

GENERAL ASSEMBLY OF NORTH CAROLINA
1985 SESSION

CHAPTER 656
HOUSE BILL 222

AN ACT TO PROVIDE BROAD-BASED TAX RELIEF TO NORTH CAROLINA
CITIZENS.

The General Assembly of North Carolina enacts:

Part I.

Inheritance and Gift Taxes.

Section 1. G.S. 105-2 is amended as follows:

- (1) by designating the current language of that section as subsection (a);
- (2) by deleting subdivisions (7) and (7a) of subsection (a), as designated by this act; and
- (3) by adding a new subsection to read:

"(b) Nontaxable property passing from one spouse to the other is includible in the deceased spouse's gross estate as follows:

- (1) When real property held by a husband and wife as tenants by the entirety or as joint tenants with the right of survivorship passes to the surviving tenant upon the death of the other tenant, one-half of the fair market value of the property is includible in the deceased tenant's gross estate.
- (2) When funds in a joint deposit account or corporate stocks or investment securities held by a husband and wife as joint tenants with the right of survivorship passes to the surviving tenant upon the death of the other tenant, one-half of the amount in the deposit account and one-half of the fair market value of the stock or securities is includible in the deceased tenant's gross estate."

Sec. 2. G.S. 105-3 is amended by adding a new subdivision to read:

"(9) Property passing to the surviving spouse of a decedent."

Sec. 3. G.S. 105-4 is amended as follows:

- (1) by deleting the phrase "or husband or wife of the person who died possessed of such property aforesaid," in subsection (a) of that section; and
- (2) by rewriting subsection (b) of that section to read:

"(b) An inheritance tax credit in the amount specified in the following table is allowed against the tax imposed by this Article on the transfer of property to a Class A beneficiary. For Decedents Dying on or After Amount of Credit August 1, 1985 \$ 2,350 July 1, 1986 8,150 January 1, 1987 14,150 January 1, 1988 20,150 January 1, 1989 26,150 This credit is allowed to Class A beneficiaries in the following order:

- (1) Children who are less than 18 years old, and children who are at least 18 years old and who are single, are unable to support themselves because of mental or physical incapacity, and either are members of the decedent's household or, because of their mental or physical incapacity, live in an institution.
- (2) Other Class A beneficiaries. The status of a beneficiary is determined as of the date of the decedent's death. When two or more beneficiaries are equally entitled to the credit, the credit shall be allocated among those beneficiaries on a pro rata basis according to their tax liability. The credit allowed by this section may not exceed the amount of tax imposed by this Article."

Sec. 3.1. The second sentence of G.S. 105-22, the second paragraph of G.S. 105-23, and the second sentence of G.S. 28A-21-2(a) are each amended by deleting the phrase "one hundred thousand dollars (\$100,000)" and substituting the phrase "seventy-five thousand dollars (\$75,000)".

Sec. 4. G.S. 105-188(h) is amended by changing the period at the end of subdivision (3) to a semicolon and adding the word "or" after that semicolon, and by adding a new subdivision to read:

"(4) To one spouse from the other spouse."

Sec. 5. G.S. 105-188(f)(1) is amended by rewriting that part of the subdivision preceding the colon to read:

"Where the donee is the lineal issue, lineal ancestor, adopted child, or stepchild of the donor (for each one hundred dollars (\$100.00) or fraction thereof)".

Sec. 6. G.S. 105-188(g) is amended by deleting the phrase "thirty thousand dollars (\$30,000)" and substituting the phrase "one hundred thousand dollars (\$100,000)".

Part II.

Income Taxes.

Sec. 7. G.S. 105-2.1, 105-114, 105-130.2(1), 105-135(15), 105-163.1(11), and 105-212 are each amended by deleting the date "April 1, 1983" and substituting the date "December 31, 1984".

Sec. 8. G.S. 105-151.11(a) is amended by deleting the second and third sentences of that subsection.

