

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2003

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SENATE BILL 97
Finance Committee Substitute Adopted 5/27/03

Short Title: Revenue Laws Technical Changes.

(Public)

Sponsors:

Referred to:

February 19, 2003

A BILL TO BE ENTITLED
AN ACT TO MAKE TECHNICAL AND CLARIFYING CHANGES TO THE
REVENUE LAWS AND RELATED STATUTES.

The General Assembly of North Carolina enacts:

SECTION 1. Section 10 of S.L. 2002-87 reads as rewritten:

"**SECTION 10.** Section 9 of this act is effective on and after January 1, 2002, and applies to the estates of decedents dying on or after that ~~date~~date, except that if the amendments made by Section 9 would create an increase in tax for a decedent dying before August 22, 2002, then the tax may be calculated under the prior law. The remainder of this act is effective when it becomes law. Section 2 of this act applies to credits for buildings ~~that are awarded a federal credit allocation before January 1, 2003, and~~ for which a federal tax credit is first claimed for a taxable year beginning on or after January 1, 2002."

SECTION 2. S.L. 2002-172 is reenacted.

SECTION 3. G.S. 105-129.40 reads as rewritten:

"**§ 105-129.40.** (See Editor's note for repeal) ~~Definitions applicable to Article.~~ Scope and definitions.

(a) Scope. – G.S. 105-129.41 applies to buildings that are awarded a federal credit allocation before January 1, 2003. G.S. 105-129.42 applies to buildings that are awarded a federal credit allocation on or after January 1, 2003.

(b) Definitions. – The definitions in section 42 of the Code and the following definitions apply in this Article:

- (1) Housing Finance Agency. – The North Carolina Housing Finance Agency established in G.S. 122A-4.
- (2) ~~Pass-Through Entity.~~ Pass-through entity. – Defined in G.S. ~~105-129.35.~~ 105-228.90."

SECTION 4.(a) G.S. 105-163.010(7) reads as rewritten:

"(7) Pass-through entity. – Defined in G.S. 105-228.90. ~~An entity or business, including a limited partnership, a general partnership, a joint~~

1 venture, a Subchapter S Corporation, or a limited liability company, all
 2 of which is treated as owned by individuals or other entities under the
 3 federal tax laws, in which the owners report their share of the income,
 4 losses, and credits from the entity or business on their income tax
 5 returns filed with this State. For the purpose of this Part, an owner of a
 6 pass-through entity is an individual or entity who is treated as an
 7 owner under the federal tax laws."

8 **SECTION 4.(b)** G.S. 105-163.1(9) reads as rewritten:

9 "(9) Pass-through entity. – Defined in ~~G.S. 105-163.010~~, G.S. 105-228.90."

10 **SECTION 4.(c)** G.S. 105-129.35(c) reads as rewritten:

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

12 (1) Certified historic structure. – Defined in section 47 of the Code.

13 (2) Pass-through entity. – Defined in G.S. 105-228.90. An entity or
 14 business, including a limited partnership, a general partnership, a joint
 15 venture, a Subchapter S Corporation, or a limited liability company, all
 16 of which is treated as owned by individuals or other entities under the
 17 federal tax laws, in which the owners report their share of the income,
 18 losses, and credits from the entity or business on their income tax
 19 returns filed with this State. For the purpose of this section, an owner
 20 of a pass-through entity is an individual or entity who is treated as an
 21 owner under the federal tax laws.

22 (3) Qualified rehabilitation expenditures. – Defined in section 47 of the
 23 Code."

24 **SECTION 4.(d)** G.S. 105-228.90(b) is amended by adding a new
 25 subdivision to read:

26 "(b) Definitions. – The following definitions apply in this Article:

27 ...

