A BILL TO BE ENTITLED
AN ACT TO MAKE VARIOUS CHANGES TO THE REVENUE LAWS.
The General Assembly of North Carolina enacts:

PART I. BUSINESS TAX CHANGES
SECTION 1.1. G.S. 105-114 reads as rewritten:
"§ 105-114. Nature of taxes; definitions.
(a) Nature of Taxes.—The taxes levied in this Article upon persons and partnerships are for the privilege of engaging in business or doing the act named.
(a1) Scope.—The taxes levied in this Article upon corporations are for the privilege of engaging in business or doing the act named:
(1) Corporations organized under the laws of this State for the existence of the corporate rights and privileges granted by their charters, and the enjoyment, under the protection of the laws of this State, of the powers, rights, privileges and immunities derived from the State by the form of such existence; and
(2) Corporations not organized under the laws of this State for doing business in this State and for the benefit and protection which these corporations receive from the government and laws of this State in doing business in this State.
(a2) Condition for Doing Business. — If the corporation is organized under the laws of this State, the payment of the taxes levied by this Article is a condition precedent to the right to continue in the corporate form of organization. If the corporation is not organized under the laws of this State, payment of these taxes is a condition precedent to the right to continue to engage in doing business in this State.
(a3) Tax Year. — The taxes levied in this Article are for the fiscal year of the State in which the taxes become due, except that the taxes levied in G.S. 105-122 are for the income year of the corporation in which the taxes become due.
(a4) No Double Taxation. — G.S. 105-122 does not apply to holding companies taxed under G.S. 105-120.2. G.S. 105-122 applies to a corporation taxed under another section of this Article only to the extent the taxes levied on the corporation in G.S. 105-122 exceed the taxes levied in other sections of this Article on the corporation or on a limited liability company whose assets must be included in the corporation's tax base under G.S. 105-114.1.
"

SECTION 1.2. G.S. 105-120.2(c) reads as rewritten:
"(c) For purposes of this section, a "holding company" is a corporation that satisfies at least one of the following conditions:
..."
(2) It receives during its taxable year more than eighty percent (80%) of its
gross income from corporations in which it owns directly or indirectly more
than fifty percent (50%) of the outstanding voting stock or stock, voting
capital interests, or ownership interests.

SECTION 1.3.(a) G.S. 105-122 reads as rewritten:

"§ 105-122. Franchise or privilege tax on domestic and foreign corporations.
(a) Tax Imposed. – An annual franchise or privilege tax is imposed on a corporation
doing business in this State for the privilege of doing business in this State and for the
continuance of articles of incorporation or domestication of each corporation in this State. The
tax is determined on the basis of the books and records of the corporation as of the close of its
income year. A corporation subject to the tax must file a return under affirmation with the
Secretary at the place and in the manner prescribed by the Secretary. The return must be signed
by the president, vice-president, treasurer, or chief financial officer of the corporation. The
return is due on or before the fifteenth day of the fourth month following the end of the
corporation's income year.

…

(d) Tax Base and Tax Rate. – After determining the base, A corporation's tax base is
the greater of the following:

(1) The proportion of its net worth as set out in subsection (c1) of this section,
which amount shall not be less than fifty-five percent (55%) of the corporation's appraised
value for ad valorem taxation of all the real and tangible personal property in this
State of each corporation. For purposes of this subdivision, the appraised value of tangible property,
including real estate, is the ad valorem valuation for the calendar year next preceding the due date of
the franchise tax return.

(2) Fifty-five percent (55%) of the corporation's appraised value as determined
for ad valorem taxation of all the real and tangible personal property in this
State of each corporation. For purposes of this subdivision, the appraised value of tangible property,
including real estate, is the ad valorem valuation for the calendar year next preceding the due date of
the franchise tax return.

(3) The corporation's total actual investment in tangible property in this State,
every corporation taxed under this section shall annually pay to the Secretary
of Revenue, at the time the return is due, a franchise or privilege tax at the
rate of one dollar and fifty cents ($1.50) per one thousand dollars ($1,000) of
the total amount of net worth as provided in this section. The tax imposed in
this section shall not be less than two hundred dollars ($200.00) and is for
the privilege of carrying on, doing business, and/or the continuance of
articles of incorporation or domestication of each corporation in this State.
Appraised value of tangible property including real estate is the ad valorem
valuation for the calendar year next preceding the due date of the franchise
tax return. The term "total State. For purposes of this subdivision, the total
actual investment in tangible property" as used in this section means
property in this State is the total original purchase price or consideration to
the reporting taxpayer of its tangible properties, including real estate, in this
State plus additions and improvements thereto less (i) reserve for
depreciation as permitted for income tax purposes, (ii) any
indebtedness specifically incurred and existing solely for and as the result of
the purchase of any real estate and any permanent improvements made on
the real estate.

…

(d2) Tax Rate. – The tax rate is one dollar and fifty cents ($1.50) per one thousand
dollars ($1,000) of the corporation's tax base as determined under subsection (d) of this section.
The tax imposed in this section shall not be less than two hundred dollars ($200.00).

..."
SECTION 1.3.(b) This section becomes effective for taxable years beginning on or after January 1, 2018, and is applicable to the calculation of franchise tax reported on the 2017 and later corporate income tax returns.

SECTION 1.4.(a) G.S. 105-129.106(b) reads as rewritten:

"(b) Limitations. – The amount of credit allowed under this section with respect to rehabilitation expenses for a non-income-producing certified historic structure may not exceed twenty-two thousand five hundred dollars ($22,500) per discrete property parcel. In the event that the taxpayer is the transferee of a State-certified historic structure for which rehabilitation expenses were made, the taxpayer as transferee is allowed a credit under this section for the rehabilitation expenses made by the transferor only if the transfer takes place before the structure is placed in service. In this event, the transferor must provide the transferee with documentation detailing the amount of rehabilitation expenses and credit. No other taxpayer may claim such credit. A taxpayer is allowed to claim a credit under this section no more than once in any five-year period, carryovers notwithstanding."

SECTION 1.4.(b) This section becomes effective for taxable years beginning on or after January 1, 2017.

SECTION 1.5.(a) G.S. 105-130.4 reads as rewritten:

"§ 105-130.4. Allocation and apportionment of income for corporations.
(a) As used in this section, unless the context otherwise requires:
1. "Apporti
2. onable income" means all income that is apportionable under the United States Constitution, including income that arises from either of the following:
3. a. Transactions and activities in the regular course of the taxpayer's trade or business.
4. b. Tangible and intangible property if the acquisition, management, employment, development, or disposition of the property is or was related to the operation of the taxpayer's trade or business.
6. Casual sale of property. – The sale of any property that was not purchased, produced, or acquired primarily for sale in the corporation's regular trade or business.
7. "Commercial domicile" means the principal place from which the trade or business of the taxpayer is directed or managed.
8. "Compensation" means wages, salaries, commissions and any other form of remuneration paid to employees for personal services.
9. "Excluded corporation" means any corporation engaged in business as a building or construction contractor, a securities dealer, or a loan company or a corporation that receives more than fifty percent (50%) of its ordinary gross income from intangible property.
10. "Nonapportionable income" means all income other than apportionable income.
11. "Public utility" means any corporation that is subject to control of one or more of the following entities: the North Carolina Utilities Commission, the Federal Communications Commission, the Federal Energy Regulatory Commission, or the Federal Aviation Agency; and that owns or operates for public use any plant, equipment, property, franchise, or license for the transmission of communications, the transportation of goods or persons, or
the production, storage, transmission, sale, delivery or furnishing of electricity, water, steam, oil, oil products, or gas. The term also includes a motor carrier of property whose principal business activity is transporting property by motor vehicle for hire over the public highways of this State.

(7) "Sales" means all Sales. – All gross receipts of the corporation except for the following receipts:

…

(8) "Casual sale of property" means the sale of any property which was not purchased, produced or acquired primarily for sale in the corporation's regular trade or business.

(9) “State” means any State. – A state of the United States, the District of Columbia, the Commonwealth of Puerto Rico, any territory or possession of the United States, and any foreign country or political subdivision thereof.

(b) Multistate Corporations. – A corporation having income from business activity which is taxable both within and without this State shall allocate and apportion its net income or net loss as provided in this section. For purposes of allocation and apportionment, a corporation is taxable in another state if (i) the either of the following applies:

(1) The corporation’s business activity in that state subjects it to a net income tax or a tax measured by net income, or (ii) that income.

(2) That state has jurisdiction based on the corporation’s business activity in that state to subject the corporation to a tax measured by net income regardless whether that state exercises its jurisdiction. For purposes of this section, "business activity" includes any activity by a corporation that would establish a taxable nexus pursuant to 15 United States Code section 381.

(c) Nonapportionable Income. – Rents and royalties from real or tangible personal property, gains and losses, interest, dividends, patent and copyright royalties and other kinds of income, to the extent that they constitute nonapportionable income, less related expenses shall be allocated as provided in subsections (d) through (h) of this section.

(d) Rents and Royalties. – Net rents and royalties are allocable to this State as follows:

…

(e) Gains and Losses. – Gains and losses are allocable to this State as follows:

…

(f) Interest and Net Dividends. – Interest and net dividends are allocable to this State if the corporation’s commercial domicile is in this State. For purposes of this section, the term "net dividends" means gross dividend income received less related expenses.

(g) Intangible Property. – Intangible property is allocable to this State as follows:

…

(h) Other Income. – The income less related expenses from any other activities producing nonapportionable income or investments not otherwise specified in this section is allocable to this State if the business situs of the activities or investments is located in this State.

…

(m) Railroad Company. – All apportionable income of a railroad company shall be apportioned to this State by multiplying the income by a fraction, the numerator of which is the "railway operating revenue" from business done within this State and the denominator of which is the "total railway operating revenue" from all business done by the company as shown by its records kept in accordance with the standard classification of accounts prescribed by the Interstate Commerce Commission generally accepted accounting principles.

