



2022 TAX LAW CHANGES



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FOR TAX ADMINISTRATION**

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PREFACE

The 2022 legislative session brought many changes to the revenue laws and the North Carolina Department of Revenue. The 2022 Tax Law Changes publication is designed for use by the North Carolina Department of Revenue personnel and is available to others as a resource document. It provides a brief summary of legislative tax changes made by prior General Assemblies that take effect for tax year 2022 as well as changes made by the 2022 General Assembly, regardless of effective date. This document includes changes to the tax law only and does not include other legislation that impacts the Department of Revenue.

For further information on a specific tax law change, refer to the governing legislation. Administrative rules, bulletins, directives, and other instructions issued by the Department, as well as opinions issued by the Attorney General's Office, may provide additional information on the application of tax law changes. I hope you find this information of value as you work with North Carolina's tax laws.

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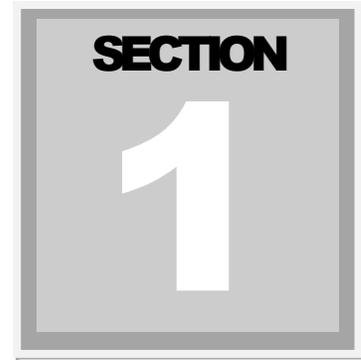
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SECTION 1 – PERSONAL TAXES



INDIVIDUAL INCOME TAX – ARTICLE 4, PART 2

G.S. 105-153.3 – Definitions: Several statutes within Article 4 of Chapter 105 were added or revised to reduce the impact of the federal limitation on the individual state and local tax (“SALT”) deduction by allowing pass-through entities (“PTE”) to elect to pay North Carolina tax at the entity level. The PTE may deduct the full amount of its SALT payments as a business expense on its federal income tax return. This legislation will be referred to collectively as “North Carolina’s SALT Workaround for PTEs.” As part of this legislation, G.S. 105-153.3 was amended to add the following definitions:

- (18a) Taxed partnership. – A partnership for which a valid election under G.S. 105-154.1 is in effect.
- (18b) Taxed pass-through entity. – A taxed S Corporation or a taxed partnership.
- (18c) Taxed S Corporation. – Defined in G.S. 105-131(b).

(Effective for taxable years beginning on or after January 1, 2022; SB 105, s. 42.5.(f), S.L. 2021-180.)

G.S. 105-153.5(a)(1) – Deduction Amount: This subdivision was amended by the 2021 General Assembly to increase the North Carolina standard deduction amount for each filing status for taxable years beginning on or after January 1, 2022. The deduction amount for each filing status is as follows:

| Filing Status | Standard Deduction |
|--|--------------------|
| Married, filing jointly/surviving spouse | \$25,500 |
| Head of Household | \$19,125 |
| Single | \$12,750 |
| Married, filing separately | \$12,750 |

(Effective for taxable years beginning on or after January 1, 2022; SB 105, s. 42.1.(b), S.L. 2021-180.)

G.S. 105-153.7(a) – Individual Income Tax Imposed: This subsection was amended by the 2021 General Assembly to decrease the rate imposed on an individual’s North Carolina taxable income. The rate for taxable years beginning in 2022 is 4.99%.

(Effective for taxable years beginning on or after January 1, 2022; SB 105, s. 42.1.(a), S.L. 2021-180.)

G.S. 105-153.5(a1) – Child Deduction Amount: This subdivision was amended by the 2021 General Assembly to increase the deduction amount for each dependent child for whom the taxpayer is allowed a federal child tax credit under section 24 of the Internal Revenue Code (“Code”). The increased deduction is equal to the amount listed in the table below based on the taxpayer’s federal adjusted gross income (“AGI”), as calculated under the Code:

| Filing Status | AGI | Deduction Amount |
|--|-----------------------------------|-------------------------|
| Married, filing jointly/Surviving spouse | Up to \$40,000 | \$3,000.00 |
| | Over \$40,000 Up to \$60,000 | \$2,500.00 |
| | Over \$60,000 Up to \$80,000 | \$2,000.00 |
| | Over \$80,000 Up to \$100,000 | \$1,500.00 |
| | Over \$100,000 Up to \$120,000 | \$1,000.00 |
| | Over \$120,000 Up to \$140,000 | \$500.00 |
| | Over \$140,000 | \$0.00 |
| Head of Household | Up to \$30,000 | \$3,000.00 |
| | Over \$30,000 Up to \$45,000 | \$2,500.00 |
| | Over \$45,000 Up to \$60,000 | \$2,000.00 |
| | Over \$60,000 Up to \$75,000 | \$1,500.00 |
| | Over \$75,000 Up to \$90,000 | \$1,000.00 |
| | Over \$90,000 Up to \$105,000 | \$500.00 |
| | Over \$105,000 | \$0.00 |

| | | |
|-----------------------------------|---------------------------------|------------|
| Single/Married, filing separately | Up to \$20,000 | \$3,000.00 |
| | Over \$20,000 Up to \$30,000 | \$2,500.00 |
| | Over \$30,000 Up to \$40,000 | \$2,000.00 |
| | Over \$40,000 Up to \$50,000 | \$1,500.00 |
| | Over \$50,000 Up to \$60,000 | \$1,000.00 |
| | Over \$60,000 Up to \$70,000 | \$500.00 |
| | Over \$70,000 | \$0.00 |

(Effective for taxable years beginning on or after January 1, 2022; SB 105, s. 42.1.(c), S.L. 2021-180.)

G.S. 105-153.5(b)(5a) – Other Deductions: This subdivision was added by the 2021 General Assembly to allow a deduction to eligible members of the Armed Forces of the United States for specific military retirement payments received from the United States government effective for taxable years beginning on or after January 1, 2021.

