generate
50 electricity.

51 ...

- 1 (10) Sales of the following to commercial laundries or to pressing and dry
 2 cleaning establishments:
 3 a. Articles or materials used for the identification of garments being
 4 laundered or dry cleaned, wrapping paper, bags, hangers, starch,
 5 soaps, detergents, cleaning fluids and other compounds or chemicals
 6 applied directly to the garments in the direct performance of the
 7 laundering or the pressing and cleaning service.
 8 b. Laundry and dry-cleaning machinery, parts and accessories attached
 9 to the machinery, and lubricants applied to the machinery.
 10 c. ~~Fuel, other than electricity, Fuel and piped natural gas~~ used in the
 11 direct performance of the laundering or the pressing and cleaning
 12 service. The exemption does not apply to electricity.

- 13 ...
 14 (57) ~~Fuel and~~ Fuel, piped natural gas, and electricity sold to a manufacturer for
 15 use in connection with the operation of a manufacturing facility. The
 16 exemption does not apply to electricity used at a facility at which the
 17 primary activity is not manufacturing.

18"

19 **SECTION 7.12.(a)** G.S. 105-164.13E, as amended by S.L. 2014-3, reads as
 20 rewritten:

21 "**§ 105-164.13E. Exemption for farmers.**

22 (a) Exemption. – A qualifying farmer is a person who has an annual gross income for
 23 the preceding taxable year of ten thousand dollars (\$10,000) or more from farming operations
 24 or who has an average annual gross income for the three preceding taxable years of ten
 25 thousand dollars (\$10,000) or more from farming operations. A qualifying farmer includes a
 26 dairy operator, a poultry farmer, an egg producer, a livestock farmer, a farmer of crops, and a
 27 farmer of an aquatic species, as defined in G.S. 106-758. A qualifying farmer may apply to the
 28 Secretary for an exemption certificate number under G.S. 105-164.28A. The exemption
 29 certificate expires when a person fails to meet the income threshold for three consecutive
 30 taxable years or ceases to engage in farming operations.

31 The following tangible personal property, digital property, and services are exempt from
 32 sales and use tax if purchased by a qualifying farmer and for use by the farmer in farming
 33 operations. For purposes of this section, an item is used by a farmer for farming operations if it
 34 is used for the planting, cultivating, harvesting, or curing of farm crops or in the production of
 35 dairy products, eggs, or animals:

- 36 (1) ~~Fuel and~~ Fuel, piped natural gas, and electricity that ~~is~~ are measured by a
 37 separate meter or another separate device and used for a purpose other than
 38 preparing food, heating dwellings, and other household purposes.

39 ...

40 (c) Definition. – For purposes of this section, the term "taxable year" has the same
 41 meaning as defined in G.S. 105-153.3."

42 **SECTION 7.12.(b)** Section 3.1(d) of S.L. 2014-3 reads as rewritten:

43 "**SECTION 3.1.(d)** A person who has an agricultural exemption certificate number issued
 44 prior to July 1, 2014, that meets the requirements of G.S. 105-164.13E for a qualifying farmer
 45 should apply for a new agricultural exemption certificate number before July 1, 2014, for use
 46 for qualifying purchases made on or after ~~October 1, 2014.~~ January 1, 2015. A person that
 47 meets the requirements of G.S. 105-164.13E for a qualifying farmer and who has an
 48 agricultural exemption certificate number issued prior to July 1, 2014, may continue to use that
 49 agricultural exemption certificate number for qualifying purchases made prior to ~~October 1,~~
 50 2014. January 1, 2015."