Sec. 9. G.S. 105-151.11(b)(2) is amended by adding a new sentence to read:

"The term includes expenses incurred for services outside the taxpayer's household if the expenses incurred are for the care of a qualifying individual described in (b)(1)a. or a qualifying individual described in (b)(1)b. or c. who regularly spends at least eight hours each day in the taxpayer's household."

Sec. 10. G.S. 105-151.11 is amended by inserting a new subsection between subsections (b) and (c) to read:

"(b1) The amount of employment-related expenses for which a credit may be claimed may not exceed two thousand four hundred dollars (\$2,400) if the taxpayer's household includes one qualifying individual, and may not exceed four thousand eight

hundred dollars (\$4,800) if the taxpayer's household includes more than one qualifying individual."

Sec. 11. G.S. 105-151.11 is amended by deleting the reference "G.S. 105-149(5)" each time it appears in that section and substituting the reference "G.S. 105-149(a)(5)".

Sec. 12. Division II of Article 4 of Chapter 105 of the General Statutes is amended by adding a new section to read:

"§ 105-151.15. General credit for individuals with low or moderate incomes. – (a) Credit. Except as provided in subsection (b), an individual whose net taxable income for the taxable year falls into one of the income brackets in the table below is allowed a credit against the tax imposed by this Division equal to the figure shown in the table for his income bracket. This credit may not exceed the amount of tax imposed on the individual by this Division for the taxable year, reduced by the sum of all credits allowed the individual under this Division, except tax payments made by or on behalf of the individual.

Net Taxable Amount of Income	Credit
\$ 0- 5,000	\$ 25
5,001-10,000	20
10,001-15,000	15

(b) Restrictions. The following individuals may not claim the credit allowed by this section:

- (1) An individual who was not a resident of this State and did not live in this State for at least half the taxable year;
- (2) An individual who received assistance under the Food Stamp Program, 7 U.S.C. § 51, for the entire taxable year;
- (3) An individual who was an inpatient at a hospital facility, as defined in G.S. 131E-16, for at least half the taxable year;
- (4) An individual who was in jail or in other official detention for at least half the taxable year; and
- (5) An individual who may be claimed as a dependent by another under G.S. 105-149(a)(5).

(c) 'Net Taxable Income' Defined. As used in this section, 'net taxable income' means net income less the amount of any personal exemptions allowed the individual."

Sec. 13. Article 4 of Chapter 105 of the General Statutes is amended as follows:

- (1) by rewriting the heading to Division IV of that Article to read: "INCOME TAX CREDITS FOR PROPERTY TAXES.";
- (2) by deleting the designation "DIVISION V. POULTRY OR LIVESTOCK PRODUCER'S INCOME TAX CREDIT." preceding G.S. 105- 163.05 to include G.S. 105-163.05 in Division IV of that Article; and
- (3) by adding the following sections to Division IV of that Article, as amended by this act, to read:

"§ 105-163.06. Income tax credit for property taxes paid by manufacturers on their inventories. – (a) Credit. Every manufacturer in this State is allowed a credit against the income tax imposed by this Article equal to twenty percent (20%) of the amount of

property taxes paid by the manufacturer during the taxable year upon its inventories located at an establishment or at a retail outlet of the manufacturer on the premises of an establishment. A manufacturer who claims a tax credit under this subsection may not claim a credit under G.S. 105-163.03.

(b) One-Year Limit. Except for a carry-over of a credit of a prior year's property taxes, a credit allowed under this section applies only to one year's property taxes.

"§ 105-163.07. Individual income tax credit for property taxes paid on farm machinery by individuals and certain corporations. – An individual farmer, or a corporation that is engaged in the business of farming and has elected to be treated as an 'S corporation' under the Code, that pays property taxes on farm machinery, or attachments and repair parts for farm machinery, is allowed a credit, not to exceed one thousand dollars (\$1,000), against the income tax imposed by this Article equal to the amount of property taxes paid, at par by that individual or corporation during the taxable year, on the farm machinery and attachments and repair parts for the machinery. As used in this section, 'farm machinery' means machinery that:

- (1) Is used in planting, cultivating, harvesting, or curing farm crops or in producing dairy products, poultry, eggs, or livestock; and
- (2) Is subject to State sales tax at the rate of one percent (1%) under G.S. 105-164.4(1)g.