The 2022 General Assembly amended subdivision (5a) to extend the deduction to eligible retirees of the uniformed services of the United States. As amended, an eligible member of the commissioned corps of the National Oceanic and Atmospheric Administration or the U.S. Public Health Service can deduct from AGI specific military retirement payments received from the United States government effective for taxable years beginning on or after January 1, 2022.

(Effective for taxable years beginning on or after January 1, 2022; HB 103, s. 42.1.(a), S.L. 2022-74.)

G.S. 105-153.5(b)(11a) – Other Deductions: This subdivision was added to allow a deduction to employers for the amount of qualified wages disallowed for federal income tax purposes because the employer claimed the federal Employee Retention Credit against federal payroll tax.

(Effective for taxable years beginning on or after January 1, 2020; HB 243, s. 20.15.(a), S.L. 2022-06.)

G.S. 105-153.5(b)(14a) – Other Deductions: This subdivision was added by the 2021 General Assembly to decouple North Carolina from the federal provision that makes grant monies received from North Carolina’s Business Recovery Grant Program taxable upon receipt as gross income.

The 2022 General Assembly amended this subdivision to expand the deduction to grant monies received from additional North Carolina COVID-19 relief programs. As amended, a taxpayer may deduct from adjusted gross income (“AGI”) the following payments received from North Carolina to the extent the income was included in the taxpayer’s AGI:

1. The Business Recovery Grant Program.
2. The ReTOOLNC grant program for recovery from the economic impacts of the COVID-19 pandemic.
3. Rent and utility assistance pursuant to Section 3.3 of S.L. 2020-4, as amended by Section 1.2 of S.L. 2020-97.

(Effective for taxable years beginning on or after January 1, 2020; HB 243, s. 20.7.(b), S.L. 2022-06.)

G.S. 105-153.5(b)(16) – Other Deductions: This subdivision was added by the 2021 General Assembly as part of the legislation that created a separate State net operating loss for individual income tax purposes. This subdivision allows a taxpayer to deduct from adjusted gross income the amount of State net operating loss allowed under the provisions of G.S. 105-153.5A.

(Effective for taxable years beginning on or after January 1, 2022; SB 105, s. 42.6.(a), S.L. 2021-180.)

G.S. 105-153.5(c)(6) – Additions: This subdivision was amended by the 2021 General Assembly as part of the legislation that created a separate State net operating loss for individual income tax purposes. As rewritten, this subdivision requires a taxpayer to add to adjusted gross income (“AGI”) the amount of federal net operating loss deducted from AGI in calculating North Carolina taxable income.

(Effective for taxable years beginning on or after January 1, 2022; SB 105, s. 42.6.(a), S.L. 2021-180.)

G.S. 105-153.5(c2)(22) – Decoupling Adjustments: This subdivision was added by the 2021 General Assembly to require a taxpayer to make an addition to adjusted gross income (“AGI”) for the amount of student loan forgiveness excluded from gross income pursuant to Code section 108(f)(5). The purpose of this subdivision is to decouple from the exclusion from income for the discharge of a student loan under section 9675 of the American Rescue Plan Act of 2021 (“ARPA”).

The 2022 General Assembly rewrote the subdivision to correct a drafting error to ensure taxpayers are only required to add back student loan forgiveness to the extent the amount excluded exceeds the amount that would have been allowed under the Code as enacted as of May 1, 2020. As amended, for tax years 2021 through 2025, a taxpayer who does not include in gross income any amount of discharged student loan debt that would have been included in gross income but for the special provision included in ARPA must add the amount excluded when calculating State taxable income.

In addition, the 2022 General Assembly amended the subdivision to provide language that limits the addition for taxpayers who are insolvent (as defined in section 108(d)(3) of the Code) (“Insolvent Taxpayer”). As amended, for tax years 2021 through 2025, the addition for Insolvent Taxpayers is limited to the amount of discharge of student loan indebtedness excluded from AGI under section 108(f)(5) of the Code that exceeds the amount of discharge of indebtedness that would have been excluded under section 108(a)(1)(B) of the Code.

(Effective for taxable years beginning on or after January 1, 2021; HB 83, s. 2.1.(a), S.L. 2022-13.)

G.S. 105-153.5 – Taxed Pass-Through Entities: This subsection was amended by the 2021 General Assembly as part of the legislation that created North Carolina’s SALT Workaround for PTEs.

As part of these revisions, G.S. 105-153.5 was amended to add subsection (c3), which provides the following adjustments to a taxpayer's adjusted gross income (“AGI”):

Subdivision (1) was added to allow a deduction from AGI to a taxpayer that is a shareholder of a taxed S Corporation for the amount of the taxpayer's pro rata share of income from the taxed S Corporation to the extent the income was included in the taxed S Corporation's North Carolina taxable income and the taxpayer's AGI.

Subdivision (2) was added to require an addition to AGI to a taxpayer that is a shareholder of a taxed S Corporation for the amount of the taxpayer's pro rata share of loss from the taxed S Corporation to the extent the loss was included in the taxed S Corporation's North Carolina taxable income and the taxpayer's AGI.

Subdivision (3) was added to allow a deduction from AGI to a taxpayer that is a partner of a taxed partnership for the amount of the taxpayer's distributive share of income from the taxed partnership to the extent the income was included in the taxed partnership's North Carolina taxable income and the taxpayer's AGI.

Subdivision (4) was added to require an addition to AGI to a taxpayer that is a partner of a taxed partnership for the amount of the taxpayer's distributive share of loss from the taxed partnership to the extent the loss was included in the taxed partnership's North Carolina taxable income and the taxpayer's AGI.

(Effective for taxable years beginning on or after January 1, 2022; SB 105, s. 42.5.(i), S.L. 2021-180.)

G.S. 105-153.5A – Net Operating Loss Provisions: This section was added by the 2021 General Assembly as part of the legislation that created a separate State net operating loss for individual income tax purposes.

