

GENERAL ASSEMBLY OF NORTH CAROLINA

SECOND EXTRA SESSION 1996

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HOUSE BILL 18
Committee Substitute Favorable 7/9/96

Short Title: Tax Reduction Act of 1996.

(Public)

Sponsors: Representatives Gray and G. Miller.

Referred to:

July 8, 1996

1 A BILL TO BE ENTITLED
2 AN ACT TO PHASE OUT THE STATE SALES TAX ON FOOD OVER FOUR
3 YEARS, PHASE DOWN THE CORPORATE INCOME TAX OVER FOUR
4 YEARS, ALLOW INCOME AND FRANCHISE TAX CREDITS FOR
5 INVESTMENTS IN BUSINESS PROPERTY AND FOR RESEARCH AND
6 DEVELOPMENT, PHASE OUT THE SOFT DRINK TAX OVER THREE YEARS,
7 REDUCE THE SALES TAX RATE ON ELECTRICITY AND NATURAL GAS
8 USED IN FARMING AND MANUFACTURING, MODIFY THE SALES TAX
9 TREATMENT OF BUNDLED TRANSACTIONS AND FREE ITEMS GIVEN
10 AWAY BY MERCHANTS, SIMPLIFY AND REDUCE INHERITANCE AND
11 GIFT TAXES, EXEMPT FROM INCOME TAX SEVERANCE WAGES PAID DUE
12 TO PLANT CLOSINGS, EXPAND THE PROPERTY TAX HOMESTEAD
13 EXEMPTION, AND ALLOW TAX INCENTIVES FOR CHARITABLE
14 DONATIONS.

15 The General Assembly of North Carolina enacts:

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13 Section 1. This act shall be known as the Tax Reduction Act of 1996.
 14

15 PART I. PHASE OUT STATE FOOD TAX

16 Sec. 1.1. Effective January 1, 1997, through December 31, 1999, G.S. 105-
 17 164.4(a) is amended by adding a new subdivision to read:

18 "(1f) The following rates apply to the sales price of food and other items
 19 that would be exempt from the tax imposed by this Article if they
 20 were purchased with coupons issued under the Food Stamp Program,
 21 7 U.S.C. § 51:

<u>Effective Dates</u>	<u>Rate</u>
<u>January 1, 1997, through December 31, 1997 – three percent (3%)</u>	
<u>January 1, 1998, through December 31, 1998 – two percent (2%)</u>	
<u>January 1, 1999, through December 31, 1999 – one percent (1%)."</u>	

26 Sec. 1.2. Effective January 1, 2000, Article 5 of Chapter 105 of the General
 27 Statutes is amended by adding a new section to read:

28 "**§ 105-164.13B. Food exempt from tax.**

29 The taxes imposed by this Article do not apply to food and other items that are not
 30 otherwise exempt pursuant to G.S. 105-164.13 but would be exempt pursuant to G.S.
 31 105-164.13 if purchased with coupons issued under the Food Stamp Program, 7 U.S.C. §
 32 51."

33 Sec. 1.3. G.S. 105-465 reads as rewritten:

34 "**§ 105-465. County election as to adoption of local sales and use tax.**

35 The board of elections of any county, upon the written request of the board of county
 36 ~~commissioners thereof, commissioners,~~ or upon receipt of a petition signed by qualified
 37 voters of the county equal in number to at least fifteen percent (15%) of the total number
 38 of votes cast in the county, at the last preceding election for the office of Governor, shall
 39 call a special election for the purpose of submitting to the voters of the county the
 40 question of whether a one percent (1%) sales and use tax ~~as hereinafter provided~~ will be
 41 levied.

42 The special election shall be held under the same rules ~~and regulations~~ applicable to the
 43 election of members of the General Assembly. No new registration of voters shall be

1 required. All qualified voters in the county who are properly registered not later than 21
2 days (excluding Saturdays and Sundays) prior to the election shall be entitled to vote at
3 ~~said the~~ election. The county board of elections shall give at least 20 days' public notice
4 prior to the closing of the registration books for the special election.

5 The county board of election shall prepare ballots for the special ~~election which shall~~
6 ~~contain the words, election.~~ The question presented on the ballot shall be 'FOR the one
7 percent (1%) local sales and use tax ~~only on those items presently covered by the four percent~~
8 ~~(4%) sales and use tax,' and the words, on items subject to State sales and use tax at the~~
9 general State rate and on food' or 'AGAINST ~~the one percent (1%) local sales and use tax~~
10 ~~only on those items presently covered by the four percent (4%) sales and use tax,' with~~
11 ~~appropriate squares so that each voter may designate his vote by his cross (X) mark. on items~~
12 subject to State sales and use tax at the general State rate and on food'.

13 The county board of elections shall fix the date of the special ~~election; provided,~~
14 ~~however, election, except that the special election shall not be held on the date or within~~
15 60 days of any biennial election for county officers, ~~nor within 60 days thereof, nor within~~
16 one year from the date of the last preceding special election under this section."

17 Sec. 1.4. G.S. 105-467 reads as rewritten:

18 "**§ 105-467. Scope of sales tax.**

19 The sales tax ~~which that~~ may be imposed under this Article is limited to a tax at the
20 rate of one percent (1%) ~~of:~~ of the following:

- 21 (1) The sales price of ~~those articles of~~ tangible personal property ~~now~~ subject
22 to the general rate of sales tax imposed by the State under G.S. 105-
23 164.4(a)(1) and ~~(4b); (a)(4b).~~
- 24 (2) The gross receipts derived from the lease or rental of tangible personal
25 property when the lease or rental of the property is subject to the general
26 rate of sales tax imposed by the State under G.S. ~~105-164.4(a)(2); 105-~~
27 164.4(a)(2).
- 28 (3) The gross receipts derived from the rental of any room or ~~lodging~~
29 ~~furnished by any hotel, motel, inn, tourist camp or other similar~~
30 accommodations ~~now~~ subject to the general rate of sales tax imposed by
31 the State under G.S. ~~105-164.4(a)(3); and 105-164.4(a)(3).~~
- 32 (4) The gross receipts derived from services rendered by laundries, dry
33 cleaners, and other businesses ~~now~~ subject to the general rate of sales
34 tax imposed by the State under G.S. 105-164.4(a)(4).
- 35 (5) The sales price of food that is not otherwise exempt from tax pursuant to
36 G.S. 105-164.13 but would be exempt from the State sales and use tax
37 pursuant to G.S. 105-164.13 if it were purchased with coupons issued
38 under the Food Stamp Program, 7 U.S.C. § 51.

39 The sales tax authorized by this Article does not apply to sales that are taxable by the
40 State under G.S. 105-164.4 but are not specifically included in ~~subdivisions (1) through (4)~~
41 ~~of this section.~~

42 The State exemptions and exclusions contained in G.S. 105-164.13 and the State
43 refund provisions contained in G.S. 105-164.14 shall ~~apply with equal force and in like~~

1 ~~manner~~ to the local sales and use tax authorized to be levied and imposed under this
2 Article. A taxing county shall have no authority, with respect to the local sales and use tax
3 imposed under this Article to change, alter, add to or delete any refund provisions contained in
4 G.S. 105-164.14, or any exemptions or exclusions contained in G.S. 105-164.13 or which are
5 elsewhere provided for. may not allow an exemption, exclusion, or refund that is not
6 allowed under the State sales and use tax.

7 The local sales tax authorized to be imposed and levied under the provisions of this
8 Article shall apply to such retail sales, leases, rentals, the rendering of services,
9 furnishing of rooms, lodgings or accommodations and other applies to taxable
10 transactions which are made, furnished or rendered by retailers whose place of business is
11 located within the taxing county. The tax imposed shall apply to the furnishing of rooms,
12 lodging or other accommodations within the county which are rented to transients. For
13 the purpose of this Article, the situs of a transaction is the location of the retailer's place
14 of business."

15 Sec. 1.5. G.S. 105-468 reads as rewritten:

16 "**§ 105-468. Scope of use tax.**

17 The use tax ~~which may be imposed under~~ authorized by this Article shall ~~be~~ is a tax at
18 the rate of one percent (1%) of the cost price of each item or article of tangible personal
19 property ~~when it~~ that is not sold in the taxing county but is used, consumed, or
20 stored for use or consumption in the taxing county, ~~except that no tax shall be imposed upon~~
21 tangible personal property when the property would be taxed by the State at a rate other than the
22 general rate of tax set in G.S. 105-164.4 if it were taxable under G.S. 105-164.6. county. The
23 tax applies to the same items that are subject to tax under G.S. 105-467.

24 Every retailer who is engaged in business in this State and in the taxing county and is
25 required to collect the use tax levied by G.S. 105-164.6 shall ~~also~~ collect the one percent
26 (1%) use tax when ~~such~~ the property is to be used, ~~consumed~~ consumed, or stored in the
27 taxing county, ~~one percent (1%) use tax to be collected concurrently with the State's use tax; but~~
28 ~~no retailer not required to collect the use tax levied by G.S. 105-164.6 shall be required to collect~~
29 ~~the one percent (1%) use tax.~~ county. The use tax contemplated by this section shall be
30 levied against the purchaser, and the purchaser's liability for the use tax shall be
31 extinguished only upon payment of the use tax to the retailer, where the retailer is
32 required to collect the tax, or to the ~~Secretary of Revenue, or to the taxing county, as~~
33 ~~appropriate,~~ Secretary, where the retailer is not required to collect the tax.