28 (4d) Pass-through entity. – An entity or business, including a limited
 29 partnership, a general partnership, a joint venture, a Subchapter S
 30 Corporation, or a limited liability company, all of which is treated as
 31 owned by individuals or other entities under the federal tax laws, in
 32 which the owners report their share of the income, losses, and credits
 33 from the entity or business on their income tax returns filed with this
 34 State. For the purpose of this section, an owner of a pass-through
 35 entity is an individual or entity who is treated as an owner under the
 36 federal tax laws."

37 **SECTION 5.(a)** G.S. 105-130.4(a)(1) reads as rewritten:

38 "(1) ~~'Business—'~~'Apportionable income' means all income that is
 39 apportionable under the United States Constitution."

40 **SECTION 5.(b)** G.S. 105-130.4(a)(5) reads as rewritten:

41 "(5) ~~'Nonbusiness—'~~'Nonapportionable income' means all income other than
 42 business-apportionable income."

43 **SECTION 5.(c)** G.S. 105-130.4(c) reads as rewritten:

1 "(c) Rents and royalties from real or tangible personal property, gains and losses,
2 interest, dividends less the portion deductible under G.S. 105-130.7, patent and
3 copyright royalties and other kinds of income, to the extent that they constitute
4 ~~nonbusiness-nonapportionable~~ income, less related expenses shall be allocated as
5 provided in subsections (d) through (h) of this section."

6 **SECTION 5.(d)** G.S. 105-130.4(i) reads as rewritten:

7 "(i) All ~~business-apportionable~~ income of corporations other than public utilities
8 and excluded corporations shall be apportioned to this State by multiplying the income
9 by a fraction, the numerator of which is the property factor plus the payroll factor plus
10 twice the sales factor, and the denominator of which is four. Provided, that where the
11 sales factor does not exist, the denominator of the fraction shall be the number of
12 existing factors and where the sales factor exists but the payroll factor or the property
13 factor does not exist, the denominator of the fraction shall be the number of existing
14 factors plus one."

15 **SECTION 5.(e)** G.S. 105-130.4(j)(2) reads as rewritten:

16 "(2) Property owned by the corporation is valued at its original cost.
17 Property rented by the corporation is valued at eight times the net
18 annual rental rate. Net annual rental rate is the annual rental rate paid
19 by the corporation less any annual rental rate received by the
20 corporation from subrentals except that subrentals shall not be
21 deducted when they constitute ~~business-apportionable~~ income. Any
22 property under construction and any property the income from which
23 constitutes ~~nonbusiness-nonapportionable~~ income shall be excluded in
24 the computation of the property factor."

25 **SECTION 5.(f)** G.S. 105-130.4(k)(1) reads as rewritten:

26 "(1) The payroll factor is a fraction, the numerator of which is the total
27 amount paid in this State during the income year by the corporation as
28 compensation, and the denominator of which is the total compensation
29 paid everywhere during the income year. All compensation paid to
30 general executive officers and all compensation paid in connection
31 with ~~nonbusiness-nonapportionable~~ income shall be excluded in
32 computing the payroll factor. General executive officers shall include
33 the chairman of the board, president, vice-presidents, secretary,
34 treasurer, comptroller, and any other officers serving in similar
35 capacities."

36 **SECTION 5.(g)** G.S. 105-130.4(l)(1) reads as rewritten:

37 "(1) The sales factor is a fraction, the numerator of which is the total sales
38 of the corporation in this State during the income year, and the
39 denominator of which is the total sales of the corporation everywhere
40 during the income year. Notwithstanding any other provision under
41 this Part, the receipts from any casual sale of property shall be
42 excluded from both the numerator and the denominator of the sales
43 factor. Where a corporation is not taxable in another state on its
44 ~~business-apportionable~~ income but is taxable in another state only

1 because of ~~nonbusiness~~ nonapportionable income, all sales shall be
2 treated as having been made in this State."

3 **SECTION 5.(h)** G.S. 105-130.4(m) through (s) read as rewritten:

4 "(m) All ~~business~~ apportionable income of a railroad company shall be apportioned
5 to this State by multiplying the income by a fraction, the numerator of which is the
6 "railway operating revenue" from business done within this State and the denominator
7 of which is the "total railway operating revenue" from all business done by the company
8 as shown by its records kept in accordance with the standard classification of accounts
9 prescribed by the Interstate Commerce Commission.