"Railway operating revenue" from business done within this State shall mean "railway operating revenue" from business wholly within this State, plus the equal mileage proportion within this State of each item of "railway operating revenue" received from the interstate
business of the company. "Equal mileage proportion" shall mean the proportion which the
distance of movement of property and passengers over lines in this State bears to the total
distance of movement of property and passengers over lines of the company receiving such
revenue. "Interstate business" shall mean "railway operating revenue" from the interstate
transportation of persons or property into, out of, or through this State. If the Secretary of
Revenue finds, with respect to any particular company, that its accounting records are not kept
so as to reflect with exact accuracy such division of revenue by State lines as to each
transaction involving interstate revenue, the Secretary of Revenue may adopt such regulations,
based upon averages, as will approximate with reasonable accuracy the proportion of interstate
revenue actually earned upon lines in this State. Provided, that where a railroad is being
operated by a partnership which is treated as a corporation for income tax purposes and pays a
net income tax to this State, or if located in another state would be so treated and so pay as if
located in this State, each partner's share of the net profits shall be considered as dividends paid
by a corporation for purposes of this Part and shall be so treated for inclusion in gross income,
deductibility, and separate allocation of dividend income.

The following definitions apply in this subsection:

(1) Equal mileage proportion. – The proportion which the distance of movement
of property and passengers over lines in this State bears to the total distance
of movement of property and passengers over lines of the company
receiving such revenue.

(2) Interstate business. – Railroad operating revenue from the interstate
transportation of persons or property into, out of, or through this State.

(3) Railway operating revenue from business done within this State. – Railroad
operating revenue from business wholly within this State, plus the equal
mileage proportion within this State of each item of railway operating
revenue received from the interstate business of the company.

(n) All apportionable income of a telephone company shall be apportioned to this State
by multiplying the income by a fraction, the numerator of which is gross operating revenue
from local service in this State plus gross operating revenue from toll services performed
wholly within this State plus the proportion of revenue from interstate toll services attributable
to this State as shown by the records of the company plus the gross operating revenue in North
Carolina from other service less the uncollectible revenue in this State, and the denominator of
which is the total gross operating revenue from all business done by the company everywhere
less total uncollectible revenue. Provided, that where a telephone company is required to keep
its records in accordance with the standard classification of accounts prescribed by the Federal
Communications Commission the amounts in such accounts shall be used in computing the
apportionment fraction as provided in this subsection.

(o) Motor Carrier. – All apportionable income of a motor carrier of property or a motor
carrier of people shall be apportioned by multiplying the income by a fraction, the numerator of
which is the number of vehicle miles in this State and the denominator of which is the total
number of vehicle miles of the company everywhere. The words "vehicle miles" shall mean
miles traveled by vehicles owned or operated by the company based upon one of the following:

(1) Miles on a scheduled route.

(2) Miles hauling property for a charge or traveling on a scheduled route charge.

(3) Miles carrying passengers for a fare.

(p) All apportionable income of a motor carrier of passengers shall be apportioned by
multiplying the income by a fraction, the numerator of which is the number of vehicle miles in
this State and the denominator of which is the total number of vehicle miles of the company
everywhere. The words "vehicle miles" shall mean miles traveled by vehicles owned or
operated by the company carrying passengers for a fare or traveling on a scheduled route.
(q) All apportionable income of a telegraph company shall be apportioned by multiplying the income by a fraction, the numerator of which is the property factor plus the payroll factor plus the sales factor and the denominator of which is three.

The property factor shall be as defined in subsection (j) of this section, the payroll factor shall be as defined in subsection (k) of this section, and the sales factor shall be as defined in subsection (l) of this section.

(r) All apportionable income of an excluded corporation and of all other public utilities shall be apportioned by multiplying the income by the sales factor as determined under subsection (l) of this section.

The following definitions apply in this subsection:

1. Excluded corporation. – Any corporation engaged in business as a building or construction contractor, a securities dealer, or a loan company or a corporation that receives more than fifty percent (50%) of its ordinary gross income from intangible property.

2. Public utility. – Any corporation that is subject to control of one or more of the following entities: the North Carolina Utilities Commission, the Federal Communications Commission, the Federal Energy Regulatory Commission, or the Federal Aviation Agency; and that owns or operates for public use any plant, equipment, property, franchise, or license for the transmission of communications, the transportation of goods or persons, or the production, storage, transmission, sale, delivery, or furnishing of electricity, water, steam, oil, oil products, or gas. The term also includes a motor carrier of property whose principal business activity is transporting property by motor vehicle for hire over the public highways of this State.

(s) Transportation Corporation. – All apportionable income of an air transportation corporation or a water transportation corporation shall be apportioned by a fraction, the numerator of which is the corporation's revenue ton miles in this State and the denominator of which is the corporation's revenue ton miles everywhere. A qualified air freight forwarder shall use the revenue ton mile fraction of its affiliated air carrier. The following definitions apply in this subsection:

... 

(s2) Pipeline Company. – Receipts from transportation of a petroleum-based liquids pipeline company or gas pipeline company shall be apportioned by multiplying the income by a fraction, the numerator of which is the number of traffic units in this State during the tax year, and the denominator of which is the total number of traffic units everywhere during the tax year. For purposes of this section, the term "traffic unit" means one or more of the following:

1. Barrel mile. – One barrel of liquid property transported one mile.

2. Cubic foot mile. – One cubic foot of gaseous property transported one mile.

3. Other. – Another appropriate measure of product movement."

SECTION 1.5.(b) This section is effective for taxable years beginning on or after January 1, 2017.

SECTION 1.6.(a) G.S. 105-130.7B(b)(1) is repealed.

SECTION 1.6.(b) G.S. 105-130.7B(b)(4) reads as rewritten:

"(4) Qualified interest expense. – The amount of net interest expense paid or accrued to a related member in a taxable year with the amount limited to the greater of (i) fifteen percent (15%) of the taxpayer's adjusted taxable income or (ii) the taxpayer's proportionate share of interest paid or accrued to a person who is not a related member during the same taxable year. This limitation does not apply to interest paid or accrued to a related member if one or more of the following applies:

..."
**SECTION 1.7.** This section is effective for taxable years beginning on or after January 1, 2017.

"§ 105-131.5. Part-year resident shareholder."

If a shareholder of an S Corporation is both a resident and nonresident of this State during any taxable period, the shareholder's pro rata share of the S Corporation's income attributable to the State and income not attributable to the State for the taxable period shall be further prorated between the shareholder's periods of residence and nonresidence, in accordance with the number of days in each period, as provided in G.S. 105-134.5. G.S. 105-153.4.

**SECTION 1.8.** G.S. 105-131.7(a) reads as rewritten:

"(a) An S Corporation incorporated or doing business in the State shall file with the Department an annual return, on a form prescribed by the Secretary, on or before the due date prescribed for the filing of C Corporation returns in G.S. 105-130.17. The return shall show the name, address, and social security or federal identification number of each shareholder, income attributable to the State and the income not attributable to the State with respect to each shareholder as defined in G.S. 105-131(4) and (5), G.S. 105-131(b)(4) and (b)(5), and such other information as the Secretary may require."

**SECTION 1.9.(a) G.S. 105-134.1** is amended by adding a new subdivision to read:

"(5a) Guaranteed payments. – Defined in section 707(c) of the Code."

**SECTION 1.9.(b) G.S. 105-153.3** is amended by adding a new subdivision to read:

"(5a) Guaranteed payments. – Defined in section 707(c) of the Code."

**SECTION 1.9.(c) G.S. 105-134.5(d)** reads as rewritten:

"(d) S Corporations and Partnerships. – In order to calculate the numerator of the fraction provided in subsection (b) of this section, the amount of a shareholder's pro rata share of S Corporation income that is includable in the numerator is the shareholder's pro rata share of the S Corporation's income attributable to the State, as defined in G.S. 105-131(b)(4). In order to calculate the numerator of the fraction provided in subsection (b) of this section for a partner in a partnership or a member of a partnership or other unincorporated business that has one or more nonresident partners or members and operates in one or more other states, the amount of the partner's or member's distributive share of income of the business plus any guaranteed payments made to a partner from the partnership that is includable in the numerator is determined by multiplying the total net income of the business by the ratio ascertained under the provisions of G.S. 105-130.4. As used in this subsection, total net income means the entire gross income of the business less all expenses, taxes, interest, and other deductions allowable under the Code that were incurred in the operation of the business."

**SECTION 1.9.(d) G.S. 105-153.4(d)** reads as rewritten:

"(d) S Corporations and Partnerships. – In order to calculate the numerator of the fraction provided in subsection (b) of this section, the amount of a shareholder's pro rata share of S Corporation income, as modified in G.S. 105-153.5 and G.S. 105-153.6, that is includable in the numerator is the shareholder's pro rata share of the S Corporation's income attributable to the State, as defined in G.S. 105-131(b)(4). In order to calculate the numerator of the fraction provided in subsection (b) of this section for a partner in a partnership or a member of a partnership or other unincorporated business that has one or more nonresident partners or members and operates in one or more other states, the amount of the partner's or member's distributive share of the total net income of the business, as modified in G.S. 105-153.5 and G.S. 105-153.6, plus any guaranteed payments made to a partner from the partnership that is includable in the numerator is determined in accordance with the provisions of G.S. 105-130.4. As used in this subsection, total net income means the entire gross income of the business less...
all expenses, taxes, interest, and other deductions allowable under the Code that were incurred in the operation of the business."

SECTION 1.9.(e) G.S. 105-154 reads as rewritten:

"§ 105-154. Information at the source returns.

(c) Information Returns of Partnerships. – A partnership doing business in this State and required to file a return under the Code shall file an information return with the Secretary. A partnership that the Secretary believes to be doing business in this State and to be required to file a return under the Code shall file an information return when requested to do so by the Secretary. The information return shall contain all information required by the Secretary. It shall state specifically the items of the partnership's gross income, the deductions allowed under the Code, each partner's distributive share of the partnership's income, and the adjustments required by this Part. A partner's distributive share of partnership net income includes any guaranteed payments made to the partner as defined in G.S. 105-134.1. The information return shall also include the name and address of each person who would be entitled to share in the partnership's net income, if distributable, and the amount each person's distributive share would be. The information return shall specify the part of each person's distributive share of the net income that represents corporation dividends. The information return shall be signed by one of the partners under affirmation in the form required by the Secretary.

A partnership that files an information return under this subsection shall furnish to each person who would be entitled to share in the partnership's net income, if distributable, any information necessary for that person to properly file a State income tax return. The information shall be in the form prescribed by the Secretary and must be furnished on or before the due date of the information return.