34 Where a local sales or use tax has been paid with respect to tangible personal property
35 by the purchaser, either in another taxing county within the State, or in a taxing
36 jurisdiction outside the State where the purpose of the tax is similar in purpose and intent
37 to the tax which may be imposed pursuant to this Article, the tax paid may be credited
38 against the tax imposed under this section by a taxing county upon the same property. If
39 the amount of sales or use tax so paid is less than the amount of the use tax due the taxing
40 county under this section, the purchaser shall pay to the Secretary ~~of Revenue or to the~~
41 ~~taxing county, as appropriate,~~ an amount equal to the difference between the amount so
42 paid in the other taxing county or jurisdiction and the amount due in the taxing county.
43 The Secretary ~~of Revenue or the taxing county, as appropriate,~~ may require such proof of

1 payment in another taxing county or jurisdiction as is deemed to be necessary. The use
2 tax levied under this Article is not subject to credit for payment of any State sales or use
3 tax not imposed for the benefit and use of counties and municipalities. No credit shall be
4 given under this section for sales or use taxes paid in a taxing jurisdiction outside this
5 State if that taxing jurisdiction does not grant similar credit for sales taxes paid under this
6 Article."

7 Sec. 1.6. The first paragraph of Section 4 of Chapter 1096 of the 1967 Session
8 Laws, as amended, is amended as follows:

9 (1) By deleting the word "and" before subdivision (4).

10 (2) By changing the period at the end of subdivision (4) to a semicolon and
11 adding the word "and".

12 (3) By adding a new subdivision to read:

13 "(5) The sales price of food and other items that are not otherwise exempt
14 from tax pursuant to G.S. 105-164.13 but would be exempt from the
15 State sales and use tax pursuant to G.S. 105-164.13 if purchased with
16 coupons issued under the Food Stamp Program, 7 U.S.C. § 51."

17 Sec. 1.7. Section 5 of Chapter 1096 of the 1967 Session Laws is amended by
18 deleting the first sentence of that section and substituting the following sentences to read:

19 "The use tax that Mecklenburg County may impose under this division is a tax at the
20 rate of one percent (1%) of the cost price of each item or article of tangible personal
21 property that is not sold but is used, consumed, or stored for use or consumption in
22 Mecklenburg County. The tax applies to the same items that are subject to tax under
23 Section 4 of this act."

24 Sec. 1.8. Approval under Article 39, 40, or 42 of Chapter 105 of the General
25 Statutes or under the Mecklenburg County Sales and Use Tax Act, Chapter 1096 of the
26 1967 Session Laws, as amended, of local sales and use taxes on items subject to State
27 sales and use tax at the general State rate constitutes approval of local sales and use taxes
28 on food.

30 PART II. REDUCE CORPORATE INCOME TAX

31 Sec. 2.1. G.S. 105-130.3 reads as rewritten:

32 "§ 105-130.3. Corporations.

33 A tax is imposed on the State net income of every C Corporation doing business in
34 this State ~~at seven and seventy-five one-hundredths percent (7.75%) of the corporation's State~~
35 ~~net income.~~ State. An S Corporation is not subject to the tax levied in this section. The
36 tax is a percentage of the taxpayer's State net income computed as follows:

Income Years Beginning	Tax
<u>In 1997</u>	<u>7.5%</u>
<u>In 1998</u>	<u>7.25%</u>
<u>In 1999</u>	<u>7%</u>
<u>After 1999</u>	<u>6.75%".</u>

42 Sec. 2.2. G.S. 115C-546.1 reads as rewritten:

43 "§ 115C-546.1. Creation of Fund; administration.

1 (a) There is created the Public School Building Capital Fund. The Fund shall be
2 used to assist county governments in meeting their public school building capital needs.

3 (b) Each calendar quarter, the Secretary of Revenue shall remit to the State
4 Treasurer for credit to the Public School Building Capital Fund an amount equal to ~~two~~
5 ~~thirty-firsts (2/31)~~ the applicable fraction provided in the table below of the net collections
6 received during the previous quarter by the Department of Revenue under G.S. 105-130.3
7 minus two million five hundred thousand dollars (\$2,500,000). All funds deposited in the
8 Public School Building Capital Fund shall be invested as provided in G.S. 147-69.2 and
9 G.S. 147-69.3.

10 Period Fraction

11 10/1/97 to 9/30/98

One-fifteenth (1/15)

12 10/1/98 to 9/30/99

Two twenty-ninths (2/29)

13 10/1/99 to 9/30/00

One-fourteenth (1/14)

14 After 9/30/00

Two twenty-sevenths (2/27)

15 (c) The Fund shall be administered by the Office of State Budget and
16 Management."

17
18 PART III. ALLOW INVESTMENT TAX CREDIT AND RESEARCH AND
19 DEVELOPMENT TAX CREDIT

20 Sec. 3.1. Chapter 105 of the General Statutes is amended by adding a new
21 Article to read:

22 **"ARTICLE 3A.**

23 **"INVESTMENT AND RESEARCH AND DEVELOPMENT TAX CREDITS.**

24 **"§ 105-129.2. Definitions.**

25 The following definitions apply in this Article:

- 26 (1) Business property. – Tangible personal property that is used by the
27 taxpayer in connection with a business or for the production of income
28 and is capitalized by the taxpayer for tax purposes under the Code.
29 (2) Cost. – Defined in section 179 of the Code.
30 (3) Data processing. – Defined in the Standard Industrial Classification
31 Manual issued by the United States Bureau of the Census.
32 (4) Manufacturing and processing. – Defined in the Standard Industrial
33 Classification Manual issued by the United States Bureau of the Census.
34 (5) Purchase. – Defined in section 179 of the Code.
35 (6) Warehousing and distribution. – Defined in the Standard Industrial
36 Classification Manual issued by the United States Bureau of the Census.

37 **"§ 105-129.3. Credit for investing in business property.**

38 (a) Credit. – A taxpayer that has purchased business property and places it in
39 service in this State during the taxable year is allowed a credit equal to seven and
40 seventy-five-hundredths percent (7.75%) of the cost of the property. The maximum
41 credit allowed a taxpayer for property placed in service during a taxable year is eleven
42 thousand six hundred twenty-five dollars (\$11,625). The entire credit may not be taken
43 for the taxable year in which the property is placed in service but must be taken in five

1 equal installments beginning with the taxable year in which the property is placed in
2 service.

3 (b) Expiration. – If, in one of the five years in which the installment of a credit
4 accrues, the business property with respect to which the credit was claimed is sold or
5 moved out of State, the credit expires and the taxpayer may not take any remaining
6 installment of the credit. The taxpayer may, however, take the portion of an installment
7 that accrued in a previous year and was carried forward to the extent permitted under
8 G.S. 105-129.5.

9 **"§ 105-129.4. Credit for research and development.**

10 (a) Credit. – An eligible taxpayer who claims for the taxable year a federal income
11 tax credit under section 41 of the Code for increasing research activities is allowed a
12 credit equal to five percent (5%) of the State's apportioned share of the taxpayer's
13 expenditures for increasing research activities. The State's apportioned share of a
14 taxpayer's expenditures for increasing research activities is the excess of the taxpayer's
15 qualified research expenses for the taxable year over the base amount, as determined
16 under section 41 of the Code, multiplied by a percentage equal to the ratio of the
17 taxpayer's qualified research expenses in this State for the taxable year to the taxpayer's
18 total qualified research expenses for the taxable year. As used in this section, the terms
19 'qualified research expenses' and 'base amount' have the meaning provided in section 41
20 of the Code.

21 (b) Eligibility. – A taxpayer is eligible for a credit allowed by this section only if
22 the taxpayer satisfies both of the following conditions at the time the credit is claimed:

23 (1) Type of Business. – The taxpayer engages in manufacturing or
24 processing, warehousing or distributing, or data processing, and the
25 research and development for which a credit is claimed is carried out as
26 part of that business.

27 (2) Wage Standard. – The jobs at the location with respect to which the
28 taxpayer claims the credit meet the wage standard. Jobs meet the wage
29 standard if they pay an average weekly wage that is at least ten percent
30 (10%) above the average weekly wage paid in the county in which the
31 jobs are located. In calculating the average weekly wage of jobs,
32 positions that pay a wage or salary at a rate that exceeds one hundred
33 thousand dollars (\$100,000) a year shall be excluded. For the purpose
34 of this subdivision, the average wage in a county is the average wage for
35 all insured industries in the county as computed by the Employment
36 Security Commission for the most recent period for which data are
37 available.

38 (d) Forfeiture. – A taxpayer forfeits a credit allowed under this section if the
39 taxpayer was not eligible for the credit at the time the taxpayer claimed the credit. A
40 taxpayer who forfeits a credit under this section is liable for all past taxes avoided as a
41 result of the credit plus interest at the rate established under G.S. 105-241.1(i), computed
42 from the date the taxes would have been due if the credit had not been allowed. The past
43 taxes and interest are due 30 days after the date the credit is forfeited; a taxpayer who

1 fails to pay the past taxes and interest by the due date is subject to the penalties provided
2 in G.S. 105-236.

3 **"§ 105-129.5. Tax election; cap.**

4 (a) Tax Election. – The credits provided in this Article are allowed against the
5 franchise tax levied in Article 3 of this Chapter or the income taxes levied in Article 4 of
6 this Chapter. The taxpayer must elect the tax against which the credit will be claimed
7 when filing the return on which the first installment of the credit is claimed. This
8 election is binding. Any carryforwards of the credit must be claimed against the same
9 tax.