Subsection (a) defines a “State Net Operating Loss” as the amount by which business deductions for the year exceed income for the year as determined under the Internal Revenue Code (“Code”), adjusted as provided in G.S. 105-153.5 and G.S. 105-153.6. The amount of a taxpayer’s State net operating loss must also be determined in accordance with the following modifications:

- (1) No State net operating loss deduction is allowed.
- (2) The amount deductible because of losses from sales or exchanges of capital assets cannot exceed the amount includable on account of gains from sales or exchanges of capital assets.
- (3) The exclusion provided by Code section 1202 is not allowed.
- (4) The North Carolina child deduction provided by G.S. 105-153.5(a1) is not allowed.
- (5) Deductions which are not attributable to a taxpayer’s trade or business are allowed only to the extent of the amount of the gross income not derived from such trade or business.
- (6) Any deduction under Code section 199A is not allowed.

Subsection (b) allows a deduction in the current taxable year for the State net operating loss a taxpayer incurred in a prior taxable year, subject to the following limitations:

- (1) The loss was incurred in one of the preceding 15 taxable years.
- (2) Any loss carried forward is applied to the next succeeding taxable year before any portion of it is carried forward and applied to a subsequent taxable year.
- (3) The taxpayer’s State net operating loss deduction may not exceed the amount of the taxpayer’s North Carolina taxable income determined without deducting the taxpayer’s State net operating loss.
- (4) The portion of the State net operating loss attributable to the carryforward allowed under subsection (f) of G.S. 105-153.5A is only allowed to the extent described in subsection (f).

Subsection (c) provides that in the case of a taxpayer that is a nonresident in the year of the loss, the State net operating loss only includes income and deductions derived from a business carried on in this State in the year of the loss. In the case of a taxpayer that is a nonresident in the year of the deduction, the State net operating loss must be included in the numerator of the fraction used to calculate taxable income as defined in G.S. 105-153.4(b).

Subsection (d) provides that in the case of a taxpayer that is a part-year resident in the year of the loss, the State net operating loss includes income and deductions derived from a business carried on in this State while the taxpayer was a nonresident and includes business income and deductions derived from all sources during the period the taxpayer was a resident. In the case of a taxpayer that is a part-year resident in the year of the deduction, the State net operating loss

must be included in the numerator of the fraction used to calculate taxable income as defined in G.S. 105-153.4(c).

Subsection (e) provides that a taxpayer claiming a State net operating loss must maintain and make available for inspection by the Secretary all records necessary to determine and verify the amount of the deduction. The Secretary or the taxpayer may redetermine a State net operating loss originating in a taxable year that is closed under the statute of limitations for the purpose of determining the amount of loss that can be carried forward to a taxable year that remains open under the statute of limitations.

Subsection (f) provides that the portion of a taxpayer's federal net operating loss carryforward that was not absorbed in tax years beginning prior to January 1, 2022, may be included in the amount of a taxpayer's State net operating loss in taxable years beginning on or after January 1, 2022. The federal net operating loss carryforward is only allowed as a State net operating loss in tax years beginning after January 1, 2022, to the extent that it meets all of the following conditions:

- (1) The loss would have been allowed in that taxable year under section 172 of the Code as enacted on April 1, 2021.
- (2) The provisions of G.S. 105-153.5(c2)(8), (9), (10), (13), and (14) do not apply to the federal net operating loss carryforward.
- (3) The loss was incurred in one of the preceding 15 taxable years.

(Effective for taxable years beginning on or after January 1, 2022; SB 105, s. 42.6.(b), S.L. 2021-180. Amended by H83, s. 2.2.(a), S.L. 2022-13.)

G.S. 105-153.9(a)(2) – Tax Credits for Income Taxes Paid to Other States by Individuals: This subsection was amended by the 2021 General Assembly to remove an obsolete reference to G.S. 105-134.6A. G.S. 105-134.6A was repealed effective for taxable years beginning on or after January 1, 2014.

(Effective for taxable years beginning on or after January 1, 2022; SB 105, s. 42.13A.(c), S.L. 2021-180.)

G.S. 105-153.9(a) – Tax Credits for Income Taxes Paid to Other States by Individuals: This subsection was amended by the 2021 General Assembly as part of the legislation that created North Carolina's SALT Workaround for PTEs.

Subdivision (4) was added to address tax credits for taxes paid to another state or country in the context of North Carolina's SALT Workaround for S Corporations. For taxed S Corporations paying taxes at the entity level in another state or country, G.S. 105-153.9(a)(4) prohibits the shareholders from claiming a North Carolina tax credit for taxes paid by the taxed S Corporation to another state or country. G.S. 105-131.1A(d) allows the taxed S Corporation to claim a credit against its North Carolina tax for such taxes paid to another state or country.

If a taxed S Corporation is not taxed at the entity level in another state or country and the tax due on the income is paid to the other state or country by its shareholders, the North Carolina resident shareholders may qualify to claim a tax credit under the provisions of G.S. 105-153.9(a)(4). In general, a taxpayer must have income taxed under Part 2 of Article 4 and tax imposed by Part 2 of Article 4 to calculate the amount of a tax credit under G.S. 105-153.9(a). Because both the State income and resulting State tax due are calculated and paid at the entity level, shareholders of taxed S Corporations do not meet this requirement. Subdivision (4) provides clarification for calculating a shareholder's credit in these circumstances. Specifically, a shareholder's pro rata share of the income of the taxed S Corporation is treated as income taxed to the shareholder under Part 2 of Article 4, and a shareholder's pro rata share of the tax imposed on the taxed S Corporation under G.S. 105-131.1A is treated as tax imposed on the shareholder under Part 2 of Article 4.

Subdivision (5) was added to address tax credits for taxes paid to another state or country in the context of North Carolina's SALT Workaround for partnerships. For partnerships paying taxes at the entity level in another state or country, G.S. 105-153.9(a)(5) prohibits the partners from claiming a North Carolina tax credit for taxes paid by the taxed partnership to another state or country. The taxed partnership is entitled to a credit under G.S. 105-153.9(a) for all such taxes paid.

