Article 5A.

North Carolina Highway Use Tax.

§ 105-187.1. Definitions.

(a) The following definitions and the definitions in G.S. 105-164.3 apply to this Article:

(1) Commissioner. – The Commissioner of Motor Vehicles.

(2) Division. – The Division of Motor Vehicles, Department of Transportation.

(2a) Limited possession commitment. – Long-term lease or rental, short-term lease or rental, and vehicle subscriptions.

(3) Long-term lease or rental. – A lease or rental made under a written agreement to lease or rent one or more vehicles to the same person for a period of at least 365 continuous days and that is not a vehicle subscription.

(3a) Park model RV. – A vehicle that meets all of the following conditions:

a. Is designed and marketed as temporary living quarters for recreational, camping, travel, or seasonal use.

b. Is certified by the manufacturer as complying with ANSI A119.5.

c. Is built on a single chassis mounted on wheels with a gross trailer area not exceeding 400 square feet in the setup mode.

(3b) Peer-to-peer vehicle sharing provider. – A person or entity that operates, facilitates, or administers a peer-to-peer vehicle sharing program as defined in G.S. 20-280.15.

(4) Recreational vehicle. – Defined in G.S. 20-4.01. The term also includes a park model RV.

(5) Rescue squad. – An organization that provides rescue services, emergency medical services, or both.

(6) Retailer. – A retailer as defined in G.S. 105-164.3 who is engaged in the business of offering short-term leases or rentals, long-term leases or rentals, or vehicle subscriptions for motor vehicles.

(7) Short-term lease or rental. – A lease or rental of a motor vehicle or motor vehicles by a person, including a vehicle sharing service or a peer-to-peer vehicle sharing provider, that is not a long-term lease or rental or a vehicle subscription.

(8) Vehicle sharing service. – A service for which a person pays a membership fee for the right to use a motor vehicle or motor vehicles upon payment of an additional time-based or mileage-based fee.

(9) Vehicle subscription. – A written agreement that grants a person the right to use and exchange motor vehicles owned, directly or indirectly, by the person offering the agreement upon payment of a subscription fee, but it does not include a vehicle sharing service. The subscription fee must provide a person exclusive use of an agreed-upon number of motor vehicles at any given time during the full term of the subscription.

(b) This section does not apply to Chapter 20 of the General Statutes, including the licensing requirements, restrictions, limitations, and prohibitions on unfair methods of competition contained in Article 12 of that Chapter. (1989, c. 692, s. 4.1; 1991, c. 79, s. 4; 2000-173, s. 10(a); 2001-424, s. 34.24(e); 2001-497, s. 2(b); 2002-72, s. 19(a); 2016-5, s. 3.19(a); 2019-69, s. 1; 2026-31, s. 7.1(a).)

§ 105-187.2. Highway use tax imposed.

A tax is imposed on the privilege of using the highways of this State. This tax is in addition to all other taxes and fees imposed. (1989, c. 692, s. 4.1.)

§ 105-187.3. Rate of tax.

(a) Tax Base. – Except as otherwise provided in G.S. 105-187.5, the tax imposed by this Article is applied to the sum of the retail value of a motor vehicle for which a certificate of title is issued and any fee regulated by G.S. 20-101.1. The tax does not apply to the sales price of a service contract, provided the charge is separately stated on the bill of sale or other similar document given to the purchaser at the time of the sale.

(a1) Tax Rate. – The tax rate is three percent (3%). The maximum tax is two thousand dollars ($2,000) for each certificate of title issued for a Class A or Class B motor vehicle that is a commercial motor vehicle, as defined in G.S. 20-4.01, and for each certificate of title issued for a recreational vehicle. The tax is payable as provided in G.S. 105-187.4.

(b) Retail Value. – The retail value of a motor vehicle for which a certificate of title is issued because of a sale of the motor vehicle by a retailer is the sales price of the motor vehicle, including all accessories attached to the vehicle when it is delivered to the purchaser, less the amount of any allowance given by the retailer for a motor vehicle taken in trade as a full or partial payment for the purchased motor vehicle.

The retail value of a motor vehicle for which a certificate of title is issued because of a sale of the motor vehicle by a seller who is not a retailer is the market value of the vehicle, less the amount of any allowance given by the seller for a motor vehicle taken in trade as a full or partial payment for the purchased motor vehicle. A transaction in which two parties exchange motor vehicles is considered a sale regardless of whether either party gives additional consideration as part of the transaction.

The retail value of a motor vehicle for which a certificate of title is issued because of a reason other than the sale of the motor vehicle is the market value of the vehicle. The market value of a vehicle is presumed to be the value of the vehicle set in a schedule of values adopted by the Commissioner.

