

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2019

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HOUSE BILL 399
Committee Substitute Favorable 4/3/19
Committee Substitute #2 Favorable 5/29/19
Committee Substitute #3 Favorable 6/4/19
Senate Appropriations/Base Budget Committee Substitute Adopted 10/8/19

Short Title: Extend Tax Credits/Other Finance Changes.

(Public)

Sponsors:

Referred to:

March 21, 2019

1 A BILL TO BE ENTITLED
2 AN ACT TO MAKE CERTAIN TAX CHANGES, TO EXTEND CERTAIN TAX BENEFITS,
3 AND TO APPROPRIATE FUNDS FROM THE COLLECTIONS ASSISTANCE FEE
4 SPECIAL FUND TO THE DEPARTMENT OF REVENUE.

5 The General Assembly of North Carolina enacts:

6
7 **INCOME EXCLUSION FOR IRA DISTRIBUTIONS TO CHARITIES BY TAXPAYERS**
8 **AGE 70 1/2 OR OLDER**

9 **SECTION 1.(a)** G.S. 105-153.5(a)(2)a. reads as rewritten:

10 "a. Charitable Contribution. – The amount allowed as a deduction for
11 charitable contributions under section 170 of the Code for that taxable
12 year. For taxable years ~~beginning on or after 2014, 2014 through 2018,~~
13 a taxpayer who elected to take the income exclusion under section
14 408(d)(8) of the Code for a qualified charitable distribution from an
15 individual retirement plan by a person who has attained the age of 70
16 1/2 may deduct the amount that would have been allowed as a
17 charitable deduction under section 170 of the Code had the taxpayer
18 not elected to take the income exclusion."

19 **SECTION 1.(b)** G.S. 105-153.5(c2)(3) reads as rewritten:

20 "(3) For taxable years ~~beginning on or after 2014, 2014 through 2018,~~ the taxpayer
21 must add the amount excluded from the taxpayer's gross income for a qualified
22 charitable distribution from an individual retirement plan by a person who has
23 attained age 70 1/2 under section 408(d)(8) of the Code. The purpose of this
24 subdivision is to decouple from the income exclusion available under federal
25 tax law."

26 **SECTION 1.(c)** This section is effective when it becomes law.
27

28 **DEDUCTION FOR AMOUNTS RECEIVED AS ECONOMIC INCENTIVES**

29 **SECTION 2.(a)** G.S. 105-130.5(b) reads as rewritten:

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

32 ...



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1 (31) To the extent included in federal taxable income, the amount received by a
2 taxpayer as an economic incentive pursuant to G.S. 143B-437.012 or Part 2G
3 or Part 2H of Article 10 of Chapter 143B of the General Statutes."

4 **SECTION 2.(b)** G.S. 105-153.5(b) reads as rewritten:

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

8 ...

9 (14) The amount received by a taxpayer as an economic incentive pursuant to
10 G.S. 143B-437.012 or Part 2G or Part 2H of Article 10 of Chapter 143B of
11 the General Statutes."

12 **SECTION 2.(c)** This section is effective for taxable years beginning on or after
13 January 1, 2019, and applies to amounts received by a taxpayer pursuant to an economic incentive
14 agreement entered into on or after that date.

15 16 **EXTEND HISTORIC REHABILITATION TAX CREDIT AND EXPAND THE MILL** 17 **REHABILITATION TAX CREDIT**

18 **SECTION 3.(a)** G.S. 105-129.110 reads as rewritten:

19 "**§ 105-129.110. Sunset.**

20 This Article expires for qualified rehabilitation expenditures and rehabilitation expenses
21 incurred on or after ~~January 1, 2020.~~ January 1, 2024. For qualified rehabilitation expenditures
22 and rehabilitation expenses incurred prior to ~~January 1, 2020,~~ January 1, 2024, this Article expires
23 for property not placed in service by ~~January 1, 2028.~~ January 1, 2032."

24 **SECTION 3.(b)** G.S. 105-129.71 is amended by adding a new subsection to read:

25 "(a1) Credit for Rehabilitated Railroad Station. – A taxpayer who is allowed a credit under
26 section 47 of the Code for making qualified rehabilitation expenditures of at least ten million
27 dollars (\$10,000,000) with respect to a certified rehabilitation of an eligible railroad station is
28 allowed a credit equal to a percentage of the expenditures that qualify for the federal credit. In
29 order to be eligible for a credit allowed by this Article, the taxpayer must provide to the Secretary
30 a copy of the eligibility certification and the cost certification. The amount of the credit is equal
31 to forty percent (40%) of the qualified rehabilitation expenditures. The credit cannot be claimed
32 for a taxable year beginning prior to January 1, 2021. The tax credit must be taken in two equal
33 installments on returns filed for taxable years 2021 and 2022. The sum of the two installments is
34 equal to the credit amount allowed for qualified rehabilitation expenditures incurred in taxable
35 years 2019, 2020, and 2021.