If a taxed partnership is not taxed at the entity level in another state or country and the tax due on the income is paid to the other state or country by its partners, the North Carolina resident partners may qualify to claim a tax credit under the provisions of G.S. 105-153.9(a)(5). In general, a taxpayer must have income taxed under Part 2 of Article 4 and tax imposed by Part 2 of Article 4 to calculate the amount of a tax credit under G.S. 105-153.9(a). Because both the State income and resulting State tax due are calculated and paid at the entity level, partners of taxed partnerships do not meet this requirement. Subdivision (5) provides clarification for calculating a partner's credit in these circumstances. Specifically, a partner's distributive share of the income of the taxed partnership is treated as income taxed to the partner under Part 2 of Article 4 and a partner's distributive share of the tax imposed on the taxed partnership under G.S. 105-154.1 is treated as tax imposed on the partner under Part 2 of Article 4.

(Effective for taxable years beginning on or after January 1, 2022; SB 105, s. 42.5.(j), S.L. 2021-180.)

G.S. 105-154(d) – Payment of Tax on Behalf of Nonresident Owner or Partner: This subsection was amended by the 2021 General Assembly as part of the legislation that created North Carolina's SALT Workaround for PTEs. Language was added to clarify that the provisions of subsection (d) do not apply to a taxed partnership.

(Effective for taxable years beginning on or after January 1, 2022; SB 105, s. 42.5.(g), S.L. 2021-180.)

G.S. 105-154(d) – Payment of Tax on Behalf of Nonresident Owner or Partner: This section was amended several times by the General Assembly. First, a reference to the “manager of the business” was changed to the “business.” Next, the section was amended to clarify that the Department may enforce the business’s liability for the tax on each nonresident owner or partner’s share of the income by sending the business a notice of proposed assessment in accordance with G.S. 105-241.9. Finally, the section was amended to provide that if a nonresident partner is not an individual and the partner has executed an affirmation that the partner is not subject to NC income tax, the partnership is not required to pay the tax on behalf of the nonresident partner.

(Effective June 29, 2022; H83, s. 2.3, S.L. 2022-13.)

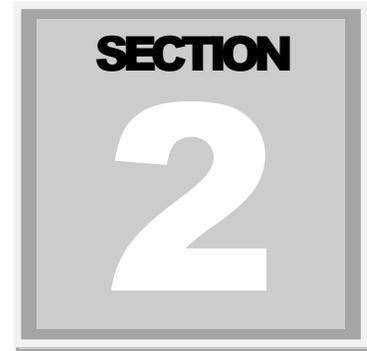
G.S. 105-160.4 – Tax Credits for Income Taxes Paid to Other States by Estates and Trusts: This section was amended by the 2021 General Assembly as part of the legislation that created North Carolina’s SALT Workaround for PTEs.

Subsection (f) was added to prohibit fiduciaries and beneficiaries of estates and trusts who are shareholders of a taxed S Corporation from claiming a tax credit for income tax paid to other states and countries paid by the estates and trusts or by the taxed S Corporation to another state or country on income that is taxed to the taxed S Corporation. The taxed S Corporation may, however, claim a tax credit under G.S. 105-153.9(a)(4) for all such taxes paid.

Subsection (g) was added to prohibit fiduciaries and beneficiaries of estates and trusts who are partners of a taxed partnership from claiming a tax credit for income tax paid to other states and countries paid by the estates and trusts or by the by the estates and trusts or by the taxed partnership to another state or country on income that is taxed to the taxed partnership. The taxed partnership may, however, claim a tax credit under G.S. 105-153.9(a)(5) for all such taxes paid.

(Effective for taxable years beginning on or after January 1, 2022; SB 105, s. 42.5.(k), S.L. 2021-180.)

SECTION 2 – TAXED S CORPORATIONS AND TAXED PARTNERSHIPS



G.S. 105-131(b) – Title; Definitions; Interpretation: This subsection was amended by the 2021 General Assembly to add subdivision (11) to provide a definition of a Taxed S Corporation. As enacted, a Taxed S Corporation means an S Corporation for which a valid election under G.S. 105-131.1A(a) is in effect.

(Effective for taxable years beginning on or after January 1, 2022; SB 105, s. 42.5.(a), S.L. 2021-180.)

G.S. 105-131.1 – Taxation of an S Corporation and its Shareholders: This section was amended twice by the 2021 General Assembly to account for the new provisions of G.S. 105-131.1A. First, subsection (a) provides that a taxed S Corporation is subject to tax under G.S. 105-131.1A. Next, subsection (b) was amended to clarify that the provisions of subsection (b) do not apply to taxed S Corporations.

(Effective for taxable years beginning on or after January 1, 2022; SB 105, s. 42.5.(b), S.L. 2021-180.)

G.S. 105-131.1A – Taxation of S Corporation as a Taxed Pass-Through Entity: This section was added by the 2021 General Assembly as part of the legislation that created North Carolina's SALT Workaround for PTEs.

G.S. 105-131.1A(a) was added to allow an S Corporation to elect to have the income tax under Article 4 of Chapter 105 imposed on the S Corporation. The S Corporation must make the election on its timely filed annual return and may not revoke the election after the due date of the return (including extensions).

G.S. 105-131.1A(b) was added to impose an income tax on the taxable income of a taxed S Corporation. The tax is levied, collected, and paid annually. The tax is imposed on the North Carolina taxable income of the taxed S Corporation at the rate levied in G.S. 105-153.7. The North Carolina taxable income of a taxed S Corporation is determined as follows:

- (1) North Carolina taxable income of a taxed S Corporation is equal to the sum of the following:

- a. Each shareholder's pro rata share of the taxed S Corporation's income or loss, subject to the adjustments provided in G.S. 105-153.5 and G.S. 105-153.6, attributable to North Carolina, and
 - b. Each resident shareholder's pro rata share of the taxed S Corporation's income or loss, subject to the adjustments provided in G.S. 105-153.5 and G.S. 105-153.6, not attributable to North Carolina.
- (2) Separately stated items of deduction are not included when calculating each shareholder's pro rata share of the taxed S Corporation's taxable income. **Note:** Separately stated items are those items described in section 1366 of the Internal Revenue Code ("Code") and the regulations adopted under it.
 - (3) The adjustments required by G.S. 105-153.5(c3) are not included in the calculation of the taxed S Corporation's taxable income.