10 (b) Cap. – The credits allowed under this Article may not exceed fifty percent
11 (50%) of the tax against which they are claimed for the taxable year, reduced by the sum
12 of all other credits allowed against that tax, except tax payments made by or on behalf of
13 the taxpayer. This limitation applies to the cumulative amount of credit, including
14 carryforwards, claimed by the taxpayer under this Article against each tax for the taxable
15 year. Any unused portion of the credit may be carried forward for the succeeding five
16 years.

17 **"§ 105-129.6. Substantiation.**

18 To claim a credit allowed by this Article, the taxpayer must provide any information
19 required by the Secretary of Revenue. Every taxpayer claiming a credit under this Article
20 must maintain and make available for inspection by the Secretary of Revenue any records
21 the Secretary considers necessary to determine and verify the amount of the credit to
22 which the taxpayer is entitled. The burden of proving eligibility for the credit and the
23 amount of the credit rests upon the taxpayer, and no credit may be allowed to a taxpayer
24 that fails to maintain adequate records or to make them available for inspection.

25 **"§ 105-129.7. Reports.**

26 The Department of Revenue shall report to the Legislative Research Commission and
27 to the Fiscal Research Division of the General Assembly by May 1 of each year the
28 following information for the 12-month period ending the preceding April 1:

29 (1) The number of taxpayers that claimed each credit allowed in this
30 Article.

31 (2) The cost of business property with respect to which credits were
32 claimed.

33 (3) The total cost to the General Fund of the credits claimed."

34 Sec. 3.2. G.S. 105-241.1(e), as amended by Chapter 646 of the 1995 Session
35 Laws, reads as rewritten:

36 "(e) Statute of Limitations. – There is no statute of limitations and the Secretary
37 may propose an assessment of tax due from a taxpayer at any time if (i) the taxpayer did
38 not file a proper application for a license or did not file a return, (ii) the taxpayer filed a
39 false or fraudulent application or return, or (iii) the taxpayer attempted in any manner to
40 fraudulently evade or defeat the tax.

41 If a taxpayer files a return reflecting a federal determination as provided in G.S. 105-
42 29, 105-130.20, 105-159, 105-160.8, 105-163.6A, or 105-197.1, the Secretary must
43 propose an assessment of any tax due within one year after the return is filed or within

1 three years of when the original return was filed or due to be filed, whichever is later. If
 2 there is a federal determination and the taxpayer does not file the required return, the
 3 Secretary must propose an assessment of any tax due within three years after the date the
 4 Secretary received the final report of the federal determination. If a taxpayer forfeits a tax
 5 credit pursuant to G.S. ~~105-163.014~~, 105-163.014 or Article 3A of this Chapter, the
 6 Secretary must assess any tax due as a result of the forfeiture within three years after the
 7 date of the forfeiture. If a taxpayer elects under section 1033(a)(2)(A) of the Code not to
 8 recognize gain from involuntary conversion of property into money, the Secretary must
 9 assess any tax due as a result of the conversion or election within the applicable period
 10 provided under section 1033(a)(2)(C) or section 1033(a)(2)(D) of the Code. If a taxpayer
 11 sells at a gain the taxpayer's principal residence, the Secretary must assess any tax due as
 12 a result of the sale within the period provided under section 1034(j) of the Code.

13 In all other cases, the Secretary must propose an assessment of any tax due from a
 14 taxpayer within three years after the date the taxpayer filed an application for a license or
 15 a return or the date the application or return was required by law to be filed, whichever is
 16 later.

17 If the Secretary proposes an assessment of tax within the time provided in this section,
 18 the final assessment of the tax is timely.

19 A taxpayer may make a written waiver of any of the limitations of time set out in this
 20 subsection, for either a definite or an indefinite time. If the Secretary accepts the
 21 taxpayer's waiver, the Secretary may propose an assessment at any time within the time
 22 extended by the waiver."

23 Sec. 3.3. Notwithstanding the provisions of G.S. 105-129.4, as enacted by this
 24 act, if a taxpayer relocates an employee to this State during 1996, any in-house research
 25 expenses the taxpayer incurs with respect to that employee during 1996, either before or
 26 after the employee is relocated to this State, are considered in-house research expenses in
 27 this State for the purposes of G.S. 105-129.4.

28 Sec. 3.4. Notwithstanding the definition of 'Code' in G.S. 105-228.90, if the
 29 federal tax credit for increasing research activities that was formerly allowed under
 30 Section 41 of the Code is reenacted, the credit for research and development allowed in
 31 Article 3A of Chapter 105 of the General Statutes, as enacted by this Part, becomes
 32 effective for the same taxable year for which the reenacted federal credit becomes
 33 effective.

34 PART IV. PHASE OUT SOFT DRINK TAX

35 Sec. 4.1. G.S. 105-113.45, as amended by Chapter 646 of the 1995 Session
 36 Laws, reads as rewritten:

37 **"§ 105-113.45. Excise taxes on soft drinks and base products.**

38 (a) Bottled Soft Drinks. – An excise tax ~~of three-fourths cent (3/4¢) at the applicable~~
 39 rate provided in the following table is levied on each bottled soft drink.

40 <u>Date Tax Accrues</u>	41 <u>Rate</u>
42 <u>From 7/1/96 until 6/30/97</u>	43 <u>3/4¢</u>
44 <u>From 7/1/97 until 6/30/98</u>	<u>1/2¢</u>

1 After 7/1/98

1/4¢

2 (b) Repealed by Session Laws 1991, c. 689, s. 276.

3 (c) Liquid Base Products. – An excise tax at the ~~rate of seventy five cents (75¢) a~~
4 ~~gallon~~ applicable per-gallon rate provided in the table below is levied on each individual
5 container of a liquid base product. The tax applies regardless whether the liquid base
6 product is diverted to and used for a purpose other than making a soft drink.

7 **Date Tax Accrues**

Rate

8 From 7/1/96 until 6/30/97

75¢

9 From 7/1/97 until 6/30/98

50¢

10 After 7/1/98

25¢

11 (d) Dry Base Products. – An excise tax is levied on each individual container of a
12 dry base product ~~at the rate:~~ at:

13 (1) ~~Of three fourths cent (3/4¢) an ounce~~ The applicable per-ounce rate in the
14 table below if the dry base product is not converted into a syrup or other
15 liquid base product before it is used to make a soft drink.

16 **Date Tax Accrues**

Rate

17 From 7/1/96 until 6/30/97

3/4¢

18 From 7/1/97 until 6/30/98

1/2¢

19 After 7/1/98

1/4¢

20 (2) ~~That~~ The rate that would apply under subsection (c) to the resulting
21 liquid base product if the dry base product is converted into a liquid
22 base product before it is used to make a soft drink.

23 (e) Repealed by Session Laws 1991, c. 689, s. 276."

24 Sec. 4.2. Effective July 1, 1999, Article 2B of Chapter 105 of the General
25 Statutes, as amended by this act, is repealed. The Secretary shall retain from collections
26 under Article 2 of Chapter 105 of the General Statutes the cost of refunding the taxes
27 levied in Article 2B of Chapter 105 of the General Statutes.

29 PART V. REDUCE SALES TAX ON FARM AND INDUSTRY FUEL

30 Sec. 5.1. G.S. 105-164.4(a) is amended by adding a new subdivision to read:

31 "(1f) The rate of two and sixty-seven-hundredths percent (2.67%) applies
32 to the sales price of the articles listed in paragraphs a. through c. of
33 this subdivision:

34 a. Sales of electricity and piped natural gas to farmers to be used by
35 them for any farm purposes other than preparing food, heating
36 dwelling, and other household purposes. The quantity of
37 electricity or gas purchased or used at any one time shall not be a
38 determinative factor as to whether its sale or use is or is not
39 subject to the rate of tax provided in this subdivision.

40 b. Sales of electricity and piped natural gas to manufacturing
41 industries and manufacturing plants for use in connection with
42 the operation of the industries and plants other than sales of
43 electricity and gas to be used for residential heating purposes.

1 The quantity of electricity or gas purchased or used at any one
2 time shall not be a determinative factor as to whether its sale or
3 use is or is not subject to the rate of tax provided in this
4 subdivision.

5 c. Sales of electricity and piped natural gas to commercial laundries
6 or to pressing and dry-cleaning establishments for use in
7 machinery used in the direct performance of the laundering or the
8 pressing and cleaning service."

9 Sec. 5.2. G.S. 105-164.4(a)(4a) reads as rewritten:

10 "(4a) The rate of three percent (3%) applies to the gross receipts
11 derived by a utility from sales of electricity, piped natural gas, or
12 local telecommunications service as defined by G.S. 105-120(e).
13 105-120(e), other than sales of electricity or piped natural gas
14 subject to tax under another subdivision in this section. Gross
15 receipts from sales of piped natural gas shall not include natural
16 gas expansion surcharges imposed under G.S. 62-158. A person
17 who operates a utility is considered a retailer under this Article."
18

19 PART VI. MODIFY BUNDLED TRANSACTION AND FREE ITEM SALES TAX

20 Sec. 6.1. Article 5 of Chapter 105 of the General Statutes is amended by
21 adding a new section to read:

22 "**§ 105-164.12B. Bundled transactions.**

23 (a) Bundled Transaction Defined. – A bundled transaction is a transaction in
24 which all of the following conditions are met:

25 (1) A seller transfers an item of tangible personal property to a consumer on
26 the condition that the consumer enter into an agreement to purchase
27 services on an ongoing basis for a minimum period of at least six
28 months.

29 (2) The agreement requires the consumer to pay a cancellation fee to the
30 service provider if the consumer cancels the contract for services within
31 the minimum period.