(d) Payment of Tax on Behalf of Nonresident Owner or Partner. – If a business conducted in this State is owned by a nonresident individual or by a partnership having one or more nonresident members, the manager of the business shall report information concerning the earnings of the business in this State, the distributive share of the income of each nonresident owner or partner, and any other information required by the Secretary. The distributive share of the income of each nonresident partner includes any guaranteed payments made to the partner as defined in G.S. 105-134.1. The manager of the business shall pay with the return the tax on each nonresident owner or partner's share of the income computed at the rate levied on individuals under G.S. 105-153.7. The business may deduct the payment for each nonresident owner or partner from the owner or partner's distributive share of the profits income of the business in this State. If the nonresident partner is not an individual and the partner has executed an affirmation that the partner will pay the tax with its corporate, partnership, trust, or estate income tax return, the manager of the business is not required to pay the tax on the partner's share. In this case, the manager shall include a copy of the affirmation with the report required by this subsection.

...."

SECTION 1.10.(a) G.S. 105-228.4A reads as rewritten:

"§ 105-228.4A. Tax on captive insurance companies.

(a) Tax Levied. – A tax is levied in this section on a captive insurance company doing business in this State. In the case of a branch captive insurance company, the tax levied in this section applies only to the branch business of the company. Two or more captive insurance companies, other than a protected cell captive insurance company or a special purpose captive insurance company that is structured in a manner similar to that of a protected cell captive insurance company, under common ownership and control are taxed under this section as a single captive insurance company.

..."
(f) Total Tax Liability. – The aggregate amount of tax payable under this section by a protected cell captive insurance company with more than 10 cells may not be less than ten thousand dollars ($10,000) and may not exceed the lesser of (i) one hundred thousand dollars ($100,000) plus five thousand dollars ($5,000) multiplied by the number of cells over 10 and (ii) two hundred thousand dollars ($200,000). The aggregate amount of tax payable under this section for any other captive insurance company, other than a protected cell captive insurance company or a special purpose captive insurance company, which has a cell or series structure similar to that of a protected cell captive insurance company, may not be less than five thousand dollars ($5,000) and may not exceed one hundred thousand dollars ($100,000). The minimum tax under this section for a protected cell captive insurance company or a special purpose captive insurance company, which has a cell or series structure similar to that of a protected cell captive insurance company, shall not be less than five thousand dollars ($5,000) and shall apply to the protected cell captive insurance company or special purpose captive insurance company as a whole and not to each cell or series. The maximum tax to be paid by a protected cell captive insurance company or a special purpose captive insurance company, which has a cell or series structure, shall be the greater of either five thousand dollars ($5,000) or the aggregate of the tax liabilities of the core and each cell or series within the insurance company. The maximum tax liability attributed to any one cell or series of the insurance company shall be one hundred thousand dollars ($100,000).

If a captive insurance company is a special purpose financial captive and if the special purpose financial captive is under common ownership and control with one or more other captive insurance companies, the following provisions apply to the consolidated group of companies that are taxed as a single captive insurance company pursuant to subsection (a) of this section:

(1) The amount of premium tax payable under this section is allocated to each member of the consolidated group in the same proportion that the premium allocable to the member bears to the total premium of all members.

(2) The aggregate amount of tax payable under this section by the consolidated group is equal to the greater of the following:
   a. The sum of the premium tax allocated to the members.
   b. Five thousand dollars ($5,000).

(3) If the total premium tax allocated to all members of a consolidated group that are special purpose financial captives exceeds one hundred thousand dollars ($100,000), then the total premium tax allocated to those members is one hundred thousand dollars ($100,000).

(4) If the total premium tax allocated to all members of the consolidated group that are not special purpose financial captives exceeds one hundred thousand dollars ($100,000), then the total premium tax allocated to those members is one hundred thousand dollars ($100,000).

(g) For the purposes of this section:

(1) Common ownership and control shall mean ownership and control of two or more captive insurance companies by the same person or group of persons.

(2) Ownership and control shall mean:
   a. In the case of a stock corporation, the direct or indirect ownership of eighty percent (80%) or more of the outstanding voting stock and value of the corporation.
   b. In the case of a mutual or nonprofit corporation, the direct or indirect control of eighty percent (80%) or more of the surplus and voting power of such corporation.
c. In the case of a limited liability company, the direct or indirect control of eighty percent (80%) or more of the membership interests in the limited liability company.”

SECTION 1.10.(b) This section becomes effective for taxable years beginning on or after January 1, 2017.

SECTION 1.11.(a) G.S. 105-228.5(d)(3) reads as rewritten:

"(3) Additional Rate on Property Coverage Contracts. – An additional tax at the rate of seventy-four hundredths percent (0.74%) applies to gross premiums on insurance contracts for property coverage. The tax is imposed on ten percent (10%) of the gross premiums from insurance contracts for automobile physical damage coverage and on one hundred percent (100%) of the gross premiums from all other contracts for property coverage. Twenty percent (20%) of the net proceeds of this additional tax must be credited to the Volunteer Fire Department Fund established in Article 87 of Chapter 58 of the General Statutes. Twenty percent (20%) of the net proceeds must be credited to the Department of Insurance for disbursement pursuant to G.S. 58-84-25. Up to twenty percent (20%), as determined in accordance with G.S. 58-87-10(f), must be credited to the Workers’ Compensation Fund. The remaining net proceeds must be credited to the General Fund. The additional tax imposed on property coverage contracts under this subdivision is a special purpose assessment based on gross premiums and not a gross premiums tax."

SECTION 1.11.(b) The gross premiums tax is a tax imposed on the gross premiums of insurers, Article 65 corporations, health maintenance organizations, and self-insurers. Entities subject to the gross premiums tax are not subject to franchise or income taxes. In S.L. 2009-548, the General Assembly broadened the taxes against which the business and energy tax credits could be taken from income and franchise taxes to income, franchise, and gross premiums taxes.

The gross premiums tax rate is set in G.S. 105-228.5(d)(1) and (2). Separate and apart from the gross premiums taxes, G.S. 105-228.5(d)(3) imposes an additional tax that is calculated using a person’s gross premiums but is not considered part of the gross premiums tax imposition. The Department of Revenue has historically administered the gross premium tax and the additional tax imposed under G.S. 105-228.5 as two separate and distinct taxes. Satisfied with this administration, the General Assembly did not address the separate treatment of the two taxes in S.L. 2009-548. It is the intent of this section to further clarify for taxpayers the accuracy of and to endorse the Department’s interpretation of the current and continuing state of the law by expressly codifying the long-standing interpretation of the additional tax imposed by G.S. 105-228.5(d)(3) as a separate and distinct tax that is based upon gross premiums but is not a gross premiums tax.

PART II. SALES AND USE TAX

SECTION 2.1. G.S. 105-164.3 reads as rewritten:

§ 105-164.3. Definitions.

The following definitions apply in this Article:

…

(1i) Bundled transaction. – A retail sale of two or more distinct and identifiable products, at least one of which is taxable and one of which is exempt, for one nonitemized price. The term does not apply to real property and services to real property. Products are not sold for one nonitemized price if an invoice or another sales document made available to the purchaser separately
identifies the price of each product. A bundled transaction does not include the retail sale of any of the following:

... (2c) Capital improvement. – Defined in G.S. 105-164.4H.

... (11b) Free-standing appliance. – An appliance commonly thought of as a household device operated by gas or electric current. Examples include a dishwasher, washing machine, clothes dryer, refrigerator, freezer, microwave, and range.

... (16e) Landscaping service. – A service to maintain or improve lawns, yards, or ornamental plants and trees, that modifies the living elements of an area of land. Examples include the installation of trees, shrubs, or flowers; flowers on land; tree trimming; lawn-mowing; and the application of seed, mulch, pesticide, or fertilizer to a lawn or yard, an area of land.

... (20b) Mixed transaction contract. – Defined in G.S. 105-164.4H.

... (23a) Motor vehicle service contract. – A service contract for a motor vehicle or for one or more components, systems, or accessories for a motor vehicle when sold by a motor vehicle dealer or by or on behalf of dealer, by a motor vehicle service agreement company, or by a motor vehicle dealer on behalf of a motor vehicle service agreement company, for a motor vehicle or for one or more components, systems, or accessories for a motor vehicle. For purposes of this subdivision, the term "motor vehicle dealer" has the same meaning as defined in G.S. 20-286 and the term "motor vehicle service agreement company" has the same meaning as defined in G.S. 66-370, is a person other than a motor vehicle dealer that issues a service contract for a motor vehicle or for one or more components, systems, or accessories for a motor vehicle and who is not an insurer.

... (33d) Real property. – Any one or more of the following:
   a. Land.
   b. Building or structure on land.
   c. Permanent fixture on land.
   d. A manufactured home or a modular home that is placed on a permanent foundation, as established by the Department of Insurance.

(33e) Real property contract. – A contract between a real property contractor and another person to perform construction, reconstruction, or remodeling with respect to a capital improvement to real property.

... (33i) Repair, maintenance, and installation services. – The term includes the activities listed in this subdivision and applies to tangible personal property, motor vehicle, digital property, and real property except property. The term does not include tangible personal property or digital property installed or applied by a real property contractor pursuant to to perform a capital improvement to real property contract taxed in accordance with G.S. 105-164.4H, G.S. 105-164.4H, and the term does not include landscaping services.
a. To keep or attempt to keep property or a motor vehicle in working order to avoid breakdown and prevent deterioration or repairs. Examples include to clean, wash, or polish property.

b. To calibrate, refinish, restore, or attempt to calibrate, refinish, or restore property or a motor vehicle to proper working order or good condition. This activity may include replacing or putting together what is torn or broken.

c. To troubleshoot, identify, or attempt to identify the source of a problem for the purpose of determining what is needed to restore property or a motor vehicle to proper working order or good condition. The term includes activities that may lead to the production of an inspection report.

d. To install, apply, connect, adjust, or set into position tangible personal property, digital property, or a motor vehicle. The term includes the installation of carpet, flooring, floor coverings, windows, doors, cabinets, countertops, and other installations where the item being installed may replace a similar existing item and the installation of the item is not a capital improvement.

e. To inspect or monitor property or a motor vehicle, but does not include security or similar monitoring services for real property.