36 For purposes of this subsection, the term "eligible railroad station" is a site located in this
37 State that satisfies all of the following conditions:

38 (1) It was used as a manufacturing facility and either (i) was used as a railroad
39 station or (ii) is located adjacent to a site that is or was used as a railroad
40 station.

41 (2) It is a certified historic structure or a State-certified historic structure.

42 (3) It has been at least eighty percent (80%) vacant for a period of at least two
43 years immediately preceding the date the eligibility certification is made.

44 (4) It is a designated local landmark as certified by a city on or before June 30,
45 2019.

46 (5) It is located in a development tier one or tier two area, determined as of the
47 date of the eligibility certification.

48 (6) It is located in a designated qualified opportunity zone under sections 1400Z-1
49 and 1400Z-2 of the Code, determined as of the date of the eligibility
50 certification.

51 (7) It is issued a certificate of occupancy on or before December 31, 2021."

1 **SECTION 3.(c)** G.S. 105-129.74 reads as rewritten:

2 "**§ 105-129.74. Coordination with ~~Article 3D of this Chapter.~~Historic Rehabilitation Tax**
3 **Credit.**

4 A taxpayer that claims a credit under this Article may not also claim a credit under Article
5 3D or 3L of this Chapter with respect to the same activity. The rules and fee schedule adopted
6 under G.S. 105-129.36A or G.S. 105-129.107 apply to this Article."

7 **SECTION 3.(d)** G.S. 105-129.75 reads as rewritten:

8 "**§ 105-129.75. ~~Sunset.~~Sunset and applicable expenditures.**

9 (a) ~~This Sunset.~~ – Except for credits allowed under G.S. 105-129.71(a1), this Article
10 expires January 1, 2015, for rehabilitation projects for which an application for an eligibility
11 certification is submitted on or after that date. Eligibility certifications under this Article expire
12 January 1, 2023.

13 (b) Delayed Sunset and Applicable Expenditures. – For credits allowed under
14 G.S. 105-129.71(a1), the following applies:

15 (1) The qualified rehabilitation expenditures must be incurred on or after January
16 1, 2019, and before January 1, 2022.

17 (2) This Article expires, and a tax credit allowed under G.S. 105-127.71(a1) may
18 not be claimed, for rehabilitation projects not completed and placed in service
19 prior to January 1, 2022."

20 **SECTION 3.(e)** This section is effective when it becomes law.

21 22 **EXTEND SALES TAX EXEMPTION FOR QUALIFYING AIRLINES**

23 **SECTION 4.(a)** G.S. 105-164.13(11b) reads as rewritten:

24 "(11b) Sales of aviation gasoline and jet fuel to an interstate air business for use in a
25 commercial aircraft. For purposes of this subdivision, the term "commercial
26 aircraft" has the same meaning as defined in subdivision (45a) of this section.
27 This exemption also applies to aviation gasoline and jet fuel purchased for use
28 in a commercial aircraft in interstate or foreign commerce by a person whose
29 primary business is scheduled passenger air transportation. This subdivision
30 expires ~~January 1, 2020.~~January 1, 2024."

31 **SECTION 4.(b)** This section is effective when it becomes law.

32 33 **EXTEND SALES TAX EXEMPTIONS FOR PROFESSIONAL MOTORSPORTS** 34 **TEAMS**

35 **SECTION 5.(a)** G.S. 105-164.13(65) and (65a) read as rewritten:

36 "(65) This subdivision expires ~~January 1, 2020.~~January 1, 2024. Sales of the
37 following to a professional motorsports racing team or a related member of a
38 team for use in competition in a sanctioned race series:

39 a. The sale, lease, or rental of an engine.

40 b. The sales price of or gross receipts derived from a service contract on,
41 or repair, maintenance, and installation services for, a transmission, an
42 engine, rear-end gears, and any other item that is purchased, leased, or
43 rented and that is exempt from tax under this subdivision or that is
44 allowed a sales tax refund under G.S. 105-164.14A(a)(5).

45 c. The gross receipts derived from an agreement to provide an engine to
46 a professional motorsports racing team or related member of a team
47 for use in competition in a sanctioned race series, where such
48 agreement does not meet the definition of a "service contract" as
49 defined in G.S. 105-164.3 but may meet the definition of the term
50 "lease or rental" as defined in G.S. 105-164.3.

1 (65a) An engine or a part to build or rebuild an engine for the purpose of providing
2 an engine under an agreement to a professional motorsports racing team or a
3 related member of a team for use in competition in a sanctioned race series.
4 This subdivision expires ~~January 1, 2020.~~January 1, 2024."