32 (3) For the item transferred, the seller:

33 a. Does not charge the consumer; or

34 b. Charges the consumer a price that, after any discount or rebate
35 the seller gives the consumer, is below the cost price the seller
36 paid for the item.

37 (b) Bundled Transaction Is a Sale; Sales Price. – If a seller transfers an item of
38 tangible personal property as part of a bundled transaction, a sale has occurred, and the
39 sales price of the item is presumed to be the retail price at which the item would sell if no
40 agreement for services were entered into. Part of this price may be paid by the consumer
41 at the time of the transfer; the remainder of the price is considered paid as part of the
42 price to be paid for the services contracted for. Sales tax is due on any part of the price
43 paid by the consumer at the time of the transfer.

1 (c) No Additional Sales Tax if Services Taxed. – If the services for which the
2 consumer was required to contract are subject to services taxes at a combined rate equal
3 to or greater than the combined State and local general rate of sales and use tax, then no
4 additional sales tax is due on the transfer. However, if the consumer cancels the contract
5 for services before the expiration of the minimum period, sales tax applies to the
6 cancellation fee paid by the consumer.

7 (d) Additional Sales Tax if Services Not Taxed. – If the services for which the
8 consumer was required to contract are not subject to services taxes at a combined rate
9 equal to or greater than the combined State and local general rate of sales and use tax,
10 then sales tax is due at the time of the transfer on the remainder of the sales price not paid
11 at that time.

12 (e) Services Taxes Defined. – For the purpose of this section, the term 'services
13 taxes' means any combination of State franchise tax on gross receipts, State sales tax, or
14 local sales tax levied on the sale of or gross receipts from the services.

15 (f) Determination of Cost Price. – For the purpose of this section, the cost price a
16 seller paid for an item is presumed to be no greater than the price the seller paid for the
17 same model within 12 months before the bundled transaction, as shown on the seller's
18 invoices."

19 Sec. 6.2. G.S. 105-164.3(15) reads as rewritten:

20 "(15) 'Sale' or "selling" shall mean ~~any selling.~~ – The transfer of title or
21 possession, or both, exchange, barter, lease, license to use or consume, or
22 rental possession of tangible personal property, conditional or
23 otherwise, in any manner or by any means whatsoever, ~~however~~
24 effected and by whatever name called, for a consideration paid or to be
25 paid, and paid.

26 The term includes the fabrication of tangible personal property for
27 consumers by persons engaged in business who furnish either directly or
28 indirectly the materials used in the fabrication ~~work, and work.~~ The term
29 also includes the ~~furnishing, preparing, or serving~~ furnishing or preparing
30 for a consideration of any tangible personal property consumed on the
31 premises of the person ~~furnishing, preparing, or serving~~ such tangible
32 ~~personal~~ furnishing or preparing the property or consumed at the place at
33 which ~~such the property is prepared, served or sold.~~ furnished or prepared.
34 ~~A transaction whereby~~ The term also includes a transaction in which the
35 possession of the property is transferred but the seller retains title or
36 security for the payment of the ~~price shall be deemed a sale.~~ consideration.

37 If a retailer engaged in the business of selling prepared food and
38 drink for immediate or on-premises consumption also gives prepared
39 food or drink to its patrons or employees free of charge, for the purposes
40 of this Article the property given away is considered sold along with the
41 property sold. If a retailer gives an item of inventory to a customer free
42 of charge on the condition that the customer purchase similar or related
43 property, the item given away is considered sold along with the item

1 sold. In all other cases, property given away or used by any retailer or
 2 wholesale merchant is not considered sold, whether or not the retailer or
 3 wholesale merchant recovers its cost of the property from sales of other
 4 property."

5 Sec. 6.3. G.S. 105-164.3 is amended by adding a new subdivision to read:

6 "(11a) Prepared food and drink. – Meals, food, and beverages to which a
 7 retailer has added value or whose state the retailer has altered
 8 (other than solely by cooling) by preparing, combining, dividing,
 9 heating, or serving, in order to make them available for immediate
 10 human consumption."

11
 12 PART VII. REDUCE INHERITANCE AND GIFT TAXES

13 Sec. 7.1. Article 1 of Chapter 105 of the General Statutes is amended by
 14 adding a new section to read:

15 **"§ 105-6.1. Phaseout of inheritance tax.**

16 When this Article imposes an inheritance tax on property transferred by a decedent
 17 but no state death tax credit is allowed under section 2011 of the Code against federal
 18 estate tax due on the transfer of the decedent's estate, the amount of inheritance tax is
 19 reduced by the appropriate percentage in the phaseout table set out below. When this
 20 Article imposes an inheritance tax on property transferred by a decedent and a state death
 21 tax credit is allowed under section 2011 of the Code against federal estate tax due on the
 22 transfer of the decedent's estate, the amount of inheritance tax that exceeds the maximum
 23 credit for state death taxes is reduced by the appropriate percentage in the following
 24 phaseout table:

<u>Calendar Year of</u>	<u>Decedent's Death</u>	<u>Percentage Reduction</u>
—	<u>1997</u>	<u>20%</u>
	<u>1998</u>	<u>40%</u>
	<u>1999</u>	<u>60%</u>
	<u>2000</u>	<u>80%</u>
	<u>2001 and after</u>	<u>100%."</u>

32 Sec. 7.2. G.S. 105-3 is amended by adding a new subdivision to read:

33 "(11) Property transferred to a spouse when the transfer of the property is
 34 exempt from federal estate and gift taxes under section 2056(b)(7) of
 35 the Code because it is considered qualified terminable interest
 36 property."

37 Sec. 7.3. G.S. 105-188 is amended by adding a new subsection to read:

38 "(j) The tax does not apply to property transferred to a spouse when the transfer of
 39 the property is exempt from federal estate and gift taxes under section 2523(f) of the
 40 Code because it is considered qualified terminable interest property."

41 Sec. 7.4. G.S. 105-2(a) reads as rewritten:

1 "(a) A tax shall be and is hereby imposed upon the transfer of any property, real or
2 personal, or of any interest therein or income therefrom, in trust or otherwise, to persons
3 or corporations, in the following cases:

4 (1) When the transfer is from a person who dies seized of the
5 property while a resident of the State and it is made:

- 6 a. By will or by intestacy;
7 b. Pursuant to a final judgment entered in a proceeding to caveat a
8 will; or
9 c. Pursuant to a settlement agreement, to which the personal
10 representative is a party, that, in the determination of the
11 Secretary of Revenue in his sole discretion based on evidence
12 presented by the personal representative, reflects the good faith,
13 arm's-length compromise of an actual dispute between
14 beneficiaries, heirs, or personal representatives and does not have
15 the primary purpose of avoiding inheritance tax.

16 (2) When the transfer is by will or intestate laws of this or any other state of
17 real property or goods, wares, and merchandise within this State, or of
18 any property, real, personal, or mixed, tangible or intangible, over which
19 the State of North Carolina has a taxing jurisdiction, including State and
20 municipal bonds, and the decedent was a resident of the State at the time
21 of death; when the transfer is of real property or tangible personal
22 property within the State, or intangible personal property that has
23 acquired a situs in this State, and the decedent was a nonresident of the
24 State at the time of death.

25 (3) When the transfer of property made by a resident, or
26 nonresident, is of real property within this State, or of goods, wares
27 and merchandise within this State, or of any other property, real,
28 personal, or mixed, tangible or intangible, over which the State of
29 North Carolina has taxing jurisdiction, including State and municipal
30 bonds, by deed, grant, bargain, sale, or gift made in contemplation of
31 the death of the grantor, vendor, or donor, or intended to take effect in
32 possession or enjoyment at or after such death, including a transfer
33 under which the transferor has retained for his life or any period not
34 ending before his death (i) the possession or enjoyment of, or the
35 income from, the property or (ii) the right to designate the persons
36 who shall possess or enjoy the property or the income therefrom. The
37 aggregate value exceeding ten thousand dollars (\$10,000) of transfers
38 to any one donee within a tax year by deed, grant, bargain, sale, gift,
39 or combination thereof, made within three years prior to the death of
40 the grantor, vendor, or donor, without an adequate valuable
41 consideration, shall be presumed, subject to rebuttal, to have been
42 made in contemplation of death within the meaning of this section; the

1 first ten thousand dollars (\$10,000) in value shall be deemed not made
2 in contemplation of death.

3 (4) When any person or corporation comes into possession or
4 enjoyment, by a transfer from a resident, or from a nonresident
5 decedent when such nonresident decedent's property consists of real
6 property within this State or tangible personal property within the
7 State, or intangible personal property that has acquired a situs in this
8 State, of an estate in expectancy of any kind or character which is
9 contingent or defeasible, transferred by any instrument taking effect
10 after March 24, 1939.

11 (5) a. For purposes of this Article, the term 'general
12 power of appointment' means a power which is exercisable in
13 favor of the decedent, his estate, his creditors, or the creditors
14 of his estate; except that:

15 1. A power to consume, invade or appropriate
16 property for the benefit of the decedent which is limited
17 by an ascertainable standard relating to the health,
18 education, support or maintenance of the decedent shall
19 not be deemed a general power of appointment.

20 2. A power of appointment which is exercisable
21 by the decedent only in conjunction with another
22 person:

23 I. If the power is not exercisable by the decedent
24 except in conjunction with the creator of the power,
25 such power shall not be deemed a general power of
26 appointment.