"§ 105-163.08. Limit on credit; carry-over of excess credit. – A credit allowed by this Division may not exceed the amount of tax imposed on the taxpayer by this Article for the taxable year, reduced by the sum of all credits allowed the taxpayer under this Article, except tax payments made by or on behalf of the taxpayer. If a credit allowed by a section of this Division, other than G.S. 105-163.07, exceeds the income tax due for the taxable year, the excess credit may be carried forward for the next five succeeding taxable years. A carry-over of a credit shall be applied against the tax liability of the taxpayer for the earliest taxable year possible and to its maximum extent before any excess credit may be carried forward to a later taxable year.

"§ 105-163.09. Miscellaneous provisions governing tax credits. – (a) Adjustment. If part or all of the property taxes used in calculating a credit allowed by this Division is credited or refunded to a taxpayer by the taxing unit that imposed the tax, the taxpayer shall notify the Secretary of Revenue within 90 days, who shall recompute the credit allowed under this Division and make any resulting adjustment of income tax for the taxable year for which the credit was claimed. Any additional tax found to be due therefor shall be assessed as provided in G.S. 105- 241.1.

(b) Application. To obtain a credit allowed by this Division, the taxpayer shall attach to the income tax return on which the credit is claimed a copy of the tax receipt for these taxes. The receipt shall indicate that the taxes for which the credit is claimed have been paid and the amount and date of the payment.

(c) Partners. A taxpayer who is a member of a partnership engaged in business in this State shall be allowed a credit against the income tax imposed on him by this Article equal to the amount of any tax credit available to the partnership under this Division, multiplied by the percentage interest of the taxpayer in the profits of the partnership for the taxable year."

Sec. 14. G.S. 105-163.01 is deleted.

Sec. 15. G.S. 105-163.02 is amended as follows:

(1) by rewriting subdivisions (4), (6), and (8) to read:

"(4) 'Finished goods' means articles of tangible personal property that are ready for sale. When applied to a manufacturer who claims a credit under G.S. 105-163.03, the term includes articles of tangible personal property that are ready for shipment outside the State and are to be further manufactured outside the State by the same manufacturer.

(6) 'Inventories' has the same meaning as in G.S. 105-273(8a).

(8) 'Property taxes' means the principal amount of taxes levied and assessed by a taxing unit under the Machinery Act. It does not include costs, penalties, interest, or other charges that may be added to the principal amount.";

(2) by deleting the words "this Division" each time they appear in subdivision (7) and substituting the phrase "G.S. 105-163.03"; and

(3) by deleting subdivision (12) and adding the following subdivisions to read:

"(12) 'Taxpayer' means an individual, a person, a firm, a corporation, or another entity subject to income tax under this Article.

(13) 'Taxing unit' has the same meaning as in G.S. 105- 273(16)."

Sec. 16. G.S. 105-163.03 is amended as follows:

(1) by rewriting the catch line to that section to read:

"Income tax credit for property taxes paid by manufacturers on qualifying inventories.";

(2) by deleting the phrase "'total property tax'" in subdivision (a)(8) and substituting the phrase "amount of property taxes paid";

(3) by deleting the second and third sentences of subdivision (b); and

(4) by deleting subsection (c).

Sec. 17. G.S. 105-163.04 is amended by deleting the word "Manufacturer" or "manufacturer" each time it appears and substituting the word "Taxpayer" or "taxpayer" respectively.

Sec. 18. G.S. 105-163.05 is amended as follows:

(1) by deleting the second and third sentences of subsection (b); and

(2) by deleting subsection (c).

