

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2007

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HOUSE BILL 1605

Short Title: Sales Tax Refund Reform Act/Reduce Cor. Rate. (Public)

Sponsors: Representatives Folwell; Current, Starnes, and Stiller.

Referred to: Finance.

April 19, 2007

A BILL TO BE ENTITLED
AN ACT TO CAP THE SALES TAX REFUNDS ALLOWED TO NONPROFIT
ENTITIES AND TO REDUCE THE CORPORATE INCOME TAX RATE FROM
SIX AND NINE-TENTHS PERCENT TO SIX AND FOUR-TENTHS PERCENT.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 105-164.14(b) reads as rewritten:

"(b) Nonprofit Entities and Hospital Drugs. – A nonprofit entity included in the following list is allowed a semiannual refund of sales and use taxes paid by it under this Article on direct purchases of tangible personal property and services, other than electricity, telecommunications service, and ancillary service, for use in carrying on the work of the nonprofit entity:

- (1) Hospitals not operated for profit, including hospitals and medical accommodations operated by an authority created under the Hospital Authorities Law, Article 2 of Chapter 131E of the General Statutes.
- (2) Educational institutions not operated for profit.
- (3) Churches, orphanages, and other charitable or religious institutions and organizations not operated for profit.
- (4) Qualified retirement facilities whose property is excluded from property tax under G.S. 105-278.6A.

The amount of a refund allowed to a claimant under this subsection for a 12-month period is one hundred percent (100%) of the first one million dollars (\$1,000,000) requested and twenty-five percent (25%) of the amount requested that exceeds one million dollars (\$1,000,000).

Sales and use tax liability indirectly incurred by a nonprofit entity on building materials, supplies, fixtures, and equipment that become a part of or annexed to any building or structure that is owned or leased by the nonprofit entity and is being erected, altered, or repaired for use by the nonprofit entity for carrying on its nonprofit activities is considered a sales or use tax liability incurred on direct purchases by the nonprofit entity.

1 A hospital that is not allowed a refund under this subsection of sales and use taxes
 2 paid on its direct purchases of tangible personal property is allowed a semiannual refund
 3 of sales and use taxes paid by it on medicines and drugs purchased for use in carrying
 4 out its work.

5 The refunds allowed under this subsection for certain nonprofit entities and for
 6 medicines and drugs purchased by hospitals do not apply to organizations, corporations,
 7 and institutions that are owned and controlled by the United States, the State, or a unit
 8 of local government, except hospital facilities created under Article 2 of Chapter 131E
 9 of the General Statutes and nonprofit hospitals owned and controlled by a unit of local
 10 government that elect to receive semiannual refunds under this subsection instead of
 11 annual refunds under subsection (c).

12 A request for a refund must be in writing and must include any information and
 13 documentation required by the Secretary. A request for a refund for the first six months
 14 of a calendar year is due the following October 15; a request for a refund for the second
 15 six months of a calendar year is due the following April 15."

16 **SECTION 2.** G.S. 105-130.3 reads as rewritten:

17 **"§ 105-130.3. Corporations.**

18 A tax is imposed on the State net income of every C Corporation doing business in
 19 this State. An S Corporation is not subject to the tax levied in this section. The tax is a
 20 percentage six and four-tenths percent (6.4%) of the taxpayer's State net ~~income~~
 21 ~~computed as follows:~~

22	Income Years Beginning	Tax
23	In 1997	7.5%
24	In 1998	7.25%
25	In 1999	7%
26	After 1999	6.9%-income."

27 **SECTION 3.** G.S. 115C-546.1(b) reads as rewritten:

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

34	Period	Fraction
35	10/1/97 to 9/30/98	One fifteenth (1/15)
36	10/1/98 to 9/30/99	Two twenty ninths (2/29)
37	10/1/99 to 9/30/00	One fourteenth (1/14)
38	After 9/30/00	Five sixty ninths (5/69)."

39 **SECTION 4.** Section 1 of this act becomes effective July 1, 2007, and
 40 applies to sales and use taxes paid on or after that date. Section 2 of this act is effective
 41 for taxable years beginning on or after January 1, 2008. Section 3 of this act becomes
 42 effective July 1, 2008, and applies to the calendar quarter that ends September 30, 2008.
 43 The remainder of this act is effective when it becomes law.