27 II. If the power is not exercisable by the decedent
28 except in conjunction with a person having a
29 substantial interest in the property, subject to the
30 power, which is adverse to exercise of the power in
31 favor of the decedent, such power shall not be
32 deemed a general power of appointment. For the
33 purposes of this clause a person who, after the
34 death of the decedent, may be possessed of a power
35 of appointment (with respect to the property subject
36 to the decedent's power) which he may exercise in
37 his own favor shall be deemed as having an interest
38 in the property and such interest shall be deemed
39 adverse to such exercise of the decedent's power.

40 III. If (after the application of clauses I and II) the
41 power is a general power of appointment and is
42 exercisable in favor of such other person, such
43 power shall be deemed a general power of

1 appointment only in respect of a fractional part of
2 the property subject to such power, such part to be
3 determined by dividing the value of such property
4 by the number of such persons (including the
5 decedent) in favor of whom such power is
6 exercisable.

7 IV. For purposes of clauses II and III, a power shall be
8 deemed to be exercisable in favor of a person if it is
9 exercisable in favor of such person, his estate, his
10 creditors, or the creditors of his estate.

11 b. Whenever any person shall have a general power of appointment
12 with respect to any interest in property, such person shall, for the
13 purposes of this Article, be deemed the owner of such interest
14 and accordingly:

15 1. If in connection with any transfer of property
16 taxable under this Article the transferor shall give to any
17 person a general power of appointment with respect to
18 any interest in such property, the transferor shall be
19 deemed to have given such interest in such property to
20 such person.

21 2. If any person holding a general power of
22 appointment with respect to any interest in property
23 shall exercise such power in favor of any other person
24 or persons, either by will or by an appointment made in
25 contemplation of the death of such person, or by an
26 appointment intended to take effect in possession or
27 enjoyment at or after such death, he shall be deemed to
28 have made a transfer of such interest to such person or
29 persons.

30 3. If any person holding a general power of
31 appointment with respect to any interest in property
32 shall relinquish such power by any action taken in
33 contemplation of death or intended to take effect at or
34 after his death, or shall die without fully exercising such
35 power, he shall be deemed, to the extent of such
36 relinquishment or nonexercise, to have made a transfer
37 of such interest to the person or persons who shall
38 benefit thereby.

39 (6) Neither the exercise nor the relinquishment of a special power
40 of appointment (which shall mean any power other than a general
41 power) with respect to an interest in property shall be deemed to
42 constitute a transfer of such interest within the meaning of this
43 Article. If in connection with any transfer taxable under this Article

1 the transferor shall give to any person a special power of appointment
2 with respect to any interest in property, he shall be deemed, for the
3 purpose of computing the tax applicable thereto, to have given such
4 interest in equal shares to those persons, not more than two, among
5 the possible appointees and takers in default of appointment whom the
6 transferor's executor or administrator may designate as transferees in
7 the inheritance tax return, except that:

8 a. If a gift tax return is filed with respect to such transfer,
9 the persons designated therein shall also be designated in the
10 inheritance tax return, and

11 b. The tax shall be computed according to the
12 relationship of the donee of the power to the persons
13 designated if the possible appointees and takers in default of
14 appointment include any persons more closely related to the
15 donee of the power than to the donor, and if such computation
16 would produce a higher tax.

17 (7), (7a) Repealed by Session Laws, 1985, c. 656, s. 1.

18 (8) Where the proceeds of life insurance policies are payable as
19 provided in G.S. 105-13.

20 (9) Whenever any person or corporation comes into possession or
21 enjoyment of any real or personal property, including bonds of the
22 United States and bonds of a state or subdivision or agency thereof, at
23 or after the death of an individual and by reason of said individual's
24 having entered into a contract or other arrangement with the United
25 States, a state or any person or corporation to pay, transfer or deliver
26 said real or personal property, including bonds of the United States
27 and bonds of a state, to the person or corporation receiving the same,
28 whether said person or corporation is named in the contract or other
29 arrangement or not: Provided, that no tax shall be due or collected on
30 that portion of the real or personal property received under the
31 conditions outlined herein which the person or corporation receiving
32 the same purchased or otherwise acquired by funds or property of the
33 person or corporation receiving the same, or had acquired by a
34 completed inter vivos gift.

35 Nothing in subdivision (9) shall apply to the proceeds of life
36 insurance policies.

37 (10) Upon the death of a spouse who had a qualifying income interest for life
38 in qualified terminable interest property whose previous transfer was
39 exempt from inheritance or gift taxes under G.S. 105-3(11) or G.S. 105-
40 188(j), the qualified terminable interest property that was previously
41 exempt is considered to pass from the spouse to the person who is
42 entitled to the property upon the termination of the spouse's qualifying
43 income interest for life.

1 However, nothing in this Article shall be construed as imposing a tax upon any
2 transfer of intangibles not having a commercial or business situs in this State, by a
3 person, or by reason of the death of a person, who was not a resident of this State at the
4 time of his death, and, if held or transferred in trust, such intangibles shall not be deemed
5 to have a commercial or business situs in this State merely because the trustee is a
6 resident or, if a corporation, is doing business in this State, unless the same be employed
7 in or held or used in connection with some business carried on in whole or in part in this
8 State."

9 Sec. 7.5. G.S. 105-9(8) reads as rewritten:

10 "(8) Costs of administration, including administration not claimed as a
11 deduction on the federal income tax return filed under the Code by the
12 fiduciary for the decedent's estate. Costs of administration include
13 reasonable attorneys' fees."

14 Sec. 7.6. Article 1 of Chapter 105 of the General Statutes is amended by
15 adding a new section to read:

16 **"§ 105-23.1. Making installment payments of tax due when federal estate tax is**
17 **payable in installments.**

18 A personal representative who elects under section 6166 of the Code to make
19 installment payments of federal estate tax may elect to make installment payments of the
20 tax imposed by this Article. An election under this section extends the time for payment
21 of the tax due in accordance with the extension elected under section 6166 of the Code.
22 Payments of tax are due under this section at the same time and in the same proportion to
23 the total amount of tax due as payments of federal tax under section 6166 of the Code.
24 Acceleration of payments under section 6166 of the Code accelerates the payments due
25 under this section."

26 Sec. 7.7. Effective January 1, 2001, Article 1 of Chapter 105 of the General
27 Statutes is repealed.

28 Sec. 7.8. Effective January 1, 2001, Chapter 105 of the General Statutes is
29 amended by adding a new Article to read:

30 **"ARTICLE 1A.**
31 **"ESTATE TAXES.**

32 **"§ 105-32.1. Definitions.**

33 The following definitions apply in this Article:

34 (1) Code. – Defined in G.S. 105-228.90.

35 (2) Personal representative. – The person appointed by the clerk of superior
36 court under Chapter 28A of the General Statutes to administer the estate
37 of a decedent or, if no one is appointed under that Chapter, the person
38 required to file a federal estate tax return for the estate of the decedent.

39 (3) Secretary. – Defined in G.S. 105-228.90.

40 **"§ 105-32.2. Estate tax imposed in amount equal to federal state death tax credit.**

41 (a) Tax. – An estate tax is imposed on the estate of a decedent when a federal
42 estate tax is imposed on the estate under section 2001 of the Code and any of the
43 following apply:

1 (1) The decedent was a resident of this State at death.

2 (2) The decedent was not a resident of this State at death and owned any of
3 the following:

4 a. Real property or tangible personal property that is located in this
5 State.

6 b. Intangible personal property that has a tax situs in this State.

7 (b) Amount. – The amount of the estate tax imposed by this section is the
8 maximum credit for state death taxes allowed under section 2011 of the Code. If any
9 property in the estate is located in a state other than North Carolina, the amount of tax
10 payable is the North Carolina percentage of the credit.

11 If the decedent was a resident of this State at death, the North Carolina percentage is
12 the net value of the estate that does not have a tax situs in another state, divided by the net
13 value of all property in the estate. If the decedent was not a resident of this State at death,
14 the North Carolina percentage is the net value of real property that is located in North
15 Carolina plus the net value of any personal property that has a tax situs in North Carolina,
16 divided by the net value of all property in the estate, unless the decedent's state of
17 residence uses a different formula to determine that state's percentage. In that
18 circumstance, the North Carolina percentage is the amount determined by the formula
19 used by the decedent's state of residence.

20 The net value of property that is located in or has a tax situs in this State is its gross
21 value reduced by any debt secured by that property. The net value of all the property in
22 the estate is its gross value reduced by any debts and deductions of the estate.

23 **"§ 105-32.3. Liability for estate tax.**

24 (a) Primary. – The tax imposed by this Article is payable from the assets of the
25 estate. A person who receives property from an estate is liable for the amount of estate
26 tax attributable to that property.

27 (b) Personal Representative. – The personal representative of an estate is liable for
28 an estate tax that is not paid within two years after it was due. This liability is limited to
29 the value of the assets of the estate that were under the control of the personal
30 representative. The amount for which the personal representative is liable may be
31 recovered from the personal representative or from the surety on any bond filed by the
32 personal representative under Article 8 of Chapter 28A of the General Statutes.

33 (c) Clerk of Court. – A clerk of court who allows a personal representative to
34 make a final settlement of an estate without presenting one of the following is liable on
35 the clerk's bond for any estate tax due:

36 (1) An affirmation by the personal representative certifying that no tax is
37 due on the estate because this Article does not require an estate tax
38 return to be filed for that estate.

39 (2) A certificate issued by the Secretary stating that the tax liability of the
40 estate has been satisfied.

41 **"§ 105-32.4. Payment of estate tax.**

42 (a) Due Date. – The estate tax imposed by this Article is due when an estate tax
43 return is due. An estate tax return is due on the date a federal estate tax return is due.