10 "Railway operating revenue" from business done within this State shall mean
11 "railway operating revenue" from business wholly within this State, plus the equal
12 mileage proportion within this State of each item of "railway operating revenue"
13 received from the interstate business of the company. "Equal mileage proportion" shall
14 mean the proportion which the distance of movement of property and passengers over
15 lines in this State bears to the total distance of movement of property and passengers
16 over lines of the company receiving such revenue. "Interstate business" shall mean
17 "railway operating revenue" from the interstate transportation of persons or property
18 into, out of, or through this State. If the Secretary of Revenue ~~shall find,~~ finds, with
19 respect to any particular company, that its accounting records are not kept so as to
20 reflect with exact accuracy such division of revenue by State lines as to each transaction
21 involving interstate revenue, the Secretary of Revenue may adopt such regulations,
22 based upon averages, as will approximate with reasonable accuracy the proportion of
23 interstate revenue actually earned upon lines in this State. Provided, that where a
24 railroad is being operated by a partnership which is treated as a corporation for income
25 tax purposes and pays a net income tax to this State, or if located in another state would
26 be so treated and so pay as if located in this State, each partner's share of the net profits
27 shall be considered as dividends paid by a corporation for purposes of this Part and shall
28 be so treated for inclusion in gross income, deductibility, and separate allocation of
29 dividend income.

30 (n) All ~~business~~ apportionable income of a telephone company shall be
31 apportioned to this State by multiplying the income by a fraction, the numerator of
32 which is gross operating revenue from local service in this State plus gross operating
33 revenue from toll services performed wholly within this State plus the proportion of
34 revenue from interstate toll services attributable to this State as shown by the records of
35 the company plus the gross operating revenue in North Carolina from other service less
36 the uncollectible revenue in this State, and the denominator of which is the total gross
37 operating revenue from all business done by the company everywhere less total
38 uncollectible revenue. Provided, that where a telephone company is required to keep its
39 records in accordance with the standard classification of accounts prescribed by the
40 Federal Communications Commission the amounts in such accounts shall be used in
41 computing the apportionment fraction as provided in this subsection.

42 (o) All ~~business~~ apportionable income of a motor carrier of property shall be
43 apportioned by multiplying the income by a fraction, the numerator of which is the
44 number of vehicle miles in this State and the denominator of which is the total number

1 of vehicle miles of the company everywhere. The words "vehicle miles" shall mean
2 miles traveled by vehicles owned or operated by the company hauling property for a
3 charge or traveling on a scheduled route.

4 (p) All ~~business-apportionable~~ income of a motor carrier of passengers shall be
5 apportioned by multiplying the income by a fraction, the numerator of which is the
6 number of vehicle miles in this State and the denominator of which is the total number
7 of vehicle miles of the company everywhere. The words "vehicle miles" shall mean
8 miles traveled by vehicles owned or operated by the company carrying passengers for a
9 fare or traveling on a scheduled route.

10 (q) All ~~business-apportionable~~ income of a telegraph company shall be
11 apportioned by multiplying the income by a fraction, the numerator of which is the
12 property factor plus the payroll factor plus the sales factor and the denominator of which
13 is three.

14 The property factor shall be as defined in subsection (j) of this section, the payroll
15 factor shall be as defined in subsection (k) of this section, and the sales factor shall be as
16 defined in subsection (l) of this section.

17 (r) All ~~business-apportionable~~ income of an excluded corporation and of all other
18 public utilities shall be apportioned by multiplying the income by the sales factor as
19 determined under subsection (l) of this section.