G.S. 105-131.1A(c) was added to allow a taxed S Corporation that qualifies for a tax credit to apply each shareholder's pro rata share of the taxed S Corporation's credits against the shareholder's pro rata share of the taxed S Corporation's income tax. An S Corporation must pass through to its shareholders any credit required to be taken in installments pursuant to the provisions of Chapter 105 if the first installment was taken in a taxable period that the election was not in effect.

An S Corporation cannot pass through to its shareholders any of the following:

- (1) Any credit allowed under Chapter 105 for any taxable period the S Corporation makes the taxed S Corporation election and the carryforward of the unused portion of such credit;
- (2) Any subsequent installment of such credit required to be taken in installments by this Chapter after the S Corporation makes the taxed S Corporation election and the carryforward of any unused portion of such installment.

With respect to resident shareholders, new G.S. 105-131.1A(d) provides that a taxed S Corporation is allowed a credit against the taxes imposed by this section for income taxes imposed by and paid to another state or country on income taxed under this section. The credit allowed by this subsection is administered in accordance with the provisions of G.S. 105-153.9.

G.S. 105-131.1A(e) was added to allow a deduction for shareholders of a taxed S Corporation as specified in G.S. 105-153.5(c3)(1). This deduction is only allowed if the taxed S Corporation complies with the provisions of G.S. 105-131.1A(g).

G.S. 105-131.1A(f) was added to require shareholders of a taxed S Corporation to make an addition as provided in G.S. 105-153.5(c3)(2).

G.S. 105-131.1A(g) was added to require the full amount of the tax payable as shown on the taxed S Corporation return to be paid to the Department within the time allowed for filing the return. In the case of any overpayment by a taxed S Corporation of the tax imposed under this section, only the taxed S Corporation may request a refund of the overpayment.

If the taxed S Corporation files a return showing an amount due with the return and does not pay the amount shown due, the Department may collect the tax from the taxed S Corporation pursuant to G.S. 105-241.22(1). The Department must issue a notice of collection for the amount of tax debt to the taxed S Corporation. If the tax debt is not paid to the Department within 60 days of the date the notice of collection is mailed to the taxed S Corporation, the shareholders of the S Corporation are not allowed the deduction provided in G.S. 105-153.5(c3)(1).

G.S. 105-131.1A(h) was amended to provide the basis of both resident and nonresident shareholders of a taxed S Corporation shall be determined as if the taxed S Corporation election has not been made and each of the shareholders of the taxed S Corporation had properly taken into account each shareholder's pro rata share of the taxed S Corporation's items of income, loss, and deduction in the manner required with respect to a S Corporation for which no such election is in effect.

(Effective for taxable years beginning on or after January 1, 2022; SB 105, s. 42.5.(c), S.L. 2021-180.)

G.S. 105-131.7 – Returns; Shareholder Agreements; Mandatory Withholding: This subsection was amended by the 2021 General Assembly as part of the legislation that created North Carolina's SALT Workaround for PTEs. Language was added to clarify that the provisions of subsections (b) through (f) do not apply to a taxed S Corporation.

(Effective for taxable years beginning on or after January 1, 2022; SB 105, s. 42.5.(d), S.L. 2021-180.)

G.S. 105-131.8(a) – Tax Credits: This subsection was amended by the 2021 General Assembly as part of the legislation that created North Carolina's SALT Workaround for PTEs. Language was added to clarify the application of G.S. 105-153.9(a)(4) with respect to a taxed S Corporation.

(Effective for taxable years beginning on or after January 1, 2022; SB 105, s. 42.5.(e), S.L. 2021-180.)

G.S. 105-154.1 – Taxation of Partnership as a Taxed Pass-Through Entity: This section was added by the 2021 General Assembly as part of the legislation that created North Carolina’s SALT Workaround for PTEs.

G.S. 105-154.1(a) was added to allow a partnership to elect to have the income tax under Article 4 of Chapter 105 imposed on the partnership. The partnership must make the election on its timely filed annual return and may not revoke the election after the due date of the return (including extensions). The election cannot be made by a publicly traded partnership or by a partnership that has, at any time during the taxable year, a partner who is not one of the following:

- (1) An individual;
- (2) An estate;
- (3) A trust described in section 1361(c)(2) of the Internal Revenue Code (“Code”); or
- (4) An organization described in section 1361(c)(6) of the Code.

G.S. 105-154.1(b) was added to impose an income tax on the taxable income of a taxed partnership. The tax is levied, collected, and paid annually. The tax is imposed on the North Carolina taxable income of the taxed partnership at the rate levied in G.S. 105-153.7. The North Carolina taxable income of a taxed partnership is determined as follows:

- (1) North Carolina taxable income of a taxed partnership is equal to the sum of the following:
 - a. Each partner’s distributive share of the taxed partnership’s income or loss, subject to the adjustments provided in G.S. 105-153.5 and G.S. 105-153.6, attributable to North Carolina, and
 - b. Each resident partner’s distributive share of the taxed partnership’s income or loss, subject to the adjustments provided in G.S. 105-153.5 and G.S. 105-153.6, not attributable to North Carolina.
- (2) Separately stated items of deduction are not included when calculating each partner’s distributive share of the taxed partnership’s taxable income. **Note:** Separately stated items are those items described in section 702 of the Code and the regulations adopted under it.
- (3) The adjustments required by G.S. 105-153.5(c3) are not included in the calculation of the taxed partnership's taxable income.