1 (b) Filing Return. – An estate tax return must be filed under this Article if a federal
2 estate tax return is required. The return must be filed by the personal representative of
3 the estate on a form provided by the Secretary.

4 (c) Extension. – An extension of time to file a federal estate tax return is an
5 automatic extension of the time to file an estate tax return under this Article. The
6 Secretary may, in accordance with G.S. 105-263, extend the time for paying the estate
7 tax imposed by this Article or for filing an estate tax return.

8 (d) Interest and Penalties. – The penalties in G.S. 105-236 apply to the failure to
9 file an estate tax return or to pay an estate tax when due. Interest at the rate set in G.S.
10 105-241.1 accrues on estate taxes paid after the date they are due.

11 (e) Obtaining Amount Due. – The personal representative of an estate may sell
12 assets in the estate to obtain money to pay the tax imposed by this Article.

13 **"§ 105-32.5. Making installment payments of tax due when federal estate tax is**
14 **payable in installments.**

15 A personal representative who elects under section 6166 of the Code to make
16 installment payments of federal estate tax may elect to make installment payments of the
17 tax imposed by this Article. An election under this section extends the time for payment
18 of the tax due in accordance with the extension elected under section 6166 of the Code.
19 Payments of tax are due under this section at the same time and in the same proportion to
20 the total amount of tax due as payments of federal estate tax under section 6166 of the
21 Code. Acceleration of payments under section 6166 of the Code accelerates the
22 payments due under this section.

23 **"§ 105-32.6. Estate tax is a lien on property in the estate.**

24 The tax imposed by this Article on an estate is a lien on the real property in the estate
25 and on the proceeds of the sale of the real property in the estate. The lien is extinguished
26 when one of the following occurs:

27 (1) The personal representative certifies to the clerk of court that no tax is
28 due on the estate because this Article does not require an estate tax
29 return to be filed for that estate.

30 (2) The Secretary issues a certificate stating that the tax liability of the
31 estate has been satisfied.

32 (3) For specific real property, when the Secretary issues a tax waiver for
33 that property.

34 (4) Ten years have elapsed since the date of the decedent's death.

35 **"§ 105-32.7. Generation-skipping transfer tax.**

36 (a) Tax. – A tax is imposed on a generation-skipping transfer that is subject to the
37 tax imposed by Chapter 13 of Subtitle B of the Code when any of the following apply:

38 (1) The original transferor is a resident of this State at the date of the
39 original transfer.

40 (2) The original transferor is not a resident of this State at the date of the
41 original transfer and the transfer includes any of the following:

42 a. Real or tangible personal property that is located in this State.

43 b. Intangible personal property that has a tax situs in this State.

1 (b) Amount. – The amount of the tax imposed by this section is the maximum
2 credit for state generation-skipping transfer taxes allowed under section 2604 of the
3 Code. If property in the transfer is located in a state other than North Carolina, the
4 amount of tax payable is the North Carolina percentage of the credit.

5 If the original transferor was a resident of this State at the date of the original transfer,
6 the North Carolina percentage is the net value of the property transferred that does not
7 have a tax situs in another state, divided by the net value of all property transferred. If
8 the original transferor was not a resident of this State at the date of the original transfer,
9 the North Carolina percentage is the net value of real property that is located in North
10 Carolina plus the net value of any personal property that has a tax situs in North Carolina,
11 divided by the net value of all property transferred, unless the original transferor's state of
12 residence uses a different formula to determine that state's percentage. In that
13 circumstance, the North Carolina percentage is the amount determined by the formula
14 used by the original transferor's state of residence.

15 The net value of property that is located in or has a tax situs in this State is its gross
16 value reduced by any debt secured by that property. The net value of all the property in a
17 transfer is its gross value reduced by any debts secured by the property.

18 (c) Payment. – The tax imposed by this section is due when a return is due. A
19 return is due the same date as the federal return for payment of the federal generation-
20 skipping transfer tax. The tax is payable by the person who is liable for the federal
21 generation-skipping transfer tax.

22 **"§ 105-32.8. Federal determination that changes the amount of tax payable to the**
23 **State.**

24 If the federal government corrects or otherwise determines the amount of the
25 maximum state death tax credit allowed an estate under section 6166 of the Code, the
26 personal representative must, within two years after being notified of the correction or
27 final determination by the federal government, file an estate tax return with the Secretary
28 reflecting the correct amount of tax payable under this Article. If the federal government
29 corrects or otherwise determines the amount of the maximum state generation-skipping
30 transfer tax credit allowed under section 2604 of the Code, the person who made the
31 transfer must, within two years after being notified of the correction or final
32 determination by the federal government, file a tax return with the Secretary reflecting
33 the correct amount of tax payable under this Article.

34 The Secretary must assess and collect any additional tax due as provided in Article 9
35 of this Chapter and must refund any overpayment of tax as provided in Article 9 of this
36 Chapter. A person who fails to report a federal correction or determination in accordance
37 with this section is subject to the penalties in G.S. 105-236 and forfeits the right to any
38 refund due by reason of the determination."

39
40 PART VIII. EXCLUDE SEVERANCE PAY FROM INCOME TAX

41 Sec. 8.1. G.S. 105-134.6(b) is amended by adding a new subdivision to read:

42 "(11) The amount paid to the taxpayer as severance wages as the result of
43 the closure of a manufacturing or processing plant, not to exceed a

1 maximum of thirty-five thousand dollars (\$35,000) for the taxable
2 year."

3 Sec. 8.2. G.S. 105-134.1 is amended by adding a new subdivision to read:

4 "(15a) Manufacturing and processing. – Defined in the Standard Industrial
5 Classification Manual issued by the United States Bureau of the
6 Census."

7
8 PART IX. EXPAND HOMESTEAD EXEMPTION

9 Sec. 9.1. G.S. 105-277.1 reads as rewritten:

10 **"§ 105-277.1. Property classified for taxation at reduced valuation.**

11 (a) Exclusion. – The following class of property is designated a special class of
12 property under Article V, Sec. 2(2) of the North Carolina Constitution and shall be
13 assessed for taxation in accordance with this section. The first ~~fifteen thousand dollars~~
14 ~~(\$15,000)~~ twenty thousand dollars (\$20,000) in appraised value of a permanent residence
15 owned and occupied by a qualifying owner is excluded from taxation. A qualifying
16 owner is an owner who meets all of the following requirements as of January 1 preceding
17 the taxable year for which the benefit is claimed:

- 18 (1) Is at least 65 years of age or totally and permanently disabled.
19 (2) Has an income for the preceding calendar year of not more than eleven
20 thousand dollars (\$11,000).
21 (3) Is a North Carolina resident.

22 An otherwise qualifying owner does not lose the benefit of this exclusion because of a
23 temporary absence from his or her permanent residence for reasons of health, or because
24 of an extended absence while confined to a rest home or nursing home, so long as the
25 residence is unoccupied or occupied by the owner's spouse or other dependent.

26 (b) Definitions. – When used in this section, the following definitions shall apply:

- 27 (1) Code. – The Internal Revenue Code, as defined in G.S. 105-228.90.
28 (1a) Income. – Adjusted gross income, as defined in section 62 of the Code,
29 plus all other moneys received from every source other than gifts or
30 inheritances received from a spouse, lineal ancestor, or lineal
31 descendant. For married applicants residing with their spouses, the
32 income of both spouses must be included, whether or not the property is
33 in both names.
34 (1b) Owner. – A person who holds legal or equitable title, whether
35 individually, as a tenant by the entirety, a joint tenant, or a tenant in
36 common, or as the holder of a life estate or an estate for the life of
37 another. A manufactured home jointly owned by husband and wife is
38 considered property held by the entirety.
39 (2) Repealed by Session Laws 1993, c. 360, s. 1.
40 (2a) Repealed by Session Laws 1985 (Reg. Sess., 1986), c. 982, s. 20.
41 (3) Permanent residence. – A person's legal residence. It includes the
42 dwelling, the dwelling site, not to exceed one acre, and related

1 improvements. The dwelling may be a single family residence, a unit in
2 a multi-family residential complex, or a manufactured home.

- 3 (4) Totally and permanently disabled. – A person is totally and permanently
4 disabled if the person has a physical or mental impairment that
5 substantially precludes him or her from obtaining gainful employment
6 and appears reasonably certain to continue without substantial
7 improvement throughout his or her life.

8 (c) Application. – An application for the exclusion provided by this section should
9 be filed during the regular listing period, but may be filed and must be accepted at any
10 time up to and through April 15 preceding the tax year for which the exclusion is
11 claimed. When property is owned by two or more persons other than husband and wife
12 and one or more of them qualifies for this exclusion, each owner shall apply separately
13 for his or her proportionate share of the exclusion.

- 14 (1) Elderly Applicants. – Persons 65 years of age or older may apply for
15 this exclusion by entering the appropriate information on a form made
16 available by the assessor under G.S. 105-282.1.

- 17 (2) Disabled Applicants. – Persons who are totally and permanently
18 disabled may apply for this exclusion by (i) entering the appropriate
19 information on a form made available by the assessor under G.S. 105-
20 282.1 and (ii) furnishing acceptable proof of their disability. The proof
21 shall be in the form of a certificate from a physician licensed to practice
22 medicine in North Carolina or from a governmental agency authorized
23 to determine qualification for disability benefits. After a disabled
24 applicant has qualified for this classification, he or she shall not be
25 required to furnish an additional certificate unless the applicant's
26 disability is reduced to the extent that the applicant could no longer be
27 certified for the taxation at reduced valuation.