Sec. 19. G.S. 105-163.02, 105-163.03, 105-163.04, and 105-163.05 are each amended by deleting the phrase "counties and municipalities" each time it appears and substituting the phrase "taxing units".

Sec. 20. G.S. 105-273 is amended by adding a new subdivision in the proper alphabetical order to read:

"(8a) 'Inventories' means goods held for sale in the regular course of business, raw materials, goods in process of manufacture or processing, and other goods and materials that are used or consumed in the manufacture or processing of tangible personal property for sale or that accompany and become a part of the property as sold. The term does not include fuel used in manufacturing or processing."

Sec. 21. G.S. 105-285(c) is amended by deleting the last paragraph of that subsection.

Sec. 22. G.S. 105-289.1 is amended as follows:

- (1) by rewriting the first sentence of subsection (a) to read: "In supervising the appraisal of property, the Department of Revenue may review the appraisal of inventories and qualifying inventories of taxpayers eligible for an income tax credit under Division IV of Article 4 of this Chapter.";
- (2) by rewriting the last sentence of subsection (a) to read: "Notwithstanding G.S. 105-381, if the taxpayer has overpaid the tax due as recalculated, the taxing unit shall refund the overpayment as follows:
 - (1) The taxing unit shall refund the overpayment to the taxpayer if the taxpayer did not receive a credit for part or all of the tax under Division IV of Article 4 of this Chapter.
 - (2) The taxing unit shall refund the overpayment to the Secretary of Revenue if the taxpayer received a credit for all of the tax under Division IV of Article 4 of this Chapter.
 - (3) The taxing unit shall refund the overpayment to the Secretary of Revenue and the taxpayer, in proportion to the percentage credit allowed for the tax, if the taxpayer received a credit for a percentage of the tax under Division IV of Article 4 of this Chapter."; and
- (3) by deleting the word "manufacturer" in subsection (b) and substituting the word "taxpayer".

Sec. 23. G.S. 105-320(a) is amended by adding two new subdivisions at the end to read:

"(14) The total assessed value of the taxpayer's inventories.

(15) The amount of ad valorem tax due by the taxpayer upon inventories."

Sec. 23.1. G.S. 105-163.06(a), as enacted by this act, is amended by deleting the phrase "twenty percent (20%)" and substituting the phrase "forty percent (40%)".

Part III.

Sales and Use Taxes.

Sec. 24. G.S. 105-164.13(18) is amended by deleting the phrase "one hundred fifty dollars (\$150.00)" and substituting the phrase "one thousand five hundred dollars (\$1,500)".

Sec. 25. G.S. 105-164.13 is amended by adding two new subdivisions to read:

"(38) Food and other items lawfully purchased with coupons issued under the Food Stamp Program, 7 U.S.C. § 51, and supplemental foods lawfully purchased with a food instrument issued under the Special Supplemental Food Program, 42 U.S.C. § 1786.

"(39) Sales of paper, ink, and other tangible personal property to commercial printers and commercial publishers for use as ingredient or component parts of free

circulation publications, and sales by printers of free circulation publications to the publishers of these publications. As used in this subdivision, the term 'free circulation publications' means shoppers' guides that:

- (1) Are published on a periodic basis at recurring intervals;
- (2) Are mailed or are distributed house-to-house, by street distributors, in racks, or in any other manner at other locations without charge to the recipient;
- (3) Contain advertising of a general nature; and
- (4) Make space available to all advertisers for the purpose of inducing readers to purchase the goods and services of the advertisers.

The term does not include house organs or trade, professional, or similar types of publications. The ratio of news to advertising in a publication is not a factor in determining whether the publication is a free circulation publication."