(38b) Service contract. – A contract where the obligor under the contract agrees to maintain, monitor, inspect, or repair digital property or tangible personal property for a period of time or some other defined measure, regardless of whether the property becomes a part of or is applied to real property. The term does not include a single repair, maintenance, or installation service, but generally includes a contract where the obligor under the contract agrees to provide an activity included in the definition of repair, maintenance, and installation services. The term includes a service contract for a pool, fish tank, or similar aquatic feature and a home warranty. Examples include a warranty agreement other than a manufacturer's warranty or dealer's warranty provided at no charge to the purchaser, an extended warranty agreement, a maintenance agreement, a repair contract, or a similar agreement or contract.

SECTION 2.2. G.S. 105-164.4(a) reads as rewritten:

"(a) A privilege tax is imposed on a retailer engaged in business in the State at the percentage rates of the retailer's net taxable sales or gross receipts, listed in this subsection. The general rate of tax is four and three-quarters percent (4.75%). The percentage rates are as follows:

(1) The general rate of tax applies to the sales price of each item or article of tangible personal property that is sold at retail and is not subject to tax under another subdivision in this section. A sale of a free-standing appliance is a retail sale of tangible personal property, regardless of whether the property is installed or applied to real property. This subdivision does not apply to repair, maintenance, and installation services for real property; these services are taxable under subdivision (16) of this subsection.

(13) The general rate of tax applies to the sales price of an item or service subject to tax under this Article sold to a real property contractor for use by the real
property contractor or to fulfill a real property contract. These sales are taxed in accordance with G.S. 105-164.4H.

…

(16) The general rate applies to the sales price of or the gross receipts derived from repair, maintenance, and installation services and generally includes any tangible personal property or digital property that becomes a part of or is applied to a purchaser's property. A mixed transaction contract and a real property contract are taxed in accordance with G.S. 105-164.4H."

SECTION 2.3. G.S. 105-164.4B(a) reads as rewritten:

"(a) General Principles. – The following principles apply in determining where to source the sale of a product. Except as otherwise provided in this section, a service is sourced where the purchaser can potentially first make use of the service. These principles apply regardless of the nature of the product, except as otherwise noted in this section:

...."

SECTION 2.4. G.S. 105-164.4H reads as rewritten:

"§ 105-164.4H. Real property contract.

...

(a) Joint and Several Liability. – If a retailer-contractor subcontracts any part of the real property contract, tax is payable by the subcontractor on the subcontractor's purchase of the tangible personal property or digital property that is installed or applied to real property or a service used to fulfill the contract. The retailer-contractor, the subcontractor, the owner of the real property, and the lessee of the real property, are jointly and severally liable for the tax. The liability of a retailer-contractor, a subcontractor, an owner, or lessee who did not purchase the property or service is satisfied by receipt of an affidavit from the purchaser certifying that the tax has been paid. A person who receives an affidavit of capital improvement accepted in good faith is not liable for any tax on the gross receipts from the transaction if it is determined that the transaction is not a capital improvement.

The Secretary shall determine when a person must issue an affidavit of capital improvement. The Secretary may establish guidelines for transactions where an affidavit of capital improvement is not required, but rather a person may establish by records that such transactions are subject to tax in accordance with subsection (a) of this section.

...

(b1) Joint and Several Liability. – If a retailer-contractor subcontracts any part of the real property contract, tax is payable by the subcontractor on the subcontractor's purchase of the tangible personal property or digital property that is installed or applied to real property or a service used to fulfill the contract. The retailer-contractor, the subcontractor, the owner of the real property, and the lessee of the real property, are jointly and severally liable for the tax. The liability of a retailer-contractor, a subcontractor, an owner, or lessee who did not purchase the property or service is satisfied by receipt of an affidavit from the purchaser certifying that the tax has been paid. A person who receives an affidavit of capital improvement accepted in good faith is not liable for any tax on the gross receipts from the transaction if it is determined that the transaction is not a capital improvement.

...

(d) Mixed Transaction Contract. – A contract that includes both a real property contract for a capital improvement and repair, maintenance, and installation services is taxable as follows:

  (1) If the price of the taxable repair, maintenance, and installation services included in the contract does not exceed ten percent (10%) twenty-five...
percent (25%) of the contract price, then the repair, maintenance, and
installation services portion of the contract, and the tangible personal
property, digital property, or service used to perform that service, are taxable
as a real property contract in accordance with this section.

(2) If the price of the taxable repair, maintenance, and installation services
included in the contract is equal to or greater than ten percent (10%) seventy-five percent (75%) of the contract price, then sales and use tax
applies to the taxable repair, maintenance, and installation services portion
of the contract. The person must determine an allocated price for each
taxable repair, maintenance, and installation service in the contract based on
a reasonable allocation of revenue that is supported by the person's business
records kept in the ordinary course of business. Any purchase of tangible
personal property, digital property, or services to fulfill the real property
contract are taxed in accordance with this section the gross receipts derived
from capital improvement portion of the contract are taxable as repair,
maintenance, and installation services in accordance with this section.

(e) Definitions. – The following definitions apply in this Article:
(1) Capital improvement. – An addition or alteration to real property that is new
construction, reconstruction, or remodeling of a building, structure, or
fixture on land that becomes part of the real property or is permanently
installed or applied to the real property so that removal would cause material
damage to the property or article itself. The term includes an addition or an
alteration to real property for or by a lessee or tenant, provided it is intended
to become a permanent installation and title to it vests in the owner or lessor
of the real property immediately upon installation. The term does not include
the replacement of a fixture in or on a building or structure unless the
replacement is part of a remodeling. The term does not include a single
repair, maintenance, or installation service. The term includes, but is not
limited to, all of the following:

a. New construction, reconstruction, or remodeling. Removal of items
from real property, such as debris, construction materials, asbestos,
or excavation activities, including the removal of items from a
structure such as a dumpster.

b. Performance of work that requires the issuance of a permit under the
State Building Code, other than repair or replacement of electrical
components, gas logs, water heater, and similar individual items that
are not part of new construction, reconstruction, or remodeling.

c. Installation of underground utilities, notwithstanding that charges for
such are included in the gross receipts derived from services subject
to the combined general rate under G.S. 105-164.4.

d. Installation of equipment or fixture that is attached to real property so
that removal of the item would cause physical, functional, or
economic damage to the property and that is capitalized under one or
more of the following: the Code, Generally Accepted Accounting
Principles, or International Financial Reporting Standards.

e. Painting or wallpapering. Wallapering of real property, except where
painting or wallpapering is provided in connection with a repair,
maintenance, or installation service and is incidental to the repair,
maintenance, and installation service.
§ 105-164.4I. Service contracts.

(b) Exemptions. — The tax imposed by this section does not apply to the sales price of or the gross receipts derived from a service contract applicable to any of the following items:

(1) An item exempt from tax under this Article. This exemption does not apply to water maintained under a service contract for a pool, fish tank, or similar aquatic feature.

(2) A transmission, distribution, or other network asset contained on utility-owned land, right of way, or easement.

(3) A transmission, an engine, rear end gears, and any other item purchased, leased, or rented by a professional motorsports racing team or a related
member of a team for which the team or related member may receive a sales
tax exemption under G.S. 105-164.13(65) or G.S. 105-164.13(65a) or a sales
tax refund under G.S. 105-164.14A(a)(5). This subdivision expires January 1, 2020.

(4) An item subject to tax under Article 5F of Chapter 105 of the General
Statutes.

(5) A qualified aircraft or a qualified jet engine.

(6) A motor vehicle service contract.

(7) Repair, maintenance, and installation services exempt under
G.S. 105-164.13(61a).

(c) Exceptions. – The tax imposed by this section does not apply to any of the
following:

(1) A security or similar monitoring contract for real property.

(2) A contract to provide a certified operator for a wastewater system.

(3) A contract to provide landscaping, pest control, or moving services.

"...."

SECTION 2.6. G.S. 105-164.13 reads as rewritten:

"§ 105-164.13. Retail sales and use tax.
The sale at retail and the use, storage, or consumption in this State of the following tangible
personal property, digital property, and services are specifically exempted from the tax imposed
by this Article:

... 

(61) A motor vehicle service contract may be exempt as provided in
G.S. 105-164.4L contract.

(61a) Repair, maintenance, and installation services provided for an item, other
than a motor vehicle, for which a service contract on the item is exempt from
tax under G.S. 105-164.4L. Repair, maintenance, and installation services
provided for a motor vehicle are subject to tax, except as provided under
subdivision (62a) of this subsection. Sales of or the gross receipts derived
from the following repair, maintenance, and installation services and service
contracts listed in this subdivision are exempt from tax. The exemption
does not include any tangible personal property transferred to the purchaser
no matter that the tangible personal property is transferred as part of the
repair, maintenance, and installation service.

a. An item exempt from tax under this Article. This exemption does not
apply to water for a pool, fish tank, or similar aquatic feature or to a
motor vehicle, except as provided under subdivision (62a) of this
section.

b. A motor vehicle emissions and safety inspection fee or charge for an
inspection required by law, regardless of whether the amount is paid
to a public or private entity, imposed pursuant to G.S. 20-183.7,
provided the charge is separately stated on the invoice or other
documentation provided to the purchaser at the time of the sale.

c. Services performed for a person by a related member.

e. Services performed to resolve an issue that was part of a real
property contract if the services are performed within six months of
completion of the real property contract or, for new construction,
within 12 months of the new structure being occupied for the first
time.

d. Cleaning of real property, except where the service constitutes a part
of the gross receipts derived from the rental of an accommodation
subject to tax under G.S. 105-164.4 or for a pool, fish tank, or other similar aquatic feature.

e. Services on roads, driveways, parking lots, and sidewalks.

f. Removal of waste, trash, debris, grease, snow, and other similar items from tangible personal property, including a motor vehicle, and real property, but does not include removal of waste from portable toilets or oil from motor vehicles.

g. Home inspections. The following inspection reports prepared by a person that is not a retailer of the repair, maintenance, and installation services performed as a result of the report:

1. A home inspection related to the preparation for or the sale of real property and performed by a home inspector licensed under Article 9F of Chapter 143 of the General Statutes.