20 (s) All ~~business-apportionable~~ income of an air or water transportation
21 corporation shall be apportioned by a fraction, the numerator of which is the
22 corporation's revenue ton miles in this State and the denominator of which is the
23 corporation's revenue ton miles everywhere. The term "revenue ton mile" means one ton
24 of passengers, freight, mail, or other cargo carried one mile. In making this
25 computation, a passenger is considered to weigh two hundred pounds."

26 **SECTION 5.(i)** G.S. 105-130.8(a)(5) reads as rewritten:

27 "(5) For purposes of this section, any income item deductible in
28 determining State net income under the provisions of G.S. 105-130.5
29 and any ~~nonbusiness-nonapportionable~~ income not allocable to this
30 State under the provisions of G.S. 105-130.4 shall be considered as
31 income not taxable under this Part. The amount of the income item
32 considered income not taxable under this Part is determined after
33 subtracting related expenses for which a deduction was allowed under
34 this Part."

35 **SECTION 5.(j)** G.S. 105-122(c)(1) reads as rewritten:

36 "(1) After ascertaining and determining the amount of its capital stock,
37 surplus and undivided profits, as provided herein, every corporation
38 permitted to allocate and apportion its net income for income tax
39 purposes under the provisions of Article 4 of this Chapter shall
40 apportion ~~said-its~~ capital stock, surplus and undivided profits to this
41 State through use of the fraction computed for apportionment of its
42 ~~business-apportionable~~ income under ~~said-that~~ Article. A corporation
43 that is subject to franchise tax under this Article but is not subject to
44 income tax under Article 4 of this Chapter must apportion its capital

1 stock, surplus, and undivided profits to this State by using the
2 apportionment formula that would apply to the corporation if it were
3 subject to Article 4.

4 ~~Provided, that although~~ Notwithstanding the foregoing, if a
5 corporation is authorized by the Tax Review Board to apportion its
6 ~~business-apportionable~~ income by use of an alternative formula or
7 method, the corporation may not use ~~such this~~ alternative formula or
8 method for apportioning its capital stock, surplus and undivided profits
9 unless specifically authorized to do so by order of the Tax Review
10 Board.

11 ~~Provided, further, that a~~ A corporation ~~which that~~ is required to pay
12 an income tax to this State on its entire net income shall apportion its
13 entire capital stock, surplus and undivided profits to this State."

14 **SECTION 6.** G.S. 105-129.42(a)(3) reads as rewritten:

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

16 ...

17 (3) Qualified residential unit. ~~Residential Unit~~. – A housing unit that
18 meets the requirements of section 42 of the Code."

19 **SECTION 7.** G.S. 105-129.42(g) reads as rewritten:

20 "(g) Return and Payment. – A taxpayer may claim the credit allowed by this
21 section on a return filed for the taxable year in which the taxpayer receives a carryover
22 allocation of a federal low-income housing credit. The return must state the name and
23 location of the qualified low-income housing development for which the credit is
24 claimed.

25 If a taxpayer chooses the loan method for receiving the credit allowed under this
26 section, the Secretary must transfer to the Housing Finance Agency the amount of credit
27 allowed the taxpayer. The Agency must loan the taxpayer the amount of the credit on
28 terms consistent with the Qualified Allocation Plan. The Housing Finance Agency is not
29 required to make a loan to a qualified North Carolina low-income housing development
30 until the Secretary transfers the credit amount to the Agency.

31 If the taxpayer chooses the direct tax refund method for receiving the credit allowed
32 under this section, the Secretary must transfer to the Housing Finance Agency the
33 refundable excess of the credit allowed the taxpayer. The Agency holds the refund due
34 the taxpayer in escrow, with no interest accruing to the taxpayer during the escrow
35 period. The Agency must release the refund to the taxpayer upon the occurrence of the
36 earlier of the following:

- 37 (1) The Agency determines that the taxpayer has complied with the
38 Qualified Allocation Plan and has completed at least fifty percent
39 (50%) of the activities included in the development's eligible basis.
40 (2) Within 30 days after the date the development is placed in ~~service~~
41 date-service."