Sec. 26. G.S. 105-164.16 is rewritten to read:

"§ 105-164.16. Report and payment of taxes. – (a) Payment. Taxes levied under this Article are due when a return is required to be filed. Every taxpayer liable for the tax imposed by this Article shall, within the specified time after the end of the appropriate reporting period, submit a return to the Secretary, on a form prescribed by the Secretary, stating the taxpayer's gross sales for the reporting period, the amount and type of sales made in the period that are exempt from tax under G.S. 105- 164.13 or are elsewhere excluded from tax, the amount of tax due, and any other information required by the Secretary. Each return shall be accompanied by a payment to the Secretary for the amount of taxes shown to be due on the return and shall be signed by the taxpayer or his agent. Returns that do not contain the required information shall not be accepted. When an unacceptable return is submitted, the Secretary shall require a corrected return to be filed.

(b) General Reporting Periods. Returns of taxpayers who are required to report on a monthly or quarterly basis are due within 15 days after the end of each monthly or quarterly period. Returns of taxpayers who are required to report on a bimonthly basis are due within 10 days after the end of each bimonthly period.

A taxpayer who is consistently liable for less than twenty-five dollars (\$25.00) a month in State and local sales and use taxes may, with the approval of the Secretary, file a return on a quarterly basis. A taxpayer who is consistently liable for at least twenty thousand dollars (\$20,000) a month in State and local sales and use taxes shall, when directed to do so by the Secretary, file a return on a bimonthly basis. All other taxpayers shall file a return on a monthly basis. Quarterly reporting periods end on the last day of March, June, September, and December; monthly reporting periods end on the last day of the month; and bimonthly reporting periods end on the 15th of each month and the last day of each month.

The Secretary shall monitor the amount of tax remitted by a taxpayer and shall direct a taxpayer who consistently remits at least twenty thousand dollars (\$20,000) each month to file a return on a bimonthly basis. In determining the amount of tax due from a taxpayer for a reporting period the Secretary shall consider the total amount due from all

places of business owned or operated by the same person as the amount due from that person.

(c) Sales Tax on Utility Services. Taxes levied under G.S. 105-164.4(4a) are due and payable quarterly on or before the 30th day following the end of the calendar quarter in which the tax accrues."

Sec. 27. G.S. 105-164.17 is amended by deleting the words "month or quarter" each time they appear in that section and substituting the words "reporting period".

Sec. 28. The last sentence of G.S. 105-164.21(a) is amended by deleting the words "monthly or quarterly".

Sec. 29. G.S. 105-164.41 is amended by deleting the words "monthly or quarterly" each time they appear in that section.

Sec. 30. The first sentence of G.S. 105-164.19 is amended by deleting the phrase "beyond the fifteenth day of the month next succeeding" and substituting the phrase "for more than 30 days after".

Sec. 30.1. Of the State sales and use tax revenue collected during fiscal year 1985-86, the sum of twenty-eight million six hundred thousand (\$28,600,000) shall be used only for nonrecurring expenditures.

Sec. 31. Division VIII of Article 5 of Chapter 105 of the General Statutes is amended by adding a new section to read:

"§ 105-164.45. Reimbursement for sales taxes on food stamp foods and supplemental foods. – As soon as practicable after July 1 of each year, the Secretary shall determine from available information the amount of local sales taxes that would have been collected in each county during the preceding fiscal year, on foods purchased with food stamp coupons or supplemental food instruments in the county, had these foods not been exempt from tax under G.S. 105-164.13(38). The Secretary shall then distribute the amounts determined to be due each county between the county and the cities located in the county in accordance with the method by which local sales and use taxes are distributed in that county."

Part IV.

Property Taxes.

Sec. 32. G.S. 105-199, 105-200, and 105-205 are repealed. Any taxes collected pursuant to G.S. 105-199, 105-200, or 105-205 on or after July 1, 1985, shall remain in the General Fund, and any refunds made on or after July 1, 1985, of taxes collected pursuant to G.S. 105-199, 105-200, or 105-205 shall be charged against the General Fund.