2. An inspection report prepared by a person who is required to obtain a State privilege license under G.S. 105-41.

h. Landscaping service.

i. Alteration and repair of clothing, except where the service constitutes a part of the gross receipts derived from the rental of clothing subject to tax under G.S. 105-164.4 or for alteration and repair of belts and shoes.

j. Pest control service.

k. Moving services.

l. Self-service car washes and vacuums.

m. A transmission, distribution, or other network asset contained on utility-owned land, right-of-way, or easement.

n. A qualified aircraft or a qualified jet engine.

Installation charges for a manufactured home or a modular home provided the installation charges are separately stated and identified as such on the invoice or other documentation given to the purchaser at the time of the sale, regardless of whether the home is being installed on property that is owned by the owner of the home.

(61c) Installation charges that are a part of the sales price of tangible personal property purchased by a real property contractor to fulfill a real property contract for an item that is installed or applied to real property, provided the installation charges are separately stated and identified as such on the invoice or other documentation given to the real property contractor at the time of the sale. The exemption also applies to installation charges by a retailer-contractor when performing installation services for a real property contract. The exemption includes any labor costs provided by the real property contractor, including employees' wages, or labor purchased from a third party that would otherwise be included in the definition of "purchase price."

(62) An item or repair, maintenance, and installation services used to maintain, monitor, inspect, or repair tangible personal, real property, or digital property pursuant to a service contract taxable under this Article if the purchaser of the contract is not charged for the item or services. This exemption does not apply to an item or service used to fulfill a service contract exempt from tax under this Article. For purposes of this exemption,
the term "item" does not include a tool, equipment, supply, or similar
tangible personal property that is not deemed to be a component or repair
part of the tangible personal property, real property, or digital
property for which a service contract is sold to a purchaser.

(65) This subdivision expires January 1, 2020. Sales of the following:
The sale, lease, or rental of an engine to a professional motorsports racing team or a
related member of a team for use in competition in a sanctioned race series:

a. The sale, lease, or rental of an engine.
b. The sales price of or gross receipts derived from a service contract
on, or repair, maintenance, and installation services for, a
transmission, an engine, rear-end gears, and any other item that is
exempt from tax under this subdivision or that is allowed a sales tax
refund under G.S. 105-164.14A(a)(5).
c. For purposes of this subdivision, the term "sale" includes
The gross receipts derived from an agreement to provide an engine to a
professional motorsports racing team or related member of a team for
use in competition in a sanctioned race series, where such agreement
does not meet the definition of a "service contract" as defined in
G.S. 105-164.3 but may meet the definition of the term "lease or
rental" as defined in G.S. 105-164.3. This subdivision expires January 1, 2020.

SECTION 2.7.(a) G.S. 105-164.14(a) reads as rewritten:
"(a) Interstate Carriers. – An interstate carrier is allowed a refund, in accordance with
this section, of part of the sales and use taxes paid by it on the purchase in this State of railway
cars and locomotives, and fuel, lubricants, repair parts, and accessories, accessories, and repair,
maintenance, and installation services for a motor vehicle, railroad car, locomotive, or airplane
the carrier operates. An "interstate carrier" is a person who is engaged in transporting persons
or property in interstate commerce for compensation. The Secretary shall prescribe the periods
of time, whether monthly, quarterly, semiannually, or otherwise, with respect to which refunds
may be claimed, and shall prescribe the time within which, following these periods, an
application for refund may be made.
An applicant for refund shall furnish the following information and any proof of the
information required by the Secretary:

   (1) A list identifying the railway cars, locomotives, fuel, lubricants, repair parts,
   and accessories, accessories, and repair, maintenance, and installation
   services purchased by the applicant inside or outside this State during the
   refund period.

SECTION 2.7.(b) This section is effective retroactively to January 1, 2017.

SECTION 2.8.(a) If the Secretary of Revenue determines that a seller paid sales
and use taxes on a product and the seller used the product purchased for a taxable repair,
maintenance, and installation service to real property, the Secretary may allow the seller to
offset the sales tax liability on the taxable repair, maintenance, and installation service with the
sales and use tax paid on the products.

SECTION 2.8.(b) This section is effective retroactively to January 1, 2017, and
expires on July 1, 2018.

PART III. TAX COLLECTION AND ENFORCEMENT
SECTION 3.1.(a)  G.S. 105-236(a) reads as rewritten:
"(a) Penalties. – The following civil penalties and criminal offenses apply:

(7) Attempt to Evade or Defeat Tax. – Any person who willfully attempts, or any person who aids or abets any person to attempt in any manner to evade or defeat a tax or its payment, shall, in addition to other penalties provided by law, be guilty of (i) a Class H felony if violation of this subdivision involves less than one hundred thousand dollars ($100,000) and (ii) a Class C felony for any other violation of this subdivision.

(9) Willful Failure to File Return, Supply Information, or Pay Tax. – Any person required to pay any tax, to file a return, to keep any records, or to supply any information, who willfully fails to pay the tax, file the return, keep the records, or supply the information, at the time or times required by law, or rules issued pursuant thereto, is, in addition to other penalties provided by law, guilty of a Class 1 misdemeanor for the first offense and a Class H felony for any second or subsequent offense. Notwithstanding any other provision of law, no prosecution for a violation brought under this subdivision is barred before the expiration of six years after the date of the violation.

(9b) Identity Theft. – A person who violates G.S. 14-113.20 is guilty as provided in G.S. 14-113.22(a). Each document filed with identifying information of another may be considered a separate offense. In addition to the listing in G.S. 14-113.20, the term "identifying information" as used in this subdivision, includes the following:
   a. Legal name.
   b. Date of birth.
   c. Taxpayer Identification Number.
   d. Federal Identification Number.

SECTION 3.1.(b)  G.S. 105-235 reads as rewritten:
"§ 105-235. Every day's failure a separate offense.

The willful failure, refusal, or neglect to observe and comply with any order, direction, or mandate of the Secretary of Revenue, or to perform any duty enjoined by this Subchapter, by any person, firm, or corporation subject to the provisions of this Subchapter, or any officer, agent, or employee thereof, shall, may, at the Secretary's discretion, for each day such failure, refusal, or neglect continues, constitute a separate and distinct offense."

SECTION 3.2.  G.S. 105-251.2 is amended by adding the following new subsections to read:
"(c) Payment Settlement Entity. – For any year in which a payment settlement entity is required to make a return pursuant to Section 6050W of the Code, the entity shall submit the information in the return to the Secretary at the time the return is made. For purposes of this subsection, the term "payment settlement entity" has the same meaning as provided in Section 6050W of the Code.

(d) Electronic Format. – All reports submitted to the Department of Revenue under this section shall be in an electronic format as requested by the Secretary. Any report not timely filed under this section is subject to a penalty of one thousand dollars ($1,000)."

SECTION 3.3.(a)  G.S. 39-23.1 is amended by adding a new subdivision to read:
Voidable transaction. – The term does not include payment to the State or a political subdivision of the State of taxes, debts, fines, penalties, or other obligations or amounts."

SECTION 3.3.(b) G.S. 39-23.8(e) reads as rewritten:

"(e) A transfer is not voidable under G.S. 39-23.4(a)(2) or G.S. 39-23.5 if the transfer results from:

1. Termination of a lease upon default by the debtor when the termination is pursuant to the lease and applicable law; or

2. Enforcement of a security interest in compliance with Article 9 of Chapter 25 of the General Statutes, the Uniform Commercial Code, other than acceptance of collateral in full or partial satisfaction of the obligation it secures.

3. The payment of taxes, debts, fines, penalties, or other obligations or amounts to the State or to any political subdivision of the State."

PART IV. ADMINISTRATIVE CHANGES

SECTION 4.1.(a) G.S. 105-241.7 reads as rewritten:

"§ 105-241.7. Procedure for obtaining a refund.

... (d) Notice. – A notice of a proposed denial of a request for refund issued pursuant to subsection (c) of this section and a notice of denial of a request for a refund issued pursuant to subsection (c1) of this section must contain the following information:

1. The basis for the denial or the proposed denial. The statement of the basis of the denial does not limit the Department from changing the basis.

2. The circumstances under which the proposed denial will become final.

... (f) Effect of Denial or Refund. – A proposed denial of a refund and a denial of a refund by the Secretary are presumed to be correct. A refund does not absolve a taxpayer of a tax liability that may in fact exist. The Secretary may propose an assessment for any deficiency as provided in this Article."

SECTION 4.1.(b) G.S. 105-241.11 reads as rewritten:

"§ 105-241.11. Requesting review of a proposed denial of a refund or a proposed assessment.

(a) Procedure. – A taxpayer who objects to a proposed denial of a refund or a proposed assessment of tax may request a Departmental review of the proposed action by filing a request for review. The request for review must be in the form prescribed by the Secretary and include an explanation for the request for review. The request must be filed with the Department as follows:

1. Within 45 days of the date the notice of the proposed denial of the refund or proposed assessment was mailed to the taxpayer, if the notice was delivered by mail.

2. Within 45 days of the date the notice of the proposed denial of the refund or proposed assessment was delivered to the taxpayer, if the notice was delivered in person.

3. At any time between the date that inaction by the Department on a request for refund is considered a proposed denial of the refund and the date the time periods set in the other subdivisions of this subsection expire.

(b) Filing. – A request for a Departmental review of a proposed denial of a refund or a proposed assessment is considered filed on the following dates:

1. For a request that is delivered in person, the date it is delivered.
(2) For a request that is mailed, the date determined in accordance with G.S. 105-263.
(3) For a request delivered by another method, the date the Department receives it.

(c) FTP Penalty. – A request for a Departmental review of a proposed assessment is considered a request for a Departmental review of a failure to pay penalty that is based on the assessment. A taxpayer who does not request a Departmental review of a proposed assessment may not request a Departmental review of a failure to pay penalty that is based on the assessment but is assessed on a subsequent date in another notice."

SECTION 4.1.(c) G.S. 105-241.12 reads as rewritten:

"§ 105-241.12. Result when taxpayer does not request a review. Taxpayer inaction.
(a) Refund. – If a taxpayer does not file a timely request for a Departmental review of a proposed denial of a refund, refund or fails to timely respond to the Department's request for additional information under G.S. 105-241.13(a), the proposed denial is final and is not subject to further administrative or judicial review. A taxpayer whose proposed denial becomes final may not file another amended return or claim for refund to obtain the denied refund.