42 **SECTION 8.** G.S. 105-129.42(i) reads as rewritten:

43 "(i) Liability From Forfeiture. – A taxpayer that forfeits all or part of the credit
44 allowed under this section is liable for all past taxes avoided and any refund claimed as

1 a result of the credit plus interest at the rate established under G.S. 105-241.1(i). The
2 interest ~~rate~~ is computed from the date the Secretary transferred the credit amount to the
3 Housing Finance Agency. The past taxes, refund, and interest are due 30 days after the
4 date the credit is forfeited. A taxpayer that fails to pay the taxes, refund, and interest by
5 the due date is subject to the penalties provided in G.S. 105-236."

6 **SECTION 9.** G.S. 105-299 reads as rewritten:

7 "**§ 105-299. (Effective for taxes imposed for taxable years beginning on or after**
8 **July 1, 2003) Employment of experts.**

9 The board of county commissioners may employ appraisal firms, mapping firms or
10 other persons or firms having expertise in one or more of the duties of the assessor to
11 assist the assessor in the performance of these duties. The county may also assign to
12 county agencies, or contract with State or federal agencies, ~~for agencies for~~, any duties
13 involved with the approval or auditing of use-value accounts. The county may make
14 available to these persons any information it has that will facilitate the performance of a
15 contract entered into pursuant to this section. Persons receiving this information are
16 subject to the provisions of G.S. 105-289(e) and G.S. 105-259 regarding the use and
17 disclosure of information provided to them by the county. Any person employed by an
18 appraisal firm whose duties include the appraisal of property for the county must be
19 required to demonstrate that he or she is qualified to carry out these duties by achieving
20 a passing grade on a comprehensive examination in the appraisal of property
21 administered by the Department of Revenue. In the employment of these firms, primary
22 consideration must be given to the firms registered with the Department of Revenue
23 pursuant to G.S. 105-289(i). A copy of the specifications to be submitted to potential
24 bidders and a copy of the proposed contract may be sent by the board to the Department
25 of Revenue for review before the invitation or acceptance of any bids. Contracts for the
26 employment of these firms or persons are contracts for personal services and are not
27 subject to the provisions of Article 8, Chapter 143, of the General Statutes."

28 **SECTION 10.** G.S. 105-358(a) reads as rewritten:

29 "(a) Waiver. – A tax collector may, upon making a record of the reasons therefor,
30 reduce or waive the ~~ten percent (10%)~~ penalty imposed on giving a worthless check
31 under G.S. 105-357(b)(2)."

32 **SECTION 11.** G.S. 20-305.2(a)(7) reads as rewritten:

33 "**§ 20-305.2. Unfair methods of competition.**

34 (a) It is unlawful for any motor vehicle manufacturer, factory branch, distributor,
35 distributor branch, or subsidiary thereof, to directly or indirectly through any subsidiary
36 or affiliated entity, own any ownership interest in, operate, or control any motor vehicle
37 dealership in this State, provided that this section shall not be construed to prohibit:

38 ...

39 (7) The ownership, operation, or control of a dealership that sells
40 primarily recreational vehicles as defined in ~~{G.S.}~~ G.S. 20-4.01 by a
41 manufacturer, factory branch, distributor, or distributor branch, or
42 subsidiary thereof, if the manufacturer, factory branch, distributor, or
43 distributor branch, or subsidiary thereof, owned, operated, or
44 controlled the dealership as of October 1, 2001.

1 (b) This section does not apply to manufacturers or distributors of trailers or
2 semitrailers that are not recreational vehicles as defined in G.S. 20-4.01."

3 **SECTION 12.** Subchapter I of Chapter 105 of the General Statutes is
4 amended by adding a new section to read:

5 "**§ 105-1.1. Supremacy of State Constitution.**

6 The State's power of taxation is vested in the General Assembly. Under Article V,
7 Section 2(1), of the North Carolina Constitution, this power cannot be surrendered,
8 suspended, or contracted away. In the exercise of this power, the General Assembly
9 may amend or repeal any provision of this Subchapter in its discretion. No provision of
10 this Subchapter constitutes a contract that the provision will remain in effect in future
11 years, and any representation made to the contrary is of no effect."