51 **SECTION 7.13.** G.S. 105-164.16A, as enacted by S.L. 2014-3, reads as rewritten:

1 **"§ 105-164.16A. Reporting option for prepaid meal plans.**

2 (a) Reporting Option. – This ~~section~~ subsection provides a ~~taxpayer-retailer~~ that offers
3 ~~to sell a prepaid meal plan plan~~ subject to the tax imposed by G.S. 105-164.4 with an option
4 concerning the method by which the sales tax will be remitted to the Secretary and a return
5 filed under G.S. 105-164.16. When the retailer enters into an agreement with a food service
6 contractor by which the food service contractor agrees to provide food or prepared food under a
7 prepaid meal plan, and the food service contractor with whom the retailer contracts is also a
8 retailer under this Article, the retailer may include in the agreement that the food service
9 contractor is liable for ~~collecting~~ reporting and remitting the sales tax due on the gross receipts
10 derived from the prepaid meal plan on behalf of the retailer. The agreement must provide that
11 the tax applies to the allocated sales price of the prepaid meal plan paid by or on behalf of the
12 person entitled to the food or prepaid food under the plan and not the amount charged by the
13 food service contractor to the retailer under the agreement for the food and prepared food for
14 the person.

15 A retailer who elects this option must report to the food service contractor with whom it has
16 an agreement the gross receipts a person pays to the retailer for a prepaid meal plan. The
17 retailer must send the food service contractor the tax due on the gross receipts derived from a
18 prepaid meal plan. Tax payments received by a food service contractor from a retailer are held
19 in trust by the food service contractor for remittance to the Secretary. A food service contractor
20 that receives a tax payment from a retailer must remit the amount received to the Secretary. A
21 food service contractor is not liable for tax due but not received from a retailer. A retailer that
22 does not send the food service contractor the tax due on the gross receipts derived from a
23 prepaid meal plan is liable for the amount of tax the retailer fails to send to the food service
24 contractor.

25 (b) Basis of Reporting. – A retailer must report gross receipts derived from a prepaid
26 meal plan on an accrual basis of accounting for purposes of this Article, notwithstanding that
27 the retailer reports tax on the cash basis for other sales at retail and notwithstanding that the
28 revenue has not been recognized for accounting purposes."

29 **SECTION 7.14.** G.S. 105-164.20 reads as rewritten:

30 **"§ 105-164.20. Cash or accrual basis of reporting.**

31 ~~Any retailer, except a retailer who sells electricity or telecommunications service, Except as~~
32 otherwise provided in this section, a retailer may report sales for purposes of this Article on
33 either the cash or accrual basis of accounting upon making application to the Secretary for
34 permission to use the basis selected. Permission granted by the Secretary to report on a selected
35 basis continues in effect until revoked by the Secretary or the taxpayer receives permission
36 from the Secretary to change the basis selected. A ~~retailer who sells electricity or~~
37 ~~telecommunications service~~ A retailer of the following must report its sales on an accrual basis.
38 A sale of ~~electricity or telecommunications service~~ basis for purposes of this Article and the tax
39 on the sales price or gross receipts derived from the sale is considered to accrue when the
40 retailer bills its customer for the ~~sale~~ sale or gross receipts:

- 41 (1) Electricity.
- 42 (2) Telecommunications service.
- 43 (3) Piped natural gas.
- 44 (4) Prepaid meal plans."

45 **SECTION 7.15.** G.S. 105-164.29(a), as amended by Section 14.9(b) of S.L.
46 2014-3, reads as rewritten:

47 "(a) Requirement and Application. – Before a person may engage in business as a
48 retailer or a wholesale merchant or when a facilitator is liable for tax under G.S. 105-164.4F,
49 the person must obtain a certificate of registration. To obtain a certificate of registration, a
50 person must register with the Department. A person who has more than one business is required

1 to obtain only one certificate of registration for each legal entity to cover all operations of each
2 business throughout the State. An application for registration must be signed as follows:

- 3 (1) By the owner, if the owner is an individual.
4 (2) By a manager, member, or company official, ~~partner~~, if the owner is an
5 ~~association, a partnership,~~ a limited liability company.
6 (2a) By a manager, member, or partner, if the owner is a partnership.
7 (3) By an executive officer or some other person specifically authorized by the
8 corporation to sign the application, if the owner is a corporation. If the
9 application is signed by a person authorized to do so by the corporation,
10 written evidence of the person's authority must be attached to the
11 application."