G.S. 105-154.1(c) was added to allow a taxed partnership that qualifies for a tax credit to apply each partner's distributive share of the taxed partnership's credits against the partner's distributive share of the taxed partnership's income tax. A partnership must pass through to its partners any credit required to be taken in

installments pursuant to the provisions of Chapter 105 if the first installment was taken in a taxable period that the election was not in effect.

A partnership cannot pass through to its partners any of the following:

- (1) Any credit allowed under Chapter 105 for any taxable period the partnership makes the taxed partnership election and the carryforward of the unused portion of such credit;
- (2) Any subsequent installment of such credit required to be taken in installments by this Chapter after the partnership makes the taxed partnership election and the carryforward of any unused portion of such installment.

G.S. 105-154.1(d) was added to allow a deduction for partners of a taxed partnership as specified in G.S. 105-153.5(c3)(3). This deduction is only allowed if the taxed partnership complies with the provisions of G.S. 105-154.1(f).

G.S. 105-154.1(e) was added to require partners of a taxed partnership to make an addition as provided in G.S. 105-153.5(c3)(4).

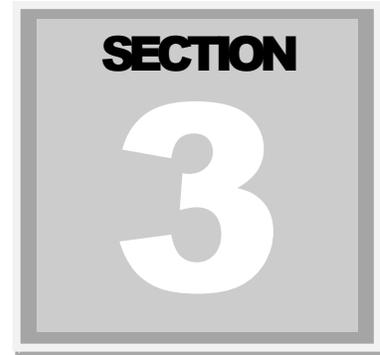
G.S. 105-154.1(f) was added to require the full amount of the tax payable as shown on the taxed partnership return to be paid to the Department within the time allowed for filing the return. In the case of any overpayment by a taxed partnership of the tax imposed under this section, only the taxed partnership may request a refund of the overpayment.

If the taxed partnership files a return showing an amount due with the return and does not pay the amount shown due, the Department may collect the tax from the taxed partnership pursuant to G.S. 105-241.22(1). The Department must issue a notice of collection for the amount of tax debt to the taxed partnership. If the tax debt is not paid to the Department within 60 days of the date the notice of collection is mailed to the taxed partnership, the partners of the partnership are not allowed the deduction provided in G.S. 105-153.5(c3)(3).

G.S. 105-154.1(g) was added to provide the basis of both resident and nonresident partners of a taxed partnership shall be determined as if the taxed partnership election has not been made and each of the partners of the taxed partnership had properly taken into account each partner's distributive share of the taxed partnership's items of income, loss, and deduction in the manner required with respect to a partnership for which no such election is in effect.

(Effective for taxable years beginning on or after January 1, 2022; SB 105, s. 42.5(h), S.L. 2021-180.)

SECTION 3 – CORPORATE TAXES



FRANCHISE TAX – ARTICLE 3

G.S. 105-114.1(b) – Limited Liability Companies: Controlled Companies: The 2021 General Assembly amended G.S. 105-122(d) to simplify how franchise tax is calculated by eliminating the fifty-five percent (55%) of appraised value of North Carolina property tax base and the investment in North Carolina property tax base. As part of this change, this subsection was amended to make conforming changes that a corporation or an affiliated group of corporations that owns more than fifty percent (50%) of the capital interests in a noncorporate limited liability company must include, pursuant to G.S. 105-122, the same percentage of only the net worth base, instead of three tax bases. This change was needed to update the statute to the new language found in G.S. 105-122(d).

(Effective for taxable years beginning on or after January 1, 2023, and is applicable to the calculation of franchise tax reported on the 2022 and later corporate income tax returns; SB 105, s. 42.3(b), S.L. 2021-180.)

G.S. 105-120.2(b) – Franchise or Privilege Tax on Holding Companies: Tax Rate: The 2021 General Assembly amended G.S. 105-122(d) to simplify how franchise tax is calculated by eliminating the fifty-five percent (55%) of appraised value of North Carolina property tax base and the investment in North Carolina property tax base. As part of this change, this subsection was amended to eliminate the fifty-five percent (55%) of appraised value of North Carolina property tax base and the investment in North Carolina property tax base for each corporation identified as a holding company. This change was needed to update the statute to the new language found in G.S. 105-122(d).

(Effective for taxable years beginning on or after January 1, 2023, and is applicable to the calculation of franchise tax reported on the 2022 and later corporate income tax returns; SB 105, s. 42.3(c), S.L. 2021-180.)

G.S. 105-122(b) – Franchise or Privilege Tax on Domestic and Foreign Corporations: Determination of Net Worth: The 2022 General Assembly made two changes to this subsection.

Subdivision (2) was amended to clarify that a corporation may not artificially reduce its franchise tax base by making a non-interest bearing loan to an affiliate. As amended, it states that an addition for indebtedness is required in determining a corporation's net

worth for the amount it owes to a parent, a subsidiary, an affiliate, or a noncorporate entity in which the corporation or group of corporations owns directly or indirectly more than fifty percent (50%) of the capital interest of the noncorporate entity, unless the indebtedness creates qualified interest expense, as defined in G.S. 105-130.7B(b)(4).

(Effective June 29, 2022; HB 83, s.1.2., S.L. 2022-13.)

New subdivision (2b) was added by the 2022 General Assembly to clarify that the net worth of a foreign entity that is filing a federal income tax return is based on the value of the assets in the United States.

The federal Tax Cut and Jobs Act enacted in 2017 changed the way foreign income is sourced for federal purposes which led to a potential inconsistency in the way foreign income was taxed for State franchise tax purposes. Prior to adding this clarification, the taxpayer's net worth base for franchise tax potentially included foreign attributes while the statutory apportionment requirement only permits the inclusion of domestic attributes. The statute now specifically states that only United States assets are included in the net worth base of a foreign entity.