(b) Assessment. – If a taxpayer does not file a timely request for a Departmental review of a proposed assessment, assessment or fails to timely respond to the Department's request for additional information under G.S. 105-241.13(a), the proposed assessment is final and is not subject to further administrative or judicial review. Upon payment of the tax, the taxpayer may request a refund of the tax.

Before the Department collects a proposed assessment that becomes final when the taxpayer does not file a timely request for a Departmental review, under this subsection, the Department must send the taxpayer a notice of collection. A notice of collection must contain the following information:

(1) A statement that the proposed assessment is final and collectible.
(2) The amount of tax, interest, and penalties payable by the taxpayer.
(3) An explanation of the collection options available to the Department if the taxpayer does not pay the amount shown due on the notice and any remedies available to the taxpayer concerning these collection options."

SECTION 4.1.(d) G.S. 105-241.13 reads as rewritten:

(a) Action on Request. – If a taxpayer files a timely request for a Departmental review of a proposed denial of a refund or a proposed assessment, the Department must conduct a review of the proposed denial or proposed assessment and take one or more of the following actions:

(1) Grant the refund or remove the assessment.
(2) Schedule a conference with the taxpayer.
(3) Adjust the amount of tax due or refund owed.
(4) Request additional information from the taxpayer concerning the requested refund or proposed assessment. A taxpayer's failure to respond to the Department's request for additional information by the requested response date shall result in the refund or assessment being subject to the provisions of G.S. 105-241.12.

(a1) Payment by Taxpayer. – If a taxpayer timely requests a Departmental review of a proposed assessment and thereafter pays the amount due or the amount due as adjusted by the Department, the Department may accept payment and take no further action on the request for Departmental review, unless the taxpayer states in writing that the taxpayer wishes to continue the Departmental review. If the review is not continued, the taxpayer may request a refund of taxes paid pursuant to G.S. 105-241.7(b).
(b) Conference. – When the Department reviews a proposed denial of a refund or a proposed assessment and does not grant the refund or remove the assessment, actions under subsection (a) or (a1) of this section do not resolve the Departmental review, the Department must schedule a conference with the taxpayer. The Department must set the time and place for the conference, which may include a conference by telephone, and must send the taxpayer notice of the designated time and place. The Department must send the notice at least 30 days before the date of the conference or, if the Department and the taxpayer agree, within a shorter period.

The conference is an informal proceeding at which the taxpayer and the Department must attempt to resolve the case. Testimony under oath is not taken, and the rules of evidence do not apply. A taxpayer may designate a representative to act on the taxpayer’s behalf. The taxpayer may present any objections to the proposed denial of refund or proposed assessment at the conference and is not limited by the explanation set forth in the taxpayer’s request for review.

(c) After Conference. – One of the following must occur after the Department conducts a conference on a proposed denial of a refund or a proposed assessment:

1. The Department and the taxpayer agree on a settlement-resolution.
2. The Department and the taxpayer agree that additional time is needed to resolve the taxpayer’s objection to the proposed denial of the refund or proposed assessment.
3. The Department and the taxpayer are unable to resolve the taxpayer’s objection to the proposed denial of the refund or proposed assessment. If a taxpayer fails to attend a scheduled conference on the proposed denial of a refund or a proposed assessment without prior notice to the Department, the Department and the taxpayer are considered to be unable to resolve the taxpayer’s objection."

SECTION 4.1.(e) G.S. 105-241.16 reads as rewritten:


A taxpayer party aggrieved by the final decision in a contested case commenced at the Office of Administrative Hearings may seek judicial review of the decision in accordance with Article 4 of Chapter 150B of the General Statutes. Notwithstanding G.S. 150B-45, a petition for judicial review must be filed in the Superior Court of Wake County and in accordance with the procedures for a mandatory business case set forth in G.S. 7A-45.4(b) through (f). Before filing a petition for judicial review, a taxpayer must pay the amount of tax, penalties, and interest the final decision states is due. A taxpayer party may appeal a decision of the Business Court to the appellate division in accordance with G.S. 150B-52."

SECTION 4.2. G.S. 105-241.22 reads as rewritten:

"§ 105-241.22. Collection of tax.

The Department may collect a tax in the following circumstances:

1. When the Department sends a notice of collection after a taxpayer does not file a timely request for a Departmental review of a proposed assessment of tax based upon taxpayer inaction in accordance with G.S. 105-241.12.

SECTION 4.3.(a) G.S. 105-113.4A reads as rewritten:

"§ 105-113.4A. Licenses.

(c) Denial. – The Secretary may investigate an applicant for a license required under this Article to determine if the information the applicant submits with the application is accurate and if the applicant is eligible to be licensed under this Article. The Secretary may refuse to issue a license to an applicant that has done any of the following:
...Had a license issued under this Article cancelled or revoked by the Secretary for cause.

(3) Had a tobacco products license or registration issued by another state cancelled or revoked.

(d) Refund. – A refund of a license tax is allowed only when the tax was collected or paid in error. No refund is allowed when a license holder surrenders a license or the Secretary revoke a license.

(e) Duplicate or Amended License. – Upon application to the Secretary, a license holder may obtain without charge a duplicate or amended license as provided in this subsection. A duplicate or amended license must state that it is a duplicate or amended license, as appropriate:

(1) A duplicate license, if the license holder establishes that the original license has been lost, destroyed, or defaced.

(2) An amended license, if the license holder establishes that the location of the place of business for which the license was issued has changed.

(f) Information on License. – The Secretary must include the following information on each license required by this Article:

(1) The legal name of the license holder.

(2) The name under which the license holder conducts business.

(3) The physical address of the place of business of the license holder.

(4) The account number assigned to the license by the Department.

(g) Records. – The Secretary must keep a record of the following:

(1) Applicants for a license under this Article.

(2) Persons to whom a license has been issued under this Article.

(3) Persons that hold a current license issued under this Article, by license category.

(h) Lists. – The Secretary must provide the list required under subsection (g) of this section upon request of a manufacturer that is a license holder. The list must state the name, account number, and business address of each license holder on the list.

SECTION 4.3.(b) G.S. 105-113.4B reads as rewritten:

"§ 105-113.4B. Reasons why the Secretary can cancel a license. Cancellation or revocation of license.

(a) Reasons. – The Secretary may cancel a license issued under this Article upon the written request of the license holder. The Secretary may summarily cancel the revocation of a license of a license holder issued under this Article when the Secretary finds that the license holder is incurring liability for the tax imposed under this Article after failing to pay a tax when due under this Article. In addition, the Secretary may cancel the revocation of the license of a license holder that commits one or more of the following acts after holding a hearing on whether the license should be cancelled revoked:

(1) Fails to obtain a license in a timely manner or for all places of business as required by this Article.

(2) Willfully fails to file a return required by this Article.

(3) Willfully fails to pay a tax when due under this Article.

(4) Makes a false statement in an application or return required under this Article.

(5) Fails to keep records as required by this Article."
(6) Refuses to allow the Secretary or a representative of the Secretary to examine the person's books, accounts, and records concerning tobacco product.

(7) Fails to disclose the correct amount of tobacco product taxable in this State.

(8) Fails to file a replacement bond or an additional bond if required by the Secretary under this Article.

(9) Violates G.S. 14-401.18.

(b) Procedure. – The Secretary must send a person whose license is summarily cancelled or revoked a notice of the cancellation or revocation and must give the person an opportunity to have a hearing on the cancellation or revocation within 10 days after the cancellation or revocation. The Secretary must give a person whose license may be cancelled or revoked after a hearing at least 10 days' written notice of the date, time, and place of the hearing. A notice of a summary license cancellation or revocation and a notice of hearing must be sent by registered mail to the last known address of the license holder.

(c) Release of Bond. – When the Secretary cancels or revokes a license and the license holder has paid all taxes and penalties due under this Article, the Secretary must take one of the following actions concerning a bond or an irrevocable letter of credit filed by the license holder:

(1) Return an irrevocable letter of credit to the license holder.

(2) Return a bond to the license holder or notify the person liable on the bond and the license holder that the person is released from liability on the bond.

SECTION 4.4.(a) G.S. 105-449.44(c) reads as rewritten:

"(c) Vehicles. – The number of qualified motor vehicles of a motor carrier that is registered or licensed under this Article is the number of sets of decals issued to the carrier. The number of qualified motor vehicles of a carrier that is not registered or licensed under this Article is the number of qualified motor vehicles licensed or registered by the motor carrier in the carrier's base state under the International Registration Plan."

SECTION 4.4.(b) G.S. 105-449.45(b) reads as rewritten:

"(b) Exemptions. – A motor carrier is not required to file a quarterly return if any of the following applies:

(1) All the motor carrier's operations during the quarter were made under a temporary permit issued under G.S. 105-449.49.

(2) The motor carrier is an intrastate motor carrier, as indicated on the motor carrier's application for registration licensure with the Secretary."

SECTION 4.4.(c) G.S. 105-449.47 reads as rewritten:

"§ 105-449.47. Registration–Licensure of vehicles.

(a) Requirement. – A motor carrier may not operate or cause to be operated in this State a qualified motor vehicle unless both the motor carrier and at least one qualified motor vehicle are registered and licensed as provided in this subsection. This subsection applies to a motor carrier that operates a recreational vehicle that is considered a qualified motor vehicle used in connection with any business endeavor. A motor carrier that is subject to the International Fuel Tax Agreement must register and be licensed with the motor carrier's base state jurisdiction. A motor carrier that is not subject to the International Fuel Tax Agreement must register and be licensed with the Secretary for purposes of the tax imposed by this Article.

(1) Registration–License and Decal. – When the Secretary registers licenses a motor carrier, the Secretary must issue a registration card/license for the motor carrier and a set of decals for each qualified motor vehicle the motor carrier registers. A motor carrier must keep records of decals issued to it and must be able to account for all decals it receives from the Secretary. Registrations–Licenses and decals issued by the Secretary are for a calendar year. All decals issued by the Secretary remain the property of the State. The Secretary may revoke a
registration or a decal when a motor carrier fails to comply with this Article or Article 36C or 36D of this Subchapter.

A motor carrier must carry a copy of its registration in each motor vehicle operated by the motor carrier when the vehicle is in this State. A motor vehicle must clearly display one decal on each side of the vehicle at all times. A decal must be affixed to the qualified motor vehicle for which it was issued in the place and manner designated by the authority that issued it.