28 (d) Multiple Ownership. – A permanent residence owned and occupied by
29 husband and wife as tenants by the entirety is entitled to the full benefit of this exclusion
30 notwithstanding that only one of them meets the age or disability requirements of this
31 section. When a permanent residence is owned and occupied by two or more persons
32 other than husband and wife and one or more of the owners qualifies for this exclusion,
33 each qualifying owner is entitled to the full amount of the exclusion not to exceed his or
34 her proportionate share of the valuation of the property. No part of an exclusion available
35 to one co-owner may be claimed by any other co-owner and in no event may the total
36 exclusion allowed for a permanent residence exceed ~~fifteen thousand dollars (\$15,000)~~. the
37 exclusion amount provided in this section."

38 Sec. 9.2. G.S. 105-309(f) reads as rewritten:

39 "(f) The following information shall appear on each abstract or on an information
40 sheet distributed with the abstract. The abstract or sheet must include the address and
41 telephone number of the assessor below the notice required by this subsection. The
42 notice shall read as follows:
43

**'PROPERTY TAX RELIEF FOR ELDERLY AND
PERMANENTLY DISABLED PERSONS.**

North Carolina excludes from property taxes the first ~~fifteen thousand dollars (\$15,000)~~ twenty thousand dollars (\$20,000) in appraised value of a permanent residence owned and occupied by North Carolina residents aged 65 or older or totally and permanently disabled whose income does not exceed eleven thousand dollars (\$11,000). Income means the owner's adjusted gross income as determined for federal income tax purposes, plus all moneys received other than gifts or inheritances received from a spouse, lineal ancestor or lineal descendant.

If you received this exclusion in (assessor insert previous year), you do not need to apply again unless you have changed your permanent residence. If you received the exclusion in (assessor insert previous year) and your income in (assessor insert previous year) was above eleven thousand dollars (\$11,000), you must notify the assessor. If you received the exclusion in (assessor insert previous year) because you were totally and permanently disabled and you are no longer totally and permanently disabled, you must notify the assessor. If the person receiving the exclusion in (assessor insert previous year) has died, the person required by law to list the property must notify the assessor. Failure to make any of the notices required by this paragraph before April 15 will result in penalties and interest.

If you did not receive the exclusion in (assessor insert previous year) but are now eligible, you may obtain a copy of an application from the assessor. It must be filed by April 15."

Sec. 9.3. G.S. 105-277.1(a), as amended by Section 9.1 of this act, reads as rewritten:

"(a) Exclusion. – The following class of property is designated a special class of property under Article V, Sec. 2(2) of the North Carolina Constitution and shall be assessed for taxation in accordance with this section. The first twenty thousand dollars (\$20,000) in appraised value of a permanent residence owned and occupied by a qualifying owner is excluded from taxation. A qualifying owner is an owner who meets all of the following requirements as of January 1 preceding the taxable year for which the benefit is claimed:

- (1) Is at least 65 years of age or totally and permanently disabled.
- (2) Has an income for the preceding calendar year of not more than ~~eleven thousand dollars (\$11,000)~~ fifteen thousand dollars (\$15,000).
- (3) Is a North Carolina resident.

An otherwise qualifying owner does not lose the benefit of this exclusion because of a temporary absence from his or her permanent residence for reasons of health, or because of an extended absence while confined to a rest home or nursing home, so long as the residence is unoccupied or occupied by the owner's spouse or other dependent."

Sec. 9.4. G.S. 105-309(f), as amended by Section 9.2 of this act, reads as rewritten:

1 "(f) The following information shall appear on each abstract or on an information
2 sheet distributed with the abstract. The abstract or sheet must include the address and
3 telephone number of the assessor below the notice required by this subsection. The
4 notice shall read as follows:

5
6 **'PROPERTY TAX RELIEF FOR ELDERLY AND**
7 **PERMANENTLY DISABLED PERSONS.**
8

9 North Carolina excludes from property taxes the first twenty thousand dollars
10 (\$20,000) in appraised value of a permanent residence owned and occupied by North
11 Carolina residents aged 65 or older or totally and permanently disabled whose income
12 does not exceed ~~eleven thousand dollars (\$11,000)~~ fifteen thousand dollars (\$15,000).
13 Income means the owner's adjusted gross income as determined for federal income tax
14 purposes, plus all moneys received other than gifts or inheritances received from a
15 spouse, lineal ancestor or lineal descendant.

16 If you received this exclusion in (assessor insert previous year), you do not need to
17 apply again unless you have changed your permanent residence. If you received the
18 exclusion in (assessor insert previous year) and your income in (assessor insert previous
19 year) was above ~~eleven thousand dollars (\$11,000)~~ fifteen thousand dollars (\$15,000), you
20 must notify the assessor. If you received the exclusion in (assessor insert previous year)
21 because you were totally and permanently disabled and you are no longer totally and
22 permanently disabled, you must notify the assessor. If the person receiving the exclusion
23 in (assessor insert previous year) has died, the person required by law to list the property
24 must notify the assessor. Failure to make any of the notices required by this paragraph
25 before April 15 will result in penalties and interest.

26 If you did not receive the exclusion in (assessor insert previous year) but are now
27 eligible, you may obtain a copy of an application from the assessor. It must be filed by
28 April 15."

29 Sec. 9.5. G.S. 105-277.1A reads as rewritten:

30 **"§ 105-277.1A. Property classified for taxation at reduced valuation; duties of tax**
31 **collectors; reimbursement of localities for portion of tax lost.**

32 (a) On September 1, 1990, the tax collector of each county and the tax collector of
33 each city shall furnish to the Secretary of Revenue a list containing the name and address
34 of each person who has qualified in that year for the exemption provided in G.S. 105-
35 277.1. The list shall also contain for each name the total amount of property exempted,
36 the tax rate the property is subject to, and the product obtained by multiplying those two
37 numbers by each other. The lists shall be accompanied by an affidavit attesting to the
38 accuracy of the list and shall all be on a form prescribed by the Secretary of Revenue.

39 (a1) On December 1, 1996, the tax collector of each county and the tax collector of
40 each city shall furnish to the Secretary of Revenue a list containing the name and address
41 of each taxpayer who has qualified in that year for the exemption provided in G.S. 105-
42 277.1. On the list, the tax collector shall provide for each name the amount of property
43 above fifteen thousand dollars (\$15,000) exempted, the tax rate the property is subject to,

1 and the product obtained by multiplying the two. The list shall be accompanied by an
2 affidavit attesting to the accuracy of the list and shall be on a form prescribed by the
3 Secretary of Revenue.

4 On December 1, 1997, the tax collector of each county and the tax collector of each
5 city shall furnish to the Secretary of Revenue two lists containing the name and address
6 of each taxpayer who has qualified in that year for the exemption provided in G.S. 105-
7 277.1. The first list shall include those taxpayers whose income was above eleven
8 thousand dollars (\$11,000) and the second list shall include those taxpayers whose
9 income was eleven thousand dollars (\$11,000) or less. On the first list, the tax collector
10 shall provide for each name the total amount of property exempted and on the second list,
11 the tax collector shall provide for each name the amount of property above fifteen
12 thousand dollars (\$15,000) exempted. On both lists, the tax collector shall provide the
13 tax rate the property is subject to and the product obtained by multiplying the tax rate by
14 the amount of property. The lists shall be accompanied by an affidavit attesting to the
15 accuracy of the list and shall be on a form prescribed by the Secretary of Revenue.

16 ~~(b) In addition to the list required by subsection (a) of this section, the county or~~
17 ~~city may provide a supplemental list on December 1.~~

18 (c) The Secretary of Revenue may, for cause, grant an extension for the
19 submission of ~~the a~~ list required by this section.

20 (d) Before May 31, 1991, the Secretary of Revenue shall distribute to the county
21 or city fifty percent (50%) of the total for the entire list provided pursuant to subsection
22 (a) of this section of the product obtained by multiplying the tax exemption for each
23 taxpayer times the applicable tax rate. Each year thereafter, on or before May 31, the
24 Secretary of Revenue shall pay to each county and city that was entitled to receive a
25 distribution under this ~~section~~ subsection in 1991 the amount it was entitled to receive in
26 1991.

27 (d1) Before May 31, 1997, the Secretary of Revenue shall distribute to the county
28 or city the total for the list provided pursuant to subsection (a1) of this section of the
29 product obtained by multiplying the applicable tax rate times the amount listed for each
30 taxpayer. Before May 31, 1998, the Secretary of Revenue shall distribute to the county
31 or city the total for both lists provided the preceding December 1 pursuant to subsection
32 (a1) of this section of the product obtained by multiplying the applicable tax rate times
33 the amount listed for each taxpayer. Each year thereafter, on or before May 31, the
34 Secretary of Revenue shall pay to each county and city the amount it received under this
35 subsection in 1998.

36 (e) Any funds received by any county or city pursuant to this section because the
37 county or city was collecting taxes for another unit of government or special district shall
38 be credited to the funds of that other unit or district in accordance with regulations issued
39 by the Local Government Commission.

40 (f) In order to pay for the reimbursement under this section and the cost to the
41 Department of Revenue of administering the reimbursement, the Secretary of Revenue
42 shall draw from collections received under Division I of Article 4 of this Chapter an
43 amount equal to the reimbursement and the cost of administration."

PART X. ALLOW INCENTIVES TO INCREASE CHARITABLE GIVING

Sec. 10.1. G.S. 105-164.13 is amended by adding a new subdivision to read:

"(42) Tangible personal property that is purchased by a retailer for resale or is manufactured or purchased by a wholesale merchant for resale and then withdrawn from inventory and donated by the retailer or wholesale merchant to a nonprofit organization, contributions to which are deductible as charitable contributions for federal income tax purposes."