The retail value of a vehicle for which a certificate of title is issued because of a transfer by a State agency that assists the United States Department of Defense with purchasing, transferring, or titling a vehicle to another State agency, a unit of local government, a volunteer fire department, or a volunteer rescue squad is the sales price paid by the State agency, unit of local government, volunteer fire department, or volunteer rescue squad.

(c) Schedules. – In adopting a schedule of values for motor vehicles, the Commissioner shall adopt a schedule whose values do not exceed the wholesale values of motor vehicles as published in a recognized automotive reference manual. (1989, c. 692, ss. 4.1, 4.2; c. 770, s. 74.13; 1993, c. 467, s. 3; 1995, c. 349, s. 1; c. 390, s. 30; 2001-424, s. 34.24(a); 2001-497, s. 2(a); 2009-550, s. 2(e); 2010-95, s. 5; 2013-360, s. 34.29(a); 2013-363, s. 8.1; 2014-3, s. 6.1(g); 2014-39, s. 3; 2015-241, s. 29.34A(a); 2015-259, s. 5(d); 2015-268, s. 10.1(d); 2026-31, s. 7.1(b).)

§ 105-187.4. Payment of tax.

(a) Method. – Except as otherwise provided in G.S. 105-187.5, the tax imposed by this Article must be paid to the Commissioner when applying for a certificate of title for a motor vehicle. The Commissioner may not issue a certificate of title for a vehicle until the tax imposed by this Article has been paid. The tax may be paid in cash or by check.

(b) Sale by Retailer. – When a certificate of title for a motor vehicle is issued because of a sale of the motor vehicle by a retailer, the applicant for the certificate of title must attach a copy of the bill of sale for the motor vehicle to the application. A retailer who sells a motor vehicle may collect from the purchaser of the vehicle the tax payable upon the issuance of a certificate of title for the vehicle, apply for a certificate of title on behalf of the purchaser, and remit the tax due on behalf of the purchaser. If a check submitted by a retailer in payment of taxes collected under this section is not honored by the financial institution upon which it is drawn because the retailer's account did not have sufficient funds to pay the check or the retailer did not have an account at the institution, the Division may suspend or revoke the license issued to the retailer under Article 12 of Chapter 20 of the General Statutes. (1989, c. 692, s. 4.1; 1991, c. 193, s. 1; 2026-31, s. 7.1(c).)

§ 105-187.5. Tax on a limited possession commitment.

(a) Applicability. – A retailer listed in this section shall pay a tax on the gross receipts of a limited possession commitment in accordance with this section. The tax is for the privilege of using the highways of this State and is imposed on a retailer but is to be added to a limited possession commitment and paid by the person who enters into a limited possession commitment with the retailer. The retailers are:

(1) A retailer that purchases a motor vehicle for use as a limited possession commitment and makes an election under this section.

(2) A peer-to-peer vehicle sharing provider.

(a1) Election. – A retailer that has purchased a motor vehicle for a limited possession commitment may elect to pay the tax imposed by this section instead of the tax imposed by G.S. 105-187.3 when applying for a certificate of title. To make the election, the retailer shall complete a form provided by the Division providing the information needed to collect the alternate tax based on gross receipts. Once made, an election is irrevocable. The Division shall notify the Secretary of Revenue of a retailer who makes the election under this subsection.

(a2) Gross Receipts. – Gross receipts do not include the amount of any allowance given for a motor vehicle taken in trade as a partial payment on the limited possession commitment. The portion of a limited possession commitment billing or payment that represents any amount applicable to the sales price of a service contract as defined in G.S. 105-164.3 should not be included in the gross receipts subject to the tax imposed by this section. The charge must be separately stated on documentation given to the purchaser at the time the limited possession commitment goes into effect, or on the monthly billing statement or other documentation given to the purchaser. When a limited possession commitment is sold to another retailer, the seller of the limited possession commitment should provide to the purchaser of the limited possession commitment the documentation showing that the service contract and applicable sales taxes were separately stated at the time the limited possession commitment went into effect, and the new retailer must retain the information to support an allocation for tax computed on the gross receipts subject to highway use tax.

(b) Rate. – The applicable tax rates on the gross receipts from a limited possession commitment are as listed in this subsection. The maximum tax in G.S. 105-187.3(a1) on certain motor vehicles applies to a continuous limited possession commitment of such a motor vehicle to the same person. The applicable tax rates are as follows:

Type of Limited Possession Commitment	Tax Rate
Short-term lease or rental	8%
Vehicle subscription	5%

Long-term lease or rental	3%

(c) Repealed by Session Laws 2026-31, s. 7.1(d), effective October 1, 2026, and applicable to gross receipts derived from rentals or leases billed on or after that date.