(Effective for taxable years beginning on or after January 1, 2023, and is applicable to the calculation of franchise tax reported on the 2022 and later corporate income tax returns; HB 83, s.1.1.(a), S.L. 2022-13.)

G.S. 105-122(d) – Franchise or Privilege Tax on Domestic and Foreign Corporations: Tax Base: The 2021 General Assembly amended this subsection to simplify how franchise tax is calculated by eliminating the fifty-five percent (55%) of appraised value of North Carolina property tax base and the investment in North Carolina property tax base. The elimination of the two tax bases using property values may reduce the franchise tax liability of corporations that have significant real and personal property investments in North Carolina by making a corporation's tax base only its net worth base as set out in G.S. 105-122.

(Effective for taxable years beginning on or after January 1, 2023, and is applicable to the calculation of franchise tax reported on the 2022 and later corporate income tax returns; SB 105, s. 42.3(a), S.L. 2021-180.)

CORPORATION INCOME TAX – ARTICLE 4, PART 1

G.S. 105-130.3 – Corporations: This section was amended by the 2021 General Assembly to phase out the corporate income tax imposed on C Corporations doing business in North Carolina beginning with the 2025 tax year. As amended, the tax is a percentage of the taxpayer’s State net income computed as follows:

| <u>Taxable Years Beginning</u> | <u>Tax Rate</u> |
|--------------------------------|-----------------|
| In 2025 | 2.25% |
| In 2026 | 2% |
| In 2028 | 1% |
| After 2029 | 0% |

Note: An S Corporation is not subject to the tax levied in this section.

(Effective for taxable years beginning on or after January 1, 2025; SB 105, s. 42.2.(a), S.L. 2021-180.)

G.S. 105-130.5(a)(32) – Addition to Federal Taxable Income for Any Expense Deducted Under the Code from Excluded or Exempt Income: The 2021 General Assembly retroactively amended this subdivision to provide that, for taxable years beginning on or after January 1, 2023, a taxpayer must add back the amount of any expense deducted under the Code to the extent the expense is allocable to income that is either wholly excluded from gross income or wholly exempt from the taxes imposed by this Part.

This subdivision was re-written to require an addition to federal taxable income for the amount of any expense deducted under the Code to the extent the expense is allocable to income that is either wholly excluded from gross income or wholly exempt from the taxes imposed by this Part.

Note: The addition is only required for expenses deducted in taxable years beginning on or after January 1, 2023.

Under prior law, this subdivision required an addition for the amount of any expense deducted under the Code to the extent the payment of the expense resulted in forgiveness of a covered loan pursuant to section 1106(b) of the CARES Act (a “PPP Loan”), and the income associated with the PPP Loan was not included in gross income. The addition to federal taxable income for forgiven PPP Loan expenses was effective for taxable years beginning on or after January 1, 2020. Because the General Assembly chose to suspend the State’s PPP addback until tax year 2023, the 2021 General Assembly passed an amendment to conform North Carolina to the federal treatment of expenses paid by PPP loans for tax years 2020 through 2022.

(Effective November 18, 2021; SB 105, s. 42.4.(d), S.L. 2021-180.)

G.S. 105-130.5(b)(11a) – Deduction from Federal Taxable Income for the Amount that was Required to be Reduced or was not Allowed Under the Code Because a Federal Employee Retention Tax Credit was Claimed: Congress enacted the Employee Retention Tax Credit (ERC) in 2020 to offset federal payroll tax as part of pandemic relief efforts. This relief was allowed to be claimed as a credit against payroll tax to enable employers to more quickly receive the benefit of the credit.

Because the ERC is not technically an income tax credit but rather is a payroll tax credit, the 2021 General Assembly retroactively added subdivision (11a) to allow for a deduction from federal taxable income for the amount by which an ordinary and necessary business expense was required to be reduced or was not allowed under the Code because the taxpayer claimed a federal ERC against employment taxes in lieu of a deduction. As added, this new deduction is available retroactively but only to the extent that a similar credit is not allowed by this Chapter for the same amount.

(Effective retroactively for taxable years beginning on or after January 1, 2020; HB 243, s. 20.15.(b), S.L. 2022-6.)

G.S. 105-130.5(b)(31a) – Deduction from Federal Taxable Income for Amounts Received Under Specified Grant Programs: The 2021 General Assembly added this subdivision to provide for a deduction from federal taxable income for the amount received by a taxpayer under the Business Recovery Grant Program to the extent it is included in federal taxable income.

The 2022 General Assembly amended this subdivision to add the ReTOOLNC grant program for recovery from the economic impacts of the COVID-19 pandemic as well as rent and utility assistance received pursuant to Section 3.3 of Session Law 2020-4 (as amended by Section 1.2 of Session Law 2020-97) to the list of allowable amounts to be deducted from federal taxable income, to the extent that it is included. It was also amended to change the effective date from taxable years beginning on or after January 1, 2021, and applying to amounts received on or after that date, to January 1, 2020, and applying to amounts received on or after that date.

(Effective for taxable years beginning on or after January 1, 2020, and applies to amounts received by a taxpayer on or after that date; HB 243, s. 20.7.(a), S.L. 2022-6.)

G.S. 105-130.7B(b) – Limitation on Qualified Interest for Certain Indebtedness: Definitions: The 2022 General Assembly made two clarifying changes to this subsection.

Subdivision (4) was amended to provide that the qualified interest expense limitation does not apply to when the ultimate payee of the interest income from a related member does not meet one of the limitation's exceptions set forth in the statute. This clarifies that a corporation cannot claim a qualified interest expense by creating multiple intercompany debt transactions to initially meet one of the exceptions from the limitation, but when interest is subsequently paid to a related member that would not have met the exception.

New subdivision (6) was added to define the term “ultimate payee” as a related member that receives or accrues interest directly from a related member or indirectly through related members.

(Effective June 29, 2022; HB 83, s.1.3., S.L. 2022-13.)