(b) Exemption. – This section does not apply to the operation of a qualified motor vehicle that is registered in another state and is operated temporarily in this State by a public utility, a governmental or cooperative provider of utility services, or a contractor for one of these entities for the purpose of restoring utility services in an emergency outage."

SECTION 4.4.(d) G.S. 105-449.47A reads as rewritten:

"§ 105-449.47A. Reasons why the Secretary can deny an application for a registration and decals. Denial of license application and decal issuance.

The Secretary may refuse to register and license and issue a decal to an applicant that does not meet the requirements set out in G.S. 105-449.69(b) or that has done any of the following:

(1) Had a registration license issued under Chapter 105 or Chapter 119 of the General Statutes cancelled by the Secretary for cause.

(2) Had a registration license issued by another jurisdiction, pursuant to the International Fuel Tax Agreement, cancelled for cause.

(3) Been convicted of fraud or misrepresentation.

(4) Been convicted of any other offense that indicates that the applicant may not comply with this Article if registered and licensed.

(5) Failed to remit payment for a tax debt under Chapter 105 or Chapter 119 of the General Statutes. The term "tax debt" has the same meaning as defined in G.S. 105-243.1.

(6) Failed to file a return due under Chapter 105 or Chapter 119 of the General Statutes."

SECTION 4.4.(e) G.S. 105-449.49(a) reads as rewritten:

"(a) Issuance. – Upon application to the Secretary and payment of a fee of fifty dollars ($50.00), a permitting service may obtain a temporary permit authorizing a motor carrier to operate a vehicle in the State for three days without registering the vehicle in accordance with G.S. 105-449.47. The permitting service may sell the temporary permit to a motor carrier. A motor carrier to whom a temporary permit has been issued may elect not to report its operation of the vehicle during the three-day period. Fees collected under this subsection are credited to the Highway Fund."

SECTION 4.4.(f) G.S. 105-449.51 reads as rewritten:

"§ 105-449.51. Violations declared to be misdemeanors.

Any person who operates or causes to be operated on a highway in this State a qualified motor vehicle that does not carry a registration card as required by this Article, does not properly display a decal as required by this Article, or is not registered or licensed in accordance with this Article commits a Class 3 misdemeanor and is punishable by a fine of two hundred dollars ($200.00). Each day's operation in violation of this section constitutes a separate offense."

SECTION 4.4.(g) G.S. 105-449.52 reads as rewritten:

"§ 105-449.52. Civil penalties applicable to motor carriers.

(a) Penalty. – A motor carrier who does any of the following is subject to a civil penalty:

(1) Operates in this State or causes to be operated in this State a qualified motor vehicle that either fails to carry the registration card required by this
Article or fails to display a decal in accordance with this Article. The amount of the penalty is one hundred dollars ($100.00).

(2) Is unable to account for a decal the Secretary issues the motor carrier, as required by G.S. 105-449.47. The amount of the penalty is one hundred dollars ($100.00) for each decal for which the carrier is unable to account.

(3) Displays a decal on a qualified motor vehicle operated by a motor carrier that was not issued to the carrier by the Secretary under G.S. 105-449.47. The amount of the penalty is one thousand dollars ($1,000) for each decal unlawfully obtained. Both the licensed motor carrier to whom the Secretary issued the decal and the motor carrier displaying the unlawfully obtained decal are jointly and severally liable for the penalty under this subdivision.

(a1) Payment. – A penalty imposed under this section is payable to the agency that assessed the penalty. When a qualified motor vehicle is found to be operating without a registration card or a decal or with a decal the Secretary did not issue for the vehicle, the qualified motor vehicle may not be driven for a purpose other than to park it until the penalty imposed under this section is paid unless the officer that imposes the penalty determines that operating it will not jeopardize collection of the penalty.

(b) Penalty. Penalty Reduction. – The Secretary may reduce or waive the penalty as provided under G.S. 105-449.119."

SECTION 4.5.(a) G.S. 105-449.68 reads as rewritten:

"§ 105-449.68. Restrictions on who can get a license as a distributor.

A bulk end-user of motor fuel may not be licensed as a distributor unless the bulk end-user also acquires motor fuel from a supplier or from another distributor for subsequent sale. This restriction does not apply to a bulk end-user that was licensed as a distributor on January 1, 1996. If a distributor license held by a bulk end-user on January 1, 1996, is subsequently revoked or cancelled, the bulk end-user is subject to the restriction set in this section."

SECTION 4.5.(b) G.S. 105-449.72 reads as rewritten:

"§ 105-449.72. Bond or letter of credit required as a condition of obtaining and keeping certain licenses or of applying for certain refunds.

(c) Adjustment to Bond. – When notified to do so by the Secretary, a person that has filed a bond or an irrevocable letter of credit and that holds a license listed in subdivision (a)(2) of this section must file an additional bond or irrevocable letter of credit in the amount requested by the Secretary. The person must file the additional bond or irrevocable letter of credit within 30 days after receiving the notice from the Secretary. The amount of the initial bond or irrevocable letter of credit and any additional bond or irrevocable letter of credit filed by the license holder, licensee, however, may not exceed the limits set in subdivision (a)(2) of this section.

(d) Replacements. – When a license holder, licensee files a bond or an irrevocable letter of credit as a replacement for a previously filed bond or letter of credit and the license holder, licensee has paid all taxes and penalties due under this Article, the Secretary must take one of the following actions:

(1) Return the previously filed bond or letter of credit.

(2) Notify the person liable on the previously filed bond that the person is released from liability on the bond.

...."

SECTION 4.5.(c) G.S. 105-449.73 reads as rewritten:

"§ 105-449.73. Reasons why the Secretary can deny an application for a license. Denial of license application.

The Secretary may refuse to issue a license to an applicant that has done any of the following:
(1) Had a license or registration issued under this Article or former Article 36A of this Chapter been revoked by the Secretary for cause.

(1a) Had a motor fuel license or registration issued by another state been cancelled for cause.

"..."

SECTION 4.5.(d) G.S. 105-449.74 reads as rewritten:

"§ 105-449.74. Issuance of license.

Upon approval of an application, the Secretary must issue a license to the applicant. A supplier's license must indicate the category of the supplier. An importer's license must indicate the category of the importer. A license holder-licensee must maintain and display a copy of the license issued under this Part in a conspicuous place at each place of business of the license holder-licensee. A license is not transferable and remains in effect until surrendered-revoked or cancelled."

SECTION 4.5.(e) G.S. 105-449.75 reads as rewritten:

"§ 105-449.75. License holder-licensee must notify the Secretary of discontinuance of business.

A license holder-licensee that stops engaging in this State in the business for which the license was issued must give the Secretary written notice of the change and must surrender the license to the Secretary. The notice must give the date the change takes effect and, if the license holder-licensee has transferred the business to another by sale or otherwise, the date of the transfer and the name and address of the person to whom the business is transferred.

The license holder-licensee is responsible for all taxes for which the license holder-licensee is liable under this Article but are not yet due. If the license holder-licensee has transferred the business to another and does not give the notice required by this section, the person to whom the license holder-licensee has transferred the business is liable for the amount of any tax the license holder-licensee owed the State on the date the business was transferred. The liability of the person to whom the business is transferred is limited to the value of the property acquired from the license holder-licensee."

SECTION 4.5.(f) G.S. 105-449.76 reads as rewritten:

"§ 105-449.76. Reasons why the Secretary can cancel a license. Cancellation or revocation of license.

(a) Reasons. – The Secretary may cancel a license issued under this Article upon the written request of the license holder-licensee. The Secretary may summarily cancel the revoke a license of a license holder issued under this Article when the Secretary finds that the license holder-licensee is incurring liability for the tax imposed under this Article after failing to pay a tax when due under this Article. In addition, the Secretary may cancel the revoke the license of a license holder-licensee that commits one or more of the acts listed in G.S. 105-449.120 after holding a hearing on whether the license should be cancelled-revoked.

(b) Procedure. – The Secretary must send a person whose license is summarily cancelled-revoked a notice of the cancellation-revocation and must give the person an opportunity to have a hearing on the cancellation-revocation within 10 days after the cancellation-revocation. The Secretary must give a person whose license may be cancelled-revoked after a hearing at least 10 days' written notice of the date, time, and place of the hearing. A notice of a summary license cancellation-revocation and a notice of hearing must be sent by registered mail to the last known address of the license holder-licensee.

(c) Release of Bond. – When the Secretary cancels or revokes a license and the license holder-licensee has paid all taxes and penalties due under this Article, the Secretary must take one of the following actions concerning a bond or an irrevocable letter of credit filed by the license holder-licensee:

(1) Return an irrevocable letter of credit to the license holder-licensee.
(2) Return a bond to the license holder licensee or notify the person liable on the bond and the license holder licensee that the person is released from liability on the bond."

SECTION 4.5.(g) G.S. 105-449.77(b) reads as rewritten:

"(b) Lists. – The Secretary must annually give a list to each license holder licensee of all the license holders licensees under this Article. The list must state the name, account number, and business address of each license holder licensee on the list. The Secretary must send a monthly update of the list to each licensed refiner or licensed supplier and to any other license holder licensee that requests a copy of the list."

SECTION 4.5.(h) G.S. 105-449.92 reads as rewritten:

"§ 105-449.92. Notice to suppliers of cancellation cancellation, revocation, or reissuance of certain licenses; effect of notice."

(a) Notice to Suppliers. – If the Secretary cancels or revokes a distributor's license, an exporter's license, or an importer's license, the Secretary must notify all suppliers of the cancellation cancellation or revocation. If the Secretary issues a license to a distributor, an exporter, or an importer whose license was cancelled cancelled or revoked, the Secretary must notify all suppliers of the issuance.

(b) Effect of Notice. – A supplier that sells motor fuel to a distributor after receiving notice from the Secretary that the Secretary has cancelled or revoked the distributor's license is jointly and severally liable with the distributor for any tax due on motor fuel the supplier sells to the distributor after receiving the notice. This joint and several liability does not apply to excise tax due on motor fuel sold to a previously unlicensed distributor after the supplier receives notice from the Secretary that the Secretary has issued another license to the distributor."