12 **SECTION 13.** Section 3.1 of S.L. 2001-347 reads as rewritten:

13 "**SECTION 3.1.** Part 1 of this act is effective when it becomes law and expires
14 January 1, 2006, unless one of the following occurs: (i) 15 states have ~~signed~~adopted
15 the Streamlined Sales and Use Tax Agreement, or (ii) states representing a combined
16 resident population equal to at least ten percent (10%) of the national resident
17 population, as determined by the 2000 federal decennial census, have ~~signed~~adopted
18 the Agreement."

19 **SECTION 14.(a)** Section 1 of S.L. 1993-577 reads as rewritten:

20 "**Section 1.** This section applies only if Pender County has provided under G.S.
21 105-472 that revenues are to be distributed under subdivision (1) of that section.
22 Revenues collected under ~~Articles 39, 40, and 42~~Subchapter VIII of Chapter 105 of the
23 General Statutes which are received by Pender County and the municipalities within
24 that county under G.S. 105-472, which were initially allocated to Pender County under
25 ~~those Articles,~~that Subchapter other than revenues which are required by law to be used
26 for certain purposes, may be redistributed among Pender County and those
27 municipalities by agreement adopted under Article 20 of Chapter 160A of the General
28 Statutes. The agreement is effective only if approved by Pender County and all the
29 municipalities in that county entitled to a distribution of those funds for which Pender
30 County determined the allocation method. An election to enter an agreement shall be
31 made annually at the time the county makes its determination to the Department of
32 Revenue for the method of local sales tax distribution under G.S. 105-472."

33 **SECTION 14.(b)** This section is effective on and after December 1, 2002.

34 **SECTION 15.** G.S. 105-130.7A(b)(4)b. reads as rewritten:

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

36 ...

37 (4) Related entity. – Any of the following:

38 ...

39 b. A stockholder, or a stockholder's partnership, limited liability
40 company, estate, trust, or corporation, if the stockholder and the
41 stockholder's partnerships, limited liability companies, estates,
42 trusts, and corporations own in the aggregate at least fifty
43 percent (50%) of the value of the taxpayer's outstanding stock.
44 ~~are component members with respect to the taxpayer."~~

1 **SECTION 16.(a)** G.S. 105-164.4C(f) reads as rewritten:

2 "(f) Call Center Cap. – The gross receipts tax on ~~interstate~~ telecommunications
3 service that originates outside this State, terminates in this State, and is provided to a
4 call center that has a direct pay permit issued by the Department under G.S.
5 105-164.27A may not exceed fifty thousand dollars (\$50,000) a calendar year. This cap
6 applies separately to each legal entity."

7 **SECTION 16.(b)** G.S. 105-164.27A(b) reads as rewritten:

8 "(b) Telecommunications Service. – A direct pay permit for telecommunications
9 service authorizes its holder to purchase telecommunications service without paying tax
10 to the seller and authorizes the seller to not collect any tax on a sale to the permit holder.
11 A person who purchases telecommunications service under a direct pay permit must file
12 a return and pay the tax due monthly to the Secretary. A direct pay permit issued under
13 this subsection does not apply to any tax other than the tax on telecommunications
14 service.

15 A call center that purchases ~~interstate~~ telecommunications service that originates
16 outside this State and terminates in this State may apply to the Secretary for a direct pay
17 permit for telecommunications service. A call center is a business that is primarily
18 engaged in providing support services to customers by telephone to support products or
19 services of the business. A business is primarily engaged in providing support services
20 by telephone if at least sixty percent (60%) of its calls are incoming."

21 **SECTION 17.** G.S. 105-164.6(f) reads as rewritten:

22 "(f) Before a person may engage in business in this State selling or delivering
23 tangible personal property for storage, use, or consumption in this State, the person must
24 obtain a certificate of registration from the Department. To obtain a certificate of
25 registration, a person must register with the Department.