12 **SECTION 7.16.** G.S. 105-241.6(b)(5) reads as rewritten:

13 "(b) Exceptions. – The exceptions to the general statute of limitations for obtaining a
14 refund of an overpayment are as follows:

- 15 ...
16 (5) Contingent Event. – The period to request a refund of an overpayment may
17 be extended as provided in this subdivision if an event or condition prevents
18 the taxpayer from possessing the information necessary to file an accurate
19 and definite request for a refund of an overpayment under this Chapter:
20 a. If a taxpayer is subject to a contingent event and files written notice
21 with the Secretary, the period to request a refund of an overpayment
22 is six months after the contingent event concludes.
23 ~~b. For purposes of this subdivision,~~ For purposes of this subdivision, a
24 "contingent event" means litigation or a State-state tax audit initiated
25 prior to the expiration of the statute of limitations under subsection
26 (a) of this section, the pendency of which prevents the taxpayer from
27 possessing the information necessary to file an accurate and definite
28 request for a refund of an overpayment under this Chapter.
29 ~~e. For purposes of this subdivision, "notice to the Secretary" means~~
30 ~~written notice~~ The written notice to the Secretary must be filed with
31 ~~the Secretary~~ prior to expiration of the statute of limitations under
32 subsection (a) of this section for a return or payment in which a
33 contingent event prevents a taxpayer from filing a definite request for
34 a refund of an overpayment. The notice must identify and describe
35 the contingent event, identify the type of tax, list the return or
36 payment affected by the contingent event, and state in clear terms the
37 basis for and an estimated amount of the overpayment.
38 ~~d.b. A~~ If a taxpayer who contends that an event or condition other than
39 litigation or a State tax audit a contingent event, as defined in this
40 subdivision, has occurred that prevents the taxpayer from filing an
41 accurate and definite request for a refund of an overpayment within
42 the period under subsection (a) of this section, the taxpayer
43 may submit a written request to the Secretary seeking an extension of
44 the statute of limitations allowed under this subdivision. The request
45 must establish by clear, convincing proof that the event or condition
46 is beyond the taxpayer's control and that it prevents the taxpayer's
47 timely filing of an accurate and definite request for a refund of an
48 overpayment. The request must be filed within the period under
49 subsection (a) of this section. The Secretary's decision on the request
50 is final and is not subject to administrative or judicial review.

1 **SECTION 7.17.(a)** G.S. 105-338(c), as amended by Section 11.1(e) of S.L.
2 2014-3, reads as rewritten:

3 "(c) Certain Property of Bus Line, Motor Freight Carrier, ~~Airline, and Mobile~~
4 ~~Telecommunications and Airline~~ Companies. –

5 ...
6 (4) ~~The appraised valuation of the tangible personal property of a mobile~~
7 ~~telecommunications company (excluding towers) that is appraised in~~
8 ~~accordance with the provisions of G.S. 105-336(c) is allocated among the~~
9 ~~local taxing units in which the property of the company is situated on~~
10 ~~January 1 in the proportion that the original cost of the property in the taxing~~
11 ~~unit bears to the original cost of all such property in this State."~~

12 **SECTION 7.17.(b)** G.S. 105-339, as amended by Section 11.1(f) of S.L. 2014-3,
13 reads as rewritten:

14 "**§ 105-339. Certification of appraised valuations of nonsystem property and locally**
15 **assigned rolling stock, tangible personal property of tower aggregator**
16 **companies, and ~~certain~~—tangible personal property of mobile**
17 **telecommunications companies.**

18 Having determined the appraised valuations of the nonsystem properties of public service
19 companies in accordance with subdivisions (b)(2) and (b)(3) of G.S. 105-335 and the appraised
20 valuations of locally assigned rolling stock in accordance with subdivision (c)(1) of
21 G.S. 105-335, the appraised valuations of the tangible personal property of tower aggregator
22 companies in accordance with G.S. 105-336(d) and the appraised valuations of ~~towers of the~~
23 tangible personal property of mobile telecommunications companies in accordance with
24 ~~G.S. 105-336(d),~~ G.S. 105-336(c) and (d), the Department of Revenue shall assign those
25 appraised valuations to the taxing units in which such properties are situated by certifying the
26 valuations to the appropriate counties and municipalities. Each local taxing unit receiving such
27 certified valuations shall assess them at the figures certified and shall tax the assessed
28 valuations at the rate of tax levied against other property subject to taxation therein."