(d) Administration. – A retailer who pays the tax under this section shall report and remit to the Secretary the tax on the gross receipts of the limited possession commitment of the motor vehicle. The Secretary shall administer the tax imposed by this section on gross receipts in the same manner as the tax levied under G.S. 105-164.4(a)(2). The administrative provisions and powers of the Secretary that apply to the tax levied under G.S. 105-164.4(a)(2) apply to the tax imposed by this section. In addition, the Division may request the Secretary to audit a retailer who elects to pay tax on gross receipts under this section. When the Secretary conducts an audit at the request of the Division, the Division shall reimburse the Secretary for the cost of the audit, as determined by the Secretary. In conducting an audit of a retailer under this section, the Secretary may audit any sales of motor vehicles made by the retailer. (1989, c. 692, s. 4.1; 1991, c. 79, s. 5; c. 193, s. 3; 1995, c. 410, s. 1; 2000-173, s. 10(b); 2001-424, s. 34.24(b); 2001-497, s. 2(c); 2014-3, s. 6.1(h); 2015-259, s. 5(e); 2016-92, s. 2.7; 2016-94, s. 38.5(k); 2019-69, s. 2; 2026-31, s. 7.1(d).)

§ 105-187.6. Exemptions from highway use tax.

(a) Full Exemptions. – The tax imposed by this Article does not apply when a certificate of title is issued as the result of a transfer of a motor vehicle:

(1) To (i) the insurer of the motor vehicle under G.S. 20-109.1 because the vehicle is a salvage vehicle or (ii) a used motor vehicle dealer under G.S. 20-109.1 because the vehicle is a salvage vehicle that was abandoned.

(2) To either a manufacturer, as defined in G.S. 20-286, or a motor vehicle retailer for the purpose of resale.

(3) To the same owner to reflect a change or correction in the owner's name.

(3a) To one or more of the same co-owners to reflect the removal of one or more other co-owners, when there is no consideration for the transfer.

(4) By will or intestacy.

(5) By a gift between a husband and wife, a parent and child, or a stepparent and a stepchild.

(6) By a distribution of marital or divisible property incident to a marital separation or divorce.

(7) Repealed by Session Laws 2009-445, s. 16, effective August 7, 2009.

(8) To a local board of education for use in the driver education program of a public school when the motor vehicle is transferred:

a. By a retailer and is to be transferred back to the retailer within 300 days after the transfer to the local board.

b. By a local board of education.

(9) To a volunteer fire department or volunteer rescue squad that is not part of a unit of local government, has no more than two paid employees, and is exempt from State income tax under G.S. 105-130.11, when the motor vehicle is one of the following:

a. A fire truck, a pump truck, a tanker truck, or a ladder truck used to suppress fire.

b. A four-wheel drive vehicle intended to be mounted with a water tank and hose and used for forest fire fighting.

c. An emergency services vehicle.

(10) To a State agency from a unit of local government, volunteer fire department, or volunteer rescue squad to enable the State agency to transfer the vehicle to another unit of local government, volunteer fire department, or volunteer rescue squad.

(11) To a revocable trust from an owner who is the sole beneficiary of the trust.

(12) To a charitable organization operating under section 501(c)(3) of the Internal Revenue Code (26 U.S.C. § 501(c)(3)) where the vehicle was donated to the charitable organization solely for purposes of resale by the charitable organization.

(13) To be used by a State agency in a research pilot or demonstration project.

(b) Partial Exemptions. – A maximum tax of forty dollars ($40.00) applies when a certificate of title is issued as the result of a transfer of a motor vehicle:

(1) To a secured party who has a perfected security interest in the motor vehicle.

(2) To a partnership, limited liability company, corporation, trust, or other person where no gain or loss arises on the transfer of the motor vehicle under section 351 or section 721 of the Code, or because the transfer is treated under the Code as being to an entity that is not a separate entity from its owner or whose separate existence is otherwise disregarded, or to a partnership, limited liability company, or corporation by merger, conversion, or consolidation in accordance with applicable law.

(c) Out-of-state Vehicles. – A maximum tax of two hundred fifty dollars ($250.00) applies when a certificate of title is issued for a motor vehicle that, at the time of applying for a certificate of title, is and has been titled in the name of the owner of the motor vehicle in another state for at least 90 days prior to the date of application for a certificate of title in this State.