Sec. 10.2. G.S. 105-164.13(13a) and (31b) are repealed.

Sec. 10.3. G.S. 105-130.9 reads as rewritten:

"§ 105-130.9. Contributions.

~~Contributions shall be allowed as a deduction to the extent and in the manner provided as follows:~~ (a) North Carolina Corporations. – Corporations that do not allocate a part of their total net income outside this State may deduct the following contributions to the extent allowed in this section:

(1) Most Charitable Contributions. – Charitable contributions as defined in section 170(c) of the Code, ~~exclusive of other than~~ contributions allowed in subdivision (2) of this section, shall be allowed as a deduction to the extent provided ~~herein.~~ in this section. The amount allowed as a deduction ~~hereunder shall be limited to an amount not in excess of five percent (5%)~~ may not exceed ten percent (10%) of the corporation's net income as computed without the benefit of this subdivision or subdivision (2) of this section. ~~Provided, that a carryover of contributions shall not be allowed and that contributions made to North Carolina donees by corporations allocating a part of their total net income outside this State shall not be allowed under this subdivision, but shall be allowed under subdivision (3) of this section.~~

(2) Contributions to North Carolina Governments and Educational Institutions. – Contributions by any corporation to the following entities shall be allowed as a deduction: the State of North Carolina, any of its institutions, instrumentalities, or agencies, any county of this State, its institutions, instrumentalities, or agencies, any municipality of this State, its institutions, instrumentalities, or agencies, and ~~contributions or gifts by any corporation to~~ any educational institutions located within North Carolina, no part of the net earnings of which inures to the benefit of any private stockholders or dividend. For the purpose of this subdivision, the ~~words term~~ 'educational institution' shall ~~mean~~ include only an educational institution ~~which that~~ normally maintains a regular faculty and curriculum and normally has a regularly organized body of students in attendance at the place where the educational activities are carried on. The ~~words "educational institution" shall be deemed to include all of such term~~ includes all of the institution's departments, ~~schools~~ schools, and colleges, a group of "educational institutions" educational institutions,

1 and an organization (~~corporation, trust, foundation, association or other~~
2 ~~entity~~) organized and operated exclusively to receive, hold, ~~invest~~ invest,
3 and administer property and to make expenditures to or for the sole
4 benefit of an "educational institution" or group of "educational institutions."
5 educational institution.

6 ~~(3)~~

7 (b) Interstate Corporations. – Corporations allocating a part of their total net
8 income outside North Carolina under the provisions of G.S. 105-130.4 shall ~~may~~ deduct
9 from total income allocable to North Carolina contributions made to North Carolina
10 donees qualified under subdivisions (1) and (2) of this section ~~subdivision (1) or (2) of~~
11 subsection (a) of this section or made through North Carolina offices or branches of other
12 donees qualified under the above-mentioned those subdivisions of this section; provided, such
13 subdivisions. The deduction for contributions made to North Carolina donees qualified
14 under subdivision (1) of this section shall be limited in amount to five percent (5%) ~~may not~~
15 exceed ten percent (10%) of the total income allocated to North Carolina as computed
16 without the benefit of this deduction for contributions. ~~subsection.~~

17 Corporations allocating a part of their total net income outside North Carolina may
18 deduct from net income before allocation under G.S. 105-130.4 contributions made to
19 other donees qualified under subdivision (1) of subsection (a) of this section. This
20 deduction may not exceed ten percent (10%) of the corporation's net income before
21 allocation under G.S. 105-130.4, as computed without the benefit of this subsection.

22 (c) Carryforward. – If a corporation's deductions allowed under subdivision (a)(1)
23 or subsection (b) of this section exceed the applicable percentage limitation, the
24 corporation may carry the excess forward for the succeeding five years to the extent the
25 amounts carried forward under this subsection plus the amounts deductible under
26 subdivision (a)(1) or subsection (b) of this section for each taxable year do not exceed the
27 percentage limitation for that taxable year. Amounts deductible under subdivision (a)(1)
28 or subsection (b) of this section for the current taxable year shall be taken into account
29 before amounts carried forward under this subsection.

30 ~~(4) The~~

31 (d) Double Benefit Disallowed. – The amount of a contribution for which the
32 taxpayer claimed a tax credit pursuant to G.S. 105-130.34 shall not be eligible for a
33 deduction under this section. The amount of the credit claimed with respect to the
34 contribution is not, however, required to be added to income under G.S. 105-
35 130.5(a)(10)."

36 Sec. 10.4. G.S. 105-130.5(b)(5) reads as rewritten:

37 "(5) Contributions or gifts made by any corporation ~~within the income year to~~
38 ~~the extent provided under G.S. 105-130.9."~~

39 Sec. 10.5. Division II of Article 4 of Chapter 105 of the General Statutes is
40 amended by adding a new section to read:

41 **"§ 105-151.26. Credit for charitable contributions by nonitemizers.**

42 A taxpayer who elects the standard deduction under section 63 of the Code for federal
43 tax purposes is allowed as a credit against the tax imposed by this Division an amount

1 equal to seven percent (7%) of the taxpayer's excess charitable contributions. The
2 taxpayer's excess charitable contributions are the amount by which the taxpayer's
3 charitable contributions for the taxable year that would have been deductible under
4 section 170 of the Code if the taxpayer had not elected the standard deduction exceed two
5 percent (2%) of the taxpayer's adjusted gross income as calculated under the Code.

6 No credit shall be allowed under this section for amounts deducted from gross income
7 in calculating taxable income under the Code or for contributions for which a credit was
8 claimed under G.S. 105-151.12 or G.S. 105-151.14. A nonresident or part-year resident
9 who claims the credit allowed by this section shall reduce the amount of the credit by
10 multiplying it by the fraction calculated under G.S. 105-134.5(b) or (c), as
11 appropriate. The credit allowed under this section may not exceed the amount of tax
12 imposed by this Division for the taxable year reduced by the sum of all credits allowed,
13 except payments of tax made by or on behalf of the taxpayer."

14 15 PART XI. EFFECTIVE DATES

16 Sec. 12.1. This act does not affect the rights or liabilities of the State, a
17 taxpayer, or another person arising under a statute amended or repealed by this act before
18 its amendment or repeal; nor does it affect the right to any refund or credit of a tax that
19 would otherwise have been available under the amended or repealed statute before its
20 amendment or repeal.

21 Sec. 12.2. This act becomes effective as follows:

- 22 (1) Phase out State food tax. – Except as otherwise provided in Part I of this
23 act, Part I of this act becomes effective January 1, 1997, and applies to
24 sales made on or after that date. Section 1.1 of Part I of this act is
25 repealed effective January 1, 2000.
- 26 (2) Reduce corporate income tax. – Section 2.1 of Part II of this act is
27 effective for taxable years beginning on or after January 1, 1997.
28 Section 2.2 of Part II of this act becomes effective October 1, 1997, and
29 applies to remittances made on or after that date.
- 30 (3) Allow investment tax credit and research and development tax credit. –
31 Part III of this act is effective for taxable years beginning on or after
32 January 1, 1996, and applies to research and development expenditures
33 made on or after August 1, 1996, and to property placed in service on or
34 after August 1, 1996. Part III of this act is repealed effective for
35 research and development expenditures made on or after January 1,
36 2002, and for business property placed in service on or after January 1,
37 2002.
- 38 (4) Phase out soft drink tax. – Section 4.1 of Part IV of this act becomes
39 effective July 1, 1997. Section 4.2 of Part IV of this act becomes
40 effective July 1, 1999.
- 41 (5) Reduce sales tax on farm and industry fuel. – Part V of this act becomes
42 effective August 1, 1996, and applies to sales made on or after that date.

- 1 (6) Modify bundled transaction and free item sales tax. – Sections 6.2 and
2 6.3 of Part VI of this act are effective upon ratification. The remainder
3 of Part VI of this act becomes effective on the first day of the third
4 month following the ratification of this act and applies to sales made on
5 or after that date.
- 6 (7) Reduce inheritance and gift taxes. – Sections 7.1 through 7.4 of Part VII
7 of this act become effective January 1, 1997, and apply to the estates of
8 decedents dying on or after that date. Sections 7.5 and 7.6 of Part VII of
9 this act become effective August 1, 1996, and apply to the estates of
10 decedents dying on or after that date. Sections 7.7 and 7.8 of Part VII of
11 this act become effective January 1, 2001, and apply to the estates of
12 decedents dying on or after that date.
- 13 (8) Exclude severance pay from income tax. – Part VIII of this act is
14 effective for taxable years beginning on or after January 1, 1996.
- 15 (9) Expand homestead exemption. – Sections 9.1 and 9.2 of Part IX of this
16 act are effective for taxes imposed for taxable years beginning on or
17 after July 1, 1996. Sections 9.3 and 9.4 of Part IX of this act are
18 effective for taxes imposed for taxable years beginning on or after July
19 1, 1997. The remainder of Part IX of this act is effective upon
20 ratification. Notwithstanding the provisions of G.S. 105-277.1(c), an
21 application for the benefit provided in Sections 9.1 and 9.2 of this act
22 for the 1996-97 tax year shall be considered timely if it is filed on or
23 before October 1, 1996.
- 24 (10) Allow incentives to increase charitable giving. – Sections 10.1 and 10.2
25 of Part X of this act are effective upon ratification. The remainder of
26 Part X of this act is effective for taxable years beginning on or after
27 January 1, 1997.
- 28 (11) Remainder. – The remainder of this act is effective upon ratification.