29 **SECTION 7.17.(c)** Section 11.1(g) of S.L. 2014-3 is repealed.

30 **SECTION 7.17.(d)** Subsection (c) of this section is effective when it becomes law.
31 The remainder of this section is effective for taxes imposed for taxable years beginning on or
32 after July 1, 2015.

33 **SECTION 7.18.(a)** G.S. 160A-206 reads as rewritten:

34 "**§ 160A-206. General power to impose taxes.**

35 (a) Authority. – A city shall have power to impose taxes only as specifically authorized
36 by act of the General Assembly. Except when the statute authorizing a tax provides for
37 penalties and interest, the power to impose a tax shall include the power to impose reasonable
38 penalties for failure to declare tax liability, if required, or to impose penalties or interest for
39 failure to pay taxes lawfully due within the time prescribed by law or ordinance. In determining
40 the liability of any taxpayer for a tax, a city may not employ an agent who is compensated in
41 whole or in part by the city for services rendered on a contingent basis or any other basis
42 related to the amount of tax, interest, or penalty assessed against or collected from the taxpayer.
43 The power to impose a tax shall also include the power to provide for its administration in a
44 manner not inconsistent with the statute authorizing the tax.

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

49 (1) Supplying piped natural gas.

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

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

1 (4) Providing electricity."

2 **SECTION 7.18.(b)** G.S. 153A-146 reads as rewritten:

3 "**§ 153A-146. General power to impose taxes.**

4 (a) Authority. – A county may impose taxes only as specifically authorized by act of
5 the General Assembly. Except when the statute authorizing a tax provides for penalties and
6 interest, the power to impose a tax includes the power to impose reasonable penalties for failure
7 to declare tax liability, if required, and to impose penalties or interest for failure to pay taxes
8 lawfully due within the time prescribed by law or ordinance. In determining the liability of any
9 taxpayer for a tax, a county may not employ an agent who is compensated in whole or in part
10 by the county for services rendered on a contingent basis or any other basis related to the
11 amount of tax, interest, or penalty assessed against or collected from the taxpayer. The power to
12 impose a tax also includes the power to provide for its administration in a manner not
13 inconsistent with the statute authorizing the tax.

14 (b) Prohibition. – A county may not impose a license, franchise, or privilege tax on a
15 person engaged in any of the businesses listed in this subsection:

16 (1) Supplying piped natural gas.

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

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

19 (4) Providing electricity."

20 **SECTION 7.19.** The Department of Revenue may draw the funds needed to make
21 the following distributions from the sales and use tax collections under Article 5 of Chapter 105
22 of the General Statutes:

23 (1) The September 15, 2014, distribution of the franchise tax to cities under
24 G.S. 105-116.1 for the calendar quarter than begins April 1, 2014.

25 (2) The September 15, 2014, distribution of the excise tax to cities under
26 G.S. 105-187.44 for the calendar quarter than begins April 1, 2014.

27 **SECTION 7.20.(a)** G.S. 105-153.3 reads as rewritten:

28 "**§ 105-153.3. Definitions.**

29 The following definitions apply in this Part:

30 ...

31 (18) Surviving spouse. – Defined in section 2(a) of the Code.

32 ~~(18)~~(19) Taxable year. – Defined in section 441(b) of the Code.

33 ~~(19)~~(20) Taxpayer. – An individual subject to the tax imposed by this Part.

34 ~~(20)~~(21) This State. – The State of North Carolina."