(d) Exemption Limitation. – The full exemptions set out in subsection (a) of this section, except for those set out in subdivisions (1), (2), (9), and (10) of subsection (a) of this section, do not apply to a certificate of title issued for a motor vehicle titled in another state at the time of the transfer. The partial exemptions set out in subsection (b) of this section do not apply to a certificate of title issued for a motor vehicle titled in another state at the time of the transfer. (1989, c. 692, s. 4.1; c. 770, ss. 74.9, 74.10; 1991, c. 193, s. 4; c. 689, s. 323; 1993, c. 467, s. 1; 1995, c. 390, s. 31; 1997-443, s. 11A.118(a); 1998-98, s. 15.1; 1999-369, s. 5.9; 2000-140, s. 68; 2001-387, s. 151; 2001-424, s. 34.24(d); 2001-487, s. 68; 2009-81, s. 2; 2009-445, s. 16; 2010-95, s. 6; 2013-400, s. 6; 2015-241, ss. 29.34(a), 29.34A(b); 2015-268, s. 10.1(d); 2017-69, s. 1; 2018-43, s. 5; 2022-68, s. 11(a).)

§ 105-187.7. Credits.

(a) Tax Paid in Another State. – A person who, within 90 days before applying for a certificate of title for a motor vehicle on which the tax imposed by this Article is due, has paid a sales tax, an excise tax, or a tax substantially equivalent to the tax imposed by this Article on the vehicle to a taxing jurisdiction outside this State is allowed a credit against the tax due under this Article for the amount of tax paid to the other jurisdiction.

(b) Tax Paid Within One Year. – A person who applies for a certificate of title for a motor vehicle that is titled in another state but was formerly titled in this State is allowed a credit against the tax due under this Article for the amount of tax paid under this Article by that person on the

same vehicle within one year before the application for a certificate of title. (1989, c. 692, s. 4.1; 1995, c. 390, s. 32; c. 512, s. 1.)

§ 105-187.8. Refund for return of purchased motor vehicle.

When a purchaser of a motor vehicle returns the motor vehicle to the seller of the motor vehicle within 90 days after the purchase and receives a vehicle replacement for the returned vehicle or a refund of the price paid the seller, whether from the seller or the manufacturer of the vehicle, the purchaser may obtain a refund of the privilege tax paid on the certificate of title issued for the returned motor vehicle.

To obtain a refund, the purchaser must apply to the Division for a refund within 30 days after receiving the replacement vehicle or refund of the purchase price. The application must be made on a form prescribed by the Commission and must be supported by documentation from the seller of the returned vehicle. (1989, c. 692, s. 4.1; 1995, c. 390, s. 33.)

§ 105-187.9. Disposition of tax proceeds.

(a) Distribution. – Taxes collected under this Article at the rate of five percent (5%) and eight percent (8%) shall be credited to the Highway Fund. Taxes collected under this Article at the rate of three percent (3%) shall be credited to the North Carolina Highway Trust Fund.

(b) Repealed by Session Laws 2010-31, s. 28.7(i), and Session Laws 2013-183, s. 4.1, effective July 1, 2013.

(c) Repealed by Session Laws 2013-183, s. 4.1, effective July 1, 2013. (1989, c. 692, s. 4.1; c. 799, s. 33; 1993, c. 321, s. 164(a); 2001-424, s. 34.24(c); 2001-513, s. 15; 2008-107, s. 25.5(a), (c), (e); 2010-31, s. 28.7(f), (h)-(j); 2011-145, ss. 28.33(c), (d); 2011-391, s. 57; 2012-142, s. 24.8(b); 2013-183, s. 4.1; 2017-57, s. 2.2(f); 2019-69, s. 3; 2021-180, s. 42.10.)

§ 105-187.10. Penalties and remedies.

(a) Penalties. – The penalty for bad checks in G.S. 105-236(1) applies to a check offered in payment of the tax imposed by this Article. In addition, if a check offered to the Division in payment of the tax imposed by this Article is returned unpaid and the tax for which the check was offered, plus the penalty imposed under G.S. 105-236(1), is not paid within 30 days after the Commissioner demands its payment, the Commissioner may revoke the registration plate of the vehicle for which a certificate of title was issued when the check was offered.

(b) Unpaid Taxes. – The remedies for collection of taxes in Article 9 of this Chapter apply to the taxes levied by this Article and collected by the Commissioner. In applying these remedies, the Commissioner has the same authority as the Secretary.

(c) Appeals. – A taxpayer who disagrees with the presumed value of a motor vehicle must pay the tax based on the presumed value, but may appeal the value to the Commissioner. A taxpayer who appeals the value must provide two estimates of the value of the vehicle to the Commissioner. If the Commissioner finds that the value of the vehicle is less than the presumed value of the vehicle, the Commissioner shall refund any overpayment of tax made by the taxpayer with interest at the rate specified in G.S. 105-241.21 from the date of the overpayment. (1989, c. 692, s. 4.1; c. 770, s. 74.8; 2007-491, ss. 21, 44(1)b.)

§ 105-187.11: Repealed by Session Laws 2007-527, s. 30, effective August 31, 2007.

§§ 105-187.12 through 105-187.14. Reserved for future codification purposes.