Sec. 33. G.S. 105-202 is amended as follows:

- (1) by deleting the phrase "demands, claims, deposits or share accounts in out-of-state building and loan and savings and loan associations" in the first sentence of that section; and
- (2) by deleting the phrase "demands, claims" in the first, second, and fourth paragraphs of that section.

Sec. 34. The first sentence of the third paragraph of G.S. 105-213(a), which begins with the words "The net amount after such deductions" and ends with the words "State Budget Officer" is rewritten to read:

"The Secretary shall allocate the net amount of taxes collected under this Article, less the deductions enumerated above, to the counties according to the county in which the taxes were collected."

Sec. 35. G.S. 105-212 is amended by deleting the second and fifth paragraphs of that section.

Sec. 36. G.S. 105-214 is rewritten to read:

"§ 105-214. Minimum tax for filing return. – A taxpayer whose tax liability under this Article for a taxable year does not exceed the sum of fifteen dollars (\$15.00) is not required to file a return for that year."

Sec. 37. G.S. 105-275 is amended by adding a new subdivision to read:

"(30) Money, whether on hand or on deposit at a bank, a credit union, a savings and loan association, or an insurance company."

Sec. 38. The first sentence of G.S. 105-276 is rewritten to read:

"Intangible personal property that is not excluded from taxation under G.S. 105-275(30) or classified under Schedule H, G.S. 105-198 through G.S. 105-217, is subject to this subchapter."

Sec. 39. G.S. 105-120.2(d) is repealed.

Sec. 40. G.S. 105-122(d) is amended as follows:

- (1) by deleting the phrase ", except for bank deposits subject to tax under the provisions of G.S. 105-199," in the fourth sentence of the first paragraph of that subsection;
- (2) by deleting the fifth sentence of the first paragraph of that subsection; and
- (3) by deleting the second paragraph of that subsection.

Sec. 41. Article 7 of Chapter 105 is amended by adding a new section to read:

"§ 105-213.1. Additional distribution to counties and municipalities. – (a) Distribution. As soon as practicable after July 1 of 1986, the Secretary of Revenue shall allocate for distribution to each county and the municipalities located in the county the amount allocated to that county from taxes levied under G.S. 105-199, 105-200, and 105-205 for the last taxable year in which these taxes were levied, plus or minus a sum that equals the product of this amount and the percentage by which State disposable personal income has increased or decreased during the most recent 12-month period for which State personal income data has been compiled by the Bureau of Economic Analysis of the United States Department of Commerce.

Thereafter, as soon as practicable after July 1 of each year, the Secretary shall allocate to each county the amount of funds allocated to the county under this section the preceding year, plus or minus a sum that equals the product of this amount and the percentage by which State disposable personal income has increased or decreased during the most recent 12-month period for which State personal income data has been

compiled by the Bureau of Economic Analysis of the United States Department of Commerce.

Amounts allocated to a county under this section shall in turn be divided and distributed between the county and the municipalities located in the county in accordance with the method of allocating intangible tax revenue between a county and the municipalities located in the county provided in G.S. 105- 213.

(b) Restrictions on use. Amounts distributed to a county or a municipality under this section are subject to the same restrictions as amounts distributed under G.S. 105-213.

(c) Municipality Defined. As used in this section, the term 'municipality' has the same meaning as in G.S. 105-213.

(d) Source. Amounts distributed under this section shall be charged to individual income tax collections."

Sec. 42. G.S. 105-201 is amended as follow:

- (1) by inserting between the phrase "State," and the word "shall" in the first sentence of that section the phrase: "other than credit balances on accounts with investment brokers or security dealers,"; and
- (2) by rewriting the fourth paragraph of that section to read: "The term 'accounts payable' as used in this section includes notes payable that are made for a term of one year or less and are not claimed as a deduction under G.S. 105-202."

Sec. 43. G.S. 105-213(a) is amended by inserting a new sentence between the first and second sentences of the third paragraph of that subsection, as amended by this act, to read:

"The Secretary shall then increase the amount allocable to each county by a sum equal to forty percent (40%) of the amount of tax on accounts receivable allocated to the county on the basis of collections."