35 **SECTION 7.20.(b)** G.S. 105-153.5(a)(1) reads as rewritten:

36 (a) Deduction Amount. – In calculating North Carolina taxable income, a taxpayer may
37 deduct from adjusted gross income either the standard deduction amount provided in
38 subdivision (1) of this subsection or the itemized deduction amount provided in subdivision (2)
39 of this subsection that the taxpayer claimed under the Code. In the case of a married couple
40 filing separate returns, a taxpayer may not deduct the standard deduction amount if the taxpayer
41 or the taxpayer's spouse claims the itemized deductions amount:

42 (1) Standard deduction amount. – An amount equal to the amount listed in the
43 table below based on the taxpayer's filing status:

Filing Status	Standard Deduction
Married, filing jointly jointly/surviving spouse	\$15,000
Head of Household	12,000
Single	7,500
Married, filing separately	7,500."

49 **SECTION 7.20.(c)** G.S. 105-134.1 reads as rewritten:

50 "**§ 105-134.1. Definitions.**

51 The following definitions apply in this Part:

1 ...
 2 (15a) Surviving spouse. – Defined in section 2(a) of the Code.
 3"

4 **SECTION 7.20.(d)** G.S. 105-134.6(a2) reads as rewritten:

5 "(a2) Deduction Amount. – In calculating North Carolina taxable income, a taxpayer may
 6 deduct either the North Carolina standard deduction amount for that taxpayer's filing status or
 7 the itemized deductions amount claimed under the Code. The North Carolina standard
 8 deduction amount is the lesser of the amount shown in the table below or the amount allowed
 9 under the Code. In the case of a married couple filing separate returns, a taxpayer may not
 10 deduct the standard deduction amount if the taxpayer or the taxpayer's spouse claims itemized
 11 deductions for State purposes.

12 A taxpayer that deducts the standard deduction amount under this subsection and is entitled
 13 to an additional deduction amount under section 63(f) of the Code for the aged or blind may
 14 deduct an additional amount under this subsection. The additional amount the taxpayer may
 15 deduct is six hundred dollars (\$600.00) in the case of an individual who is married and seven
 16 hundred fifty dollars (\$750.00) in the case of an individual who is not married and is not a
 17 surviving spouse. The taxpayer is allowed the same number of additional amounts that the
 18 taxpayer claimed under the Code for the taxable year.

Filing Status	Standard Deduction
Married, filing jointly <u>jointly</u> / <u>surviving spouse</u>	\$6,000
Head of Household	4,400
Single	3,000
Married, filing separately	3,000."

25 **SECTION 7.20.(e)** Subsections (a) and (b) of this section are effective for taxable
 26 years beginning on or after January 1, 2014. Subsections (c) and (d) of this section are effective
 27 retroactively for taxable years beginning on or after January 1, 2012, and before January 1,
 28 2014. The remainder of this section is effective when it becomes law.

29 **SECTION 7.21.** G.S. 105-164.13B(a)(4) reads as rewritten:

30 "(a) State Exemption. – Food is exempt from the taxes imposed by this Article unless the
 31 food is included in one of the subdivisions in this subsection. The following food items are
 32 subject to tax:

- 33 ...
- 34 (4) Prepared food, other than bakery items sold without eating utensils by an
 35 artisan bakery. The term "bakery item" includes bread, rolls, buns, biscuits,
 36 bagels, croissants, pastries, donuts, danish, cakes, tortes, pies, tarts, muffins,
 37 bars, cookies, and tortillas. An artisan bakery is a bakery that meets all of the
 38 following requirements:
- 39 a. It derives over eighty percent (80%) of its gross receipts from bakery
 40 items.
 - 41 b. Its annual gross receipts, combined with the gross receipts of all
 42 related ~~persons as defined in G.S. 105-163.010, persons,~~ do not
 43 exceed one million eight hundred thousand dollars (\$1,800,000). For
 44 purposes of this subdivision, the term "related person" means a
 45 person described in one of the relationships set forth in section
 46 267(b) or 707(b) of the Code."

47 **SECTION 7.22.** Except as otherwise provided, this Part is effective when it
 48 becomes law. If any provision of this Part or its application is held invalid, the invalidity does
 49 not affect other provisions or applications of this Part that can be given effect without the
 50 invalid provisions or application, and to this end the provisions of this Part are severable.

1 **PART VIII. EFFECTIVE DATE**

2 **SECTION 8.** Except as otherwise provided, this act is effective when it becomes
3 law.