5 **SECTION 5.(b)** G.S. 105-164.14A(a)(4) and (a)(5) read as rewritten:

6 "(4) Motorsports team or sanctioning body. – A professional motorsports racing
7 team, a motorsports sanctioning body, or a related member of such a team or
8 body is allowed a refund of the sales and use tax paid by it in this State on
9 aviation gasoline or jet fuel that is used to travel to or from a motorsports event
10 in this State, to travel to a motorsports event in another state from a location
11 in this State, or to travel to this State from a motorsports event in another state.
12 For purposes of this subdivision, a "motorsports event" includes a motorsports
13 race, a motorsports sponsor event, and motorsports testing. This subdivision
14 is repealed for purchases made on or after ~~January 1, 2020.~~January 1, 2024.

15 (5) Professional motorsports team. – A professional motorsports racing team or a
16 related member of a team is allowed a refund of fifty percent (50%) of the
17 sales and use tax paid by it in this State on tangible personal property, other
18 than tires or accessories, that comprises any part of a professional motorsports
19 vehicle. For purposes of this subdivision, "motorsports accessories" includes
20 instrumentation, telemetry, consumables, and paint. This subdivision is
21 repealed for purchases made on or after ~~January 1, 2020.~~January 1, 2024."

22 **SECTION 5.(c)** This section is effective when it becomes law.

23 24 **DRY CLEANING SOLVENT PROGRAM EXTENSION**

25 **SECTION 6.(a)** G.S. 143-215.104A reads as rewritten:

26 **"§ 143-215.104A. Title; sunset.**

27 This part is the "Dry-Cleaning Solvent Cleanup Act of 1997" and may be cited by that name.
28 ~~Except as otherwise provided in this section, this~~ This part expires 1 January 2022.January 1,
29 2032, except with respect to all of the following:

30 (1) ~~G.S. 143-215.104K is not repealed~~does not expire to the extent that it applies
31 to liability arising from dry-cleaning solvent contamination described in a
32 Dry-Cleaning Solvent Assessment Agreement or Dry-Cleaning Solvent
33 Remediation Agreement entered into by the Environmental Management
34 Commission pursuant to G.S. 143-215.104H and G.S. 143-215.104I.

35 (2) Any Dry-Cleaning Solvent Assessment Agreement or Dry-Cleaning Solvent
36 Remediation Agreement in force as of ~~1 January 2012~~January 1, 2032, shall
37 continue to be governed by the provisions of Part 6 of Article 21A of Chapter
38 143 of the General Statutes as though those provisions had not been repealed.

39 (3) ~~G.S. 143-215.104D(b)(2) is not repealed;~~does not expire; rules adopted by
40 the Environmental Management Commission pursuant to
41 G.S. 143-215.104D(b)(2) shall continue in effect; and those rules may be
42 enforced pursuant to G.S. 143-215.104P, 143-215.104Q, and 143-215.104R,
43 which shall remain in effect for that purpose."

44 **SECTION 6.(b)** G.S. 105-164.44E reads as rewritten:

45 **"§ 105-164.44E. Transfer to the Dry-Cleaning Solvent Cleanup Fund.**

46 (a) Transfer. – At the end of each quarter, the Secretary must transfer to the Dry-Cleaning
47 Solvent Cleanup Fund established under G.S. 143-215.104C an amount equal to fifteen percent
48 (15%) of the net State sales and use taxes collected under G.S. 105-164.4(a)(4) during the
49 previous fiscal year, as determined by the Secretary based on available data.

50 (b) Sunset. – This section is repealed effective ~~July 1, 2020.~~July 1, 2030."

51 **SECTION 6.(c)** G.S. 105-187.35 reads as rewritten:

1 **"§ 105-187.35. Sunset.**

2 This Article is repealed effective ~~January 1, 2020.~~January 1, 2030."

3
4 **INSURANCE REGULATORY FEE**

5 **SECTION 7.** The percentage rate to be used in calculating the insurance regulatory
6 charge under G.S. 58-6-25 is six and one-half percent (6.5%) for the 2020 calendar year.

7
8 **DEPARTMENT OF REVENUE APPROPRIATIONS**

9 **SECTION 8.** Notwithstanding any provision of law to the contrary, there is
10 appropriated from the Collections Assistance Fee Special Fund to the Department of Revenue (i)
11 the sum of twelve million five hundred thousand dollars (\$12,500,000) in nonrecurring funds for
12 the 2019-2020 fiscal year to be used for costs associated with tax systems operations and
13 maintenance upgrades and (ii) the sum of four million four hundred thousand dollars
14 (\$4,400,000) in nonrecurring funds in each fiscal year of the 2019-2021 fiscal biennium to be
15 used to contract with a vendor to perform identity theft and tax fraud analysis using the
16 Government Data Analytics Center (GDAC).

17
18 **MISCELLANEOUS PROVISIONS**

19 **SECTION 9.** If any provision of this act and G.S. 143C-5-4 are in conflict, the
20 provisions of this act shall prevail.

21 **SECTION 10.** If House Bill 966, 2019 Regular Session, becomes law, Sections
22 12.14, 29.1, 41.2, 41.6, 41.7, 41.8, and 41.9 of that act are repealed.

23
24 **EFFECTIVE DATE**

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