Sec. 44. G.S. 105-277.1 is amended by deleting the phrase "eight thousand five hundred dollars (\$8,500)" each time it appears and substituting the phrase "ten thousand dollars (\$10,000)".

Sec. 45. G.S. 105-277.1(a)(2) is amended by deleting the phrase "nine thousand dollars (\$9,000)" and substituting the phrase "ten thousand dollars (\$10,000)".

Sec. 46. G.S. 105-277.1A(d) is amended by deleting the phrase "fifteen percent (15%)" and substituting the phrase "thirty-five percent (35%)".

Sec. 47. G.S. 105-309(f) is amended by deleting the phrase "eight thousand five hundred dollars (\$8,500)" and substituting the phrase "ten thousand dollars (\$10,000)", and by deleting the phrase "nine thousand dollars (\$9,000)" and substituting the phrase "ten thousand dollars (\$10,000)".

Sec. 48. G.S. 105-277.1 is amended by deleting the phrase "ten thousand dollars (\$10,000)" the first time it appears in subsection (a) and when it appears in subsection (b) and by substituting the phrase "twelve thousand dollars (\$12,000)".

Sec. 49. G.S. 105-277.1(a)(2) is amended by deleting the phrase "ten thousand dollars (\$10,000)" and substituting the phrase "eleven thousand dollars (\$11,000)".

Sec. 50. G.S. 105-277.1A(d) is amended by deleting the phrase "thirty-five percent (35%)" and substituting the phrase "fifty percent (50%)".

Sec. 51. G.S. 105-309(f) is amended by deleting the phrase "ten thousand dollars (\$10,000)" the first time it appears and substituting the phrase "twelve thousand dollars (\$12,000)", and by deleting the phrase "ten thousand dollars (\$10,000)" the second and third times it appears and substituting the phrase "eleven thousand dollars (\$11,000)".

Sec. 52. G.S. 105-277 is amended by adding a new subsection to read:

"(i) Retailers' and Wholesalers' Inventories. Tangible personal property in the inventories of a retailer or wholesaler is designated a special class of property pursuant to Article V, § 2(2) of the North Carolina Constitution and is taxable at ninety percent (90%) of the rate levied on other tangible personal property by the taxing unit in which the property is situated."

Sec. 52.1. G.S. 105-277(i), as enacted by this act, is amended by deleting the phrase "ninety percent (90%)" and substituting the phrase "eighty percent (80%)".

Sec. 53. Article 12 of Chapter 105 of the General Statutes is amended by adding a new section between G.S. 105-277 and 105-277.01 to read:

§ 105-277A. Reimbursement for partial exclusion of retailers' and wholesalers' inventories. – (a) The Secretary of Revenue shall reimburse taxing units for the partial property tax exclusion provided for retailers' and wholesalers' inventories as provided in this section. As soon as practicable after January 1 of 1987, the Secretary shall distribute to each taxing unit the unit's per capita share of the sum of nine million six hundred thousand dollars (\$9,600,000). As soon as practicable after January 1 of 1988, the Secretary shall distribute to each taxing unit the unit's per capita share of the sum of twenty million eight hundred thousand dollars (\$20,800,000). Thereafter, as soon as practicable after January 1 of each year the Secretary shall distribute to each taxing unit the unit's per capita share of the sum distributed to all taxing units the previous year, plus or minus an amount that equals the product of the sum distributed the previous year and the percentage by which State disposable personal income has increased or decreased during the most recent 12-month period for which State personal income data has been compiled by the Bureau of Economic Analysis of the United States Department of Commerce.