SECTION 4.5.(i) G.S. 105-449.97(a) reads as rewritten:

"(a) Taxes Not Remitted. – When a supplier files a return, the supplier may deduct from the amount of tax payable with the return the amount of tax any of the following license holders licensees owes the supplier but failed to remit to the supplier:

(1) A licensed distributor.
(2) A licensed importer that removed the motor fuel on which the tax is due from a terminal of an elective or a permissive supplier.
(3) Repealed by Session Laws 1995, c. 647, s. 32.

A supplier is not liable for tax a license holder licensee listed in this subsection owes the supplier but fails to pay. If a listed license holder licensee pays tax owed to a supplier after the supplier deducts the amount on a return, the supplier must promptly remit the payment to the Secretary."

SECTION 4.5.(j) G.S. 105-449.98(b) reads as rewritten:

"(b) Notice of Fuel Received. – A supplier must notify a licensed distributor, a licensed exporter, or a licensed importer that received motor fuel from the supplier during a reporting period of the number of taxable gallons received. The supplier must give this notice after the end of each reporting period and before the license holder licensee must remit to the supplier the amount of tax due on the fuel."

SECTION 4.5.(k) G.S. 105-449.104 reads as rewritten:

"§ 105-449.104. Use of name and account number on return."

When a transaction with a person licensed under this Article is required to be reported on a return, the return must state the license holder's licensee's name and the account number used by the Department to identify the license holder licensee. The name of a license holder licensee and the license holder's licensee's account number is stated on the lists compiled under G.S. 105-449.77."

SECTION 4.5.(l) G.S. 105-449.110(a) reads as rewritten:
"(a) Decision. – Upon determining that an application for refund is correct, the Secretary must issue the applicant a warrant upon the State Treasurer for the amount of the refund. If the Secretary determines that an application for refund is incorrect, the Secretary must send the applicant a written notice of the determination to the applicant. The notice must advise the applicant that the applicant may request a hearing on the matter in accordance with Article 9 of this Chapter upon the written request of the applicant. The provisions of Article 9 of this Chapter apply to the procedure for requesting a review of proposed denial of a refund sought under this Article."

SECTION 4.6.(a) G.S. 105-449.134 reads as rewritten:

"§ 105-449.134. Denial or cancellation of license.

The Secretary may deny an application for a license or cancel or revoke a license under this Article for the same reasons that the Secretary may deny an application for a license or cancel or revoke a license under Article 36C of this Chapter. The procedure in Article 36C for cancelling, revoking a license applies to the cancellation, revocation of a license under this Article."

SECTION 4.6.(b) G.S. 105-449.135 reads as rewritten:

"§ 105-449.135. Issuance of license; notification of changes.

(a) Issuance. – The Secretary must issue a license to each applicant whose application is approved. A license is not transferable and remains in effect until surrendered, revoked or cancelled.

(b) Notice. – A license holder licensee that stops engaging in this State in the business for which the license was issued must give the Secretary written notice of the change and must surrender the license. The notice must give the date the change takes effect and, if the license holder licensee has transferred the business to another by sale or otherwise, the date of the transfer and the name and address of the person to whom the business is transferred.

All taxes for which the license holder licensee is liable under this Article but are not yet due become due on the date of the change. If the license holder licensee transfers the business to another and does not give the notice required by this section, the person to whom the business was transferred is liable for the amount of any tax the license holder licensee owed the State on the date the business was transferred. The liability of the person to whom the business is transferred is limited to the value of the property acquired from the license holder licensee."

SECTION 4.6.(c) G.S. 105-449.139 reads as rewritten:

"§ 105-449.139. Miscellaneous provisions.

(a) Records. – A license holder licensee must keep a record of all documents used to determine the information provided in a return filed under this Article. The records must be kept for three years from the due date of the return to which the records apply. The records are open to inspection during business hours by the Secretary or a person designated by the Secretary.

(c) Lists. – The Secretary must give a list of licensed alternative fuel providers to each licensed bulk end-user and licensed retailer. The Secretary must also give a list of licensed bulk end-users and licensed retailers to each licensed alternative fuel provider. A list must state the name, account number, and business address of each license holder licensee on the list. The Secretary must send an annual update of a list to each license holder licensee, as appropriate."

SECTION 4.6.(d) G.S. 119-19 reads as rewritten:

"§ 119-19. Authority of Secretary to cancel or revoke a license.

(a) Reasons. – The Secretary of Revenue may cancel a license issued under this Article upon the written request of the license holder licensee. The Secretary may summarily cancel revoke a license issued under this Article or under Article 36C or 36D of Chapter 105 of the General Statutes when the Secretary finds that the license holder licensee is incurring liability for the tax imposed by this Article after failing to pay a tax when due under this Article. The
Secretary may cancel-revoke the license of a license holder-see who files a false report under this Article or fails to file a report required under this Article after holding a hearing on whether the license should be cancelled-revoked.

(b) Procedure. – The Secretary must send a person whose license is summarily cancelled-revoked a notice of the cancellation-revocation and must give the person an opportunity to have a hearing on the cancellation-revocation within 10 days after the cancellation-revocation. The Secretary must give a person whose license may be cancelled-revoked after a hearing at least 10 days' written notice of the date, time, and place of the hearing. A notice of a summary license cancellation-revocation and a notice of hearing must be sent by registered mail to the last known address of the license holder-licensee.

(c) Release of Bond. – When the Secretary cancels or revokes a license and the license holder-licensee has paid all taxes and penalties due under this Article, the Secretary must either return to the license holder-licensee the bond filed by the license holder-licensee or notify the person liable on the bond and the license holder-licensee that the person is released from liability on the bond.

SECTION 4.7. G.S. 105-259(b) is amended by adding a new subdivision to read:

"(53) To provide to the Office of Child Support and Enforcement of the Department of Health and Human Services State tax information that relates to noncustodial parent location information as required under 45 C.F.R. § 303.3 and Title IV-D of the Social Security Act."

SECTION 4.8. This Part is effective when it becomes law and applies to requests for review filed on or after that date and to requests for review pending on that date for which the Department reissues a request for additional information, allows the taxpayer time to respond by the requested response date, and provides notification to the taxpayer that failure to timely respond to the request will result in the request for review being subject to the provisions of G.S. 105-241.12.

PART V. PROPERTY TAX

SECTION 5.1.(a) G.S. 105-330.3(a1) reads as rewritten:

"(a1) Unregistered Vehicles. – The owner of an unregistered classified motor vehicle must list the vehicle for taxes by filing an abstract with the assessor of the county in which the vehicle is located on or before January 31 following the date the owner acquired the unregistered vehicle or, in the case of a registration that is not renewed, January 31 following the date the registration expires, and on or before January 31 of each succeeding year that the vehicle is unregistered. If a classified motor vehicle required to be listed pursuant to this subsection is registered before the end of the fiscal year for which it was required to be listed, the following applies:

…

(2) For any months for which the vehicle was not taxed between the date the registration expired and the start of the current registered vehicle tax year, the vehicle is taxed as an unregistered vehicle as follows:

a. The value of the motor vehicle is determined as of January 1 of the year in which the registration of the motor vehicle expires, the taxes are computed.

…

d. The taxes are due on the first day of the second month September 1 following the month the notice was prepared. Taxes are payable at par or face amount if paid before January 6 following the due date. Taxes paid on or after January 6 following the due date are subject to interest charges. Interest accrues on taxes paid on or after January 6 pursuant to G.S. 105-360."
Interest accrues on unpaid taxes for these unregistered classified motor vehicles at the rate of five percent (5%) for the remainder of the month following the month the taxes are due. Interest accrues at the rate of three-fourths percent (3/4%) for each following month until the taxes are paid, unless the notice is prepared after the date the taxes are due. In that circumstance, the interest accrues beginning the second month following the date of the notice until the taxes are paid.

..."

SECTION 5.1.(b) This section is effective for taxes imposed for taxable years beginning on or after July 1, 2017.

SECTION 5.2. G.S. 105-330.6(c) reads as rewritten:

"(c) Surrender of Plates. – If the owner of a classified motor vehicle listed pursuant to G.S. 105-330.3(a)(1) vehicle, who pays the tax as required by G.S. 105-330.4(a), either transfers the motor vehicle to a new owner or moves out-of-state and registers the vehicle in another jurisdiction, and the owner surrenders the registration plates from the listed vehicle to the Division of Motor Vehicles, then the owner may apply for a release or refund of taxes on the vehicle for any full calendar months remaining in the vehicle's tax year after the date of surrender. To apply for a release or refund, the owner must present to the county tax collector within one year after surrendering the plates the receipt received from the Division of Motor Vehicles accepting surrender of the registration plates. The county tax collector shall then multiply the amount of the taxes for the tax year on the vehicle by a fraction, the denominator of which is the number of months in the tax year and the numerator of which is the number of full calendar months remaining in the vehicle's tax year after the date of surrender of the registration plates. The product of the multiplication is the amount of taxes to be released or refunded. If the taxes have not been paid at the date of application, the county tax collector shall make a release of the prorated taxes and credit the owner's tax notice with the amount of the release. If the taxes have been paid at the date of application, the county tax collector shall direct an order for a refund of the prorated taxes to the county finance officer, and the finance officer shall issue a refund to the vehicle owner."

SECTION 5.3. G.S. 105-338 reads as rewritten:

"§ 105-338. Allocation of appraised valuation of public service property among local taxing units.

(a) State Board's Duty. – For purposes of taxation by local taxing units in this State, the Department of Revenue shall allocate the valuations of public service company property among the local taxing units in accordance with the provisions of this section. In no event, however, shall the State Board make an allocation to a taxing unit if, when computed, the valuation for that taxing unit amounts to less than five hundred dollars ($500.00).

(c) Certain Property of Bus Line, Motor Freight Carrier, and Airline Companies. –

(1) The appraised valuation of a bus line company's rolling stock is allocated for taxation to each local taxing unit according to the ratio of the company's scheduled miles during the calendar year preceding January 1 in each unit to the company's total scheduled miles in this State for the same period. In no event, however, shall the State Board make an allocation to a taxing unit if, when computed, the valuation for that taxing unit amounts to less than five hundred dollars ($500.00).

..."
SECTION 6.1. If any provision of this act or its application is held invalid, the
invalidity does not affect other provisions or applications of this act that can be given effect
without the invalid provisions or application, and, to this end, the provisions of this act are
severable.

SECTION 6.2 Except as otherwise provided, this act is effective when it becomes
law.