26 The holder of the certificate of registration must pay the tax levied under this
27 Article. A certificate of registration is valid unless it is revoked for failure to comply
28 with the provisions of this Article or becomes void. A certificate issued to a retailer
29 becomes void if, for a period of 18 months, the retailer files no returns or files returns
30 showing no sales."

31 **SECTION 18.(a)** The lead-in language of G.S. 105-164.13 reads as
32 rewritten:

33 "**§ 105-164.13. Retail sales and use tax.**

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

37 ..."

38 **SECTION 18.(b)** The lead-in language of G.S. 105-164.14(b) reads as
39 rewritten:

40 "(b) Nonprofit Entities and Hospital Drugs. – A nonprofit entity included in the
41 following list is allowed a semiannual refund of sales and use taxes paid by it under this
42 Article, except under G.S. 105-164.4(a)(4a) and G.S. 105-164.4(a)(4c), Article on direct
43 purchases of tangible personal property and services, other than electricity and
44 telecommunications service, for use in carrying on the work of the nonprofit entity:

1 ..."

2 **SECTION 18.(c)** The lead-in language of G.S. 105-164.14(c) reads as
3 rewritten:

4 "(c) Certain Governmental Entities. – A governmental entity listed in this
5 subsection is allowed an annual refund of sales and use taxes paid by it under this
6 ~~Article, except under G.S. 105-164.4(a)(4a) and G.S. 105-164.4(a)(4e), Article~~ on direct
7 purchases of tangible personal property and services, other than electricity and
8 telecommunications service. ~~property.~~ Sales and use tax liability indirectly incurred by a
9 governmental entity on building materials, supplies, fixtures, and equipment that
10 become a part of or annexed to any building or structure that is owned or leased by the
11 governmental entity and is being erected, altered, or repaired for use by the
12 governmental entity is considered a sales or use tax liability incurred on direct
13 purchases by the governmental entity for the purpose of this subsection. A request for a
14 refund must be in writing and must include any information and documentation required
15 by the Secretary. A request for a refund is due within six months after the end of the
16 governmental entity's fiscal year.

17 This subsection applies only to the following governmental entities:

18 ..."

19 **SECTION 18.(d)** G.S. 105-164.14(c)(20) reads as rewritten:

20 "(20) A constituent institution of The University of North Carolina, but only
21 with respect to sales and use tax paid by it for tangible personal
22 property or services that are eligible for refund under this subsection
23 acquired by it through the expenditure of contract and grant funds."

24 **SECTION 18.(e)**. G.S. 105-164.14(e) reads as rewritten:

25 "(e) State Agencies. – The State is allowed quarterly refunds of local sales and use
26 taxes paid by a State agency on direct purchases of tangible personal property and
27 services and of local sales and use taxes paid indirectly by the State agency on building
28 materials, supplies, fixtures, and equipment that become a part of or annexed to a
29 building or structure that is owned or leased by the State agency and is being erected,
30 altered, or repaired for use by the State agency. This subsection does not apply to
31 purchases for which a State agency is allowed a refund under subsection (c) of this
32 section.

33 A person who pays local sales and use taxes on building materials or other tangible
34 personal property for a State building project shall give the State agency for whose
35 project the property was purchased a signed statement containing all of the following
36 information:

- 37 (1) The date the property was purchased.
- 38 (2) The type of property purchased.
- 39 (3) The project for which the property was used.
- 40 (4) If the property was purchased in this State, the county in which it was
41 purchased.
- 42 (5) If the property was not purchased in this State, the county in which the
43 property was used.
- 44 (6) The amount of sales and use taxes paid.

1 If the property was purchased in this State, the person shall attach a copy of the sales
2 receipt to the statement. A State agency to whom a statement is submitted shall verify
3 the accuracy of the statement.