To make the per capita distributions required by this section, the Secretary shall first allocate the sum to be distributed among the counties on a per capita basis. The Secretary shall then compute a per capita distributable amount for each county by dividing the amount allocated to a county by the total population of the county, plus the population of any incorporated towns and cities located in the county. Each taxing unit in a county, including the county itself, shall receive the product of the population of the taxing unit and the per capita distributable amount for that county. The Secretary shall use the most recent annual population estimates certified by the State Budget Officer in determining the population of taxing units.

(b) Funds received by a county or city pursuant to this section because the county or city was collecting taxes for another unit of government or special district shall be

credited to the funds of that other unit or district in accordance with regulations issued by the Local Government Commission.

(c) To pay for the reimbursement under this section and the cost to the Department of Revenue for administering the reimbursement, the Secretary of Revenue may withhold from net collections received by the Department under Article 4 of Chapter 105 an amount equal to the reimbursement and the cost of administering the reimbursement."

Part V.

Fuel Taxes.

Sec. 54. G.S. 105-446.5 is amended by rewriting the catch line to that section and subsection (a) of that section to read:

"§ 105-446.5. Refund of taxes paid on motor fuel used by concrete mixing vehicles, solid waste compacting vehicles, and certain agricultural delivery vehicles. – (a) Refund. A person who purchases and uses motor fuel in one of the vehicles listed below may receive a refund for the amount of fuel consumed by the vehicle of thirty-three and one-third percent (33 1/3%) of eleven cents (11c) per gallon of the tax levied under this Article:

- (1) A concrete mixing vehicle;
- (2) A solid waste compacting vehicle;
- (3) A bulk feed vehicle that delivers feed to poultry or livestock and uses a power take-off to unload the feed; and
- (4) A vehicle that delivers lime or fertilizer in bulk to farms and uses a power take-off to unload the lime or fertilizer.

This refund is allowed for the amount of fuel consumed by the vehicle in its mixing, compacting, or unloading operations, as distinguished from propelling the vehicle, which amount is considered to be one-third of the amount of fuel consumed by the vehicle."

Part VI.

Name of Act and Effective Dates.

Sec. 55. This act shall be known as the "Tax Reduction Act of 1985".

Sec. 56. This act does not affect the rights or liabilities of the State or a taxpayer arising under a section amended or repealed by this act before its amendment or repeal; nor does it affect the right to any refund or credit of a tax, such as the franchise tax credit under G.S. 105-120.2(d) or 105-122(d), that would otherwise have been available under a section amended or repealed by this act before its amendment or repeal.

Sec. 57. Sections 1 through 3.1 of this act shall become effective August 1, 1985, and shall apply to the estates of decedents dying on or after that date. Sections 4 through 6 shall become effective January 1, 1986, and shall apply to gifts or transfers made on or after that date. Sections 7 through 11 are effective for taxable years beginning on or after January 1, 1985. Sections 12 through 23 are effective for taxable years beginning on or after January 1, 1986. Section 23.1 shall become effective for

taxable years beginning on or after January 1, 1987. Section 24 shall become effective July 1, 1986. Section 25 shall become effective October 1, 1985. Sections 26 through 30.1 shall become effective August 1, 1985, and shall apply to remittances of sales and use taxes collected on or after that date. Section 31 shall become effective July 1, 1986. Sections 32 through 40 are effective for taxable years beginning on or after January 1, 1985. Section 41 shall become effective July 1, 1986. Section 42 is effective for taxable years beginning on or after January 1, 1985. Section 43 shall become effective July 1, 1986. Sections 44 through 47 are effective for taxable years beginning on or after January 1, 1986. Sections 48 through 51 are effective for taxable years beginning on or after January 1, 1987. Section 52 is effective for taxable years beginning on or after January 1, 1986. Section 52.1 shall become effective for taxable years beginning on or after January 1, 1987. Section 53 shall become effective January 1, 1987. Section 54 is effective upon ratification and applies to taxes on motor fuel purchased on or after January 1, 1985. Sections 55, 56, and 57 are effective upon ratification.

In the General Assembly read three times and ratified, this the 9th day of July, 1985.