4 Within 15 days after the end of each calendar quarter, every State agency shall file
5 with the Secretary a written application for a refund of taxes to which this subsection
6 applies paid by the agency during the quarter. The application shall contain all
7 information required by the Secretary. The Secretary shall credit the local sales and use
8 tax refunds directly to the General Fund."

9 **SECTION 19.(a)** G.S. 105-187.18 reads as rewritten:

10 **"§ 105-187.18. Exemptions.**

11 (a) The taxes imposed by this Article do not apply to:

- 12 (1) Bicycle tires and other tires for vehicles propelled by human power.
- 13 (2) Recapped tires.
- 14 (3) Tires sold for placement on newly manufactured vehicles.

15 (b) ~~The~~ Except for the exemption for sales a state cannot constitutionally tax, the
16 exemptions in G.S. 105-164.13 and the refunds allowed in G.S. 105-164.14 do not
17 apply to the taxes imposed by this Article."

18 **SECTION 19.(b)** G.S. 105-187.23 reads as rewritten:

19 **"§ 105-187.23. Exemptions and refunds.**

20 (a) Exemptions. – ~~Except for the exemption provided in G.S. 105-164.13(17), for~~
21 sales a state cannot constitutionally tax, the exemptions in G.S. 105-164.13 do not apply
22 to the taxes imposed by this Article.

23 (b) Refunds. – The refunds allowed in G.S. 105-164.14 do not apply to the taxes
24 imposed by this Article. A person who buys at least 50 new white goods of any kind in
25 the same sale or purchase may obtain a refund equal to sixty percent (60%) of the
26 amount of tax imposed by this Article on the white goods when all of the white goods
27 purchased are to be placed in new or remodeled dwelling units that are located in this
28 State and do not contain the kind of white goods purchased. To obtain a refund, a person
29 must file an application for a refund with the Secretary. The application must contain
30 the information required by the Secretary, be signed by the purchaser of the white
31 goods, and be submitted by the date set by the Secretary."

32 **SECTION 19.(c)** G.S. 105-187.33 reads as rewritten:

33 **"§ 105-187.33. (Repealed effective January 1, 2010.) Exemptions and refunds.**

34 Except for the exemption for sales a state cannot constitutionally tax, the
35 exemptions in G.S. 105-164.13 do not apply to the taxes imposed by this Article. The
36 refunds allowed in G.S. 105-164.14 do not apply to the taxes imposed by this Article."

37 **SECTION 20.** G.S. 105-277(d) reads as rewritten:

38 "(d) All bona fide indebtedness incurred in the purchase of fertilizer and fertilizer
39 materials owing by a taxpayer as principal debtor may be deducted from the total value
40 of all fertilizer and fertilizer materials as are held by such taxpayer for his own use in
41 agriculture during the current year. ~~Provided, further, that from the total value of cotton~~
42 ~~stored in this State there may be deducted by the owner thereof all bona fide~~
43 ~~indebtedness incurred directly for the purchase of said cotton and for the payment of~~
44 ~~which the cotton so purchased is pledged as collateral."~~

1 **SECTION 21.** G.S. 105-164.13(5) reads as rewritten:
2 "(5) Manufactured products produced and sold by manufacturers or
3 producers to other manufacturers, producers, or registered retailers or
4 wholesale merchants, for the purpose of resale except as modified by
5 G.S. ~~105-164.3(23)~~. 105-164.3(51). This exemption does not extend to
6 or include retail sales to users or consumers not for resale."

7 **SECTION 22.** G.S. 105-164.13B(1) reads as rewritten:
8 "(1) The following items are subject to tax:
9 a. Alcoholic beverages, as defined in G.S. 105-113.68.
10 b. Dietary supplements.
11 c. Food sold through a vending machine."

12 **SECTION 23.** G.S. 105-164.14(c)(21) reads as rewritten:
13 "(21) The University of North Carolina ~~Hospitals at Chapel Hill.~~ Health
14 Care System."

15 **SECTION 24.** This act is effective when it becomes law.