G.S. 105-130.8A(c) – Net Loss Provisions: Mergers and Acquisitions: This subsection was amended to clarify that the provisions of North Carolina’s net loss calculations that are based on federal consolidated income tax filings must be computed on a separate entity basis. As amended, the statute now explicitly states that the Secretary must apply the standards contained in regulations adopted under sections 381 and 382 of the Code on a separate entity basis in determining the extent to which a loss survives a merger or acquisition.

(Effective June 29, 2022; HB 83, s.1.4., S.L. 2022-13.)

G.S. 105-130.8A(e) – Net Loss Provisions: Net Economic Loss Carryforward: This subsection was amended to add reference to G.S. 105-130.8A(c) which clarifies what standards apply to carryforward in the case of mergers and acquisitions. As amended, the statute now states that except as provided in G.S. 105-130.8A(c), any unused portion of a net economic loss carried forward to taxable years beginning on or after January 1, 2015, is administered in accordance with G.S. 105-130.8A.

(Effective June 29, 2022; HB 83, s.1.4., S.L. 2022-13.)

G.S. 105-130.11(a)(10) – Conditional and Other Exemptions: Exempt Organizations: This subdivision was amended to make a conforming change so that it reads the same as the corresponding language in the franchise tax statute. As amended, this subdivision now states that insurance companies subject to the tax on gross premiums as specified under G.S. 105-228.5 are exempt from corporate income tax; whereas, prior to the change, it stated that insurance companies paying the tax on gross premiums as specified under G.S. 105-228.5 are exempt from corporate income tax.

(Effective June 29, 2022; HB 83, s.1.5., S.L. 2022-13.)

FILING OF DECLARATIONS OF ESTIMATED INCOME TAX AND INSTALLMENT PAYMENTS OF ESTIMATED INCOME TAX BY CORPORATIONS – ARTICLE 4C

G.S. 105-163.38 – Definitions: This section was amended by the 2021 General Assembly as part of the legislation that created North Carolina’s SALT Workaround for PTEs. Subdivision (6) was added to define a taxed pass-through entity by cross-reference to G.S. 105-153.3.

(Effective for taxable years beginning on or after January 1, 2022; SB 105, s. 42.5.(l), S.L. 2021-180.)

G.S. 105-163.39 – Declarations of Estimated Income Tax Required: This section was amended by the 2021 North Carolina General Assembly as part of the legislation that created North Carolina’s SALT Workaround for PTEs.

Subsection (d) was added to require taxed pass-through entities to make estimated tax payments in the same manner as a corporation subject to North Carolina income tax.

The 2022 General Assembly amended the subsection (d) to clarify that Article 4C does not apply to a taxed pass-through entity if the entity was not a taxed pass-through entity during the preceding tax year.

(Effective for taxable years beginning on or after January 1, 2022; SB 105, s. 42.5.(m), S.L. 2021-180. Amended effective June 29, 2022; H83, s. 2.4, S.L. 2022-13.)

INSURANCE GROSS PREMIUMS TAX – ARTICLE 8B

G.S. 58-10-490 – Inactive Captive Insurance Companies: This section was amended to provide that a captive insurance company is not entitled to claim a gross premium tax exemption as an inactive captive insurance company unless the company has been declared inactive by the Commissioner of Insurance of North Carolina. This declaration can be made if the captive insurance company has ceased transacting the business of insurance and has no remaining liabilities associated with policies written or assumed by the company. As amended, this declaration provides certainty for the Department of Revenue in identifying inactive captive insurance companies that are exempt from liability for gross premium tax. In addition, this section was amended to limit the tax exemption to any full year that the captive insurance company is inactive.

This section was also amended to prohibit waiver or modification of the conditions for declaring a company inactive unless the captive insurance company has been placed into supervision, receivership, or liquidation, pursuant to Article 30 of Chapter 58 of the

General Statutes, and the Commissioner of Insurance has determined that payment of the minimum amount of tax required under G.S. 105-228.4A(f) will result in the company's inability to meet its insurance obligations.

(Effective for premium taxes imposed for taxable years beginning on or after January 1, 2022; SB 347, s.9., S.L. 2022-7.)

G.S. 105-228.3(2) – Taxes Upon Insurance Companies and Prepaid Health Plans: Definitions: Capitation Payment: The 2022 General Assembly has directed that this subsection be amended to eliminate the phrase “NC Health Choice” from the statute. As a result of the repeal of Article 2, Part 8 of Chapter 108A of the General Statutes, the Revisor of Statutes is directed to eliminate this phrase from wherever it appears in the General Statutes not already amended.

(Effective on the date that the NC Health Choice program is eliminated, as approved by the Centers for Medicare and Medicaid Services (CMS) in accordance with subsection (a) of this section. The Secretary of the Department of Health and Human Services shall report to the Revisor of Statutes and the Fiscal Research Division when the elimination of the NC Health Choice program has been approved by CMS and the specific date approved for that elimination to take place; HB 103, s.9D.15.(z), S.L. 2022-74.)

G.S. 105-228.4A(a) – Tax on Captive Insurance Companies: Tax Levied: This subsection was amended to provide that two or more captive insurance companies under common ownership and control will be taxed as separate companies, if they are either a protected cell captive insurance company or a special purpose captive insurance company with a cell or series structure. As amended, this subsection now states that two or more captive insurance companies under common ownership and control, other than a protected cell captive insurance company or a special purpose captive insurance company with a cell or series structure, are taxed as a single captive insurance company.

(Effective for premium taxes imposed for taxable years beginning on or after January 1, 2022; SB 347, s.5.(a), S.L. 2022-7.)

G.S. 105-228.4A(f) – Tax on Captive Insurance Companies: Total Tax Liability: This subsection was amended to specify the aggregate amount of tax payable by a special purpose captive insurance company with a cell or series structure having more than 10 cells or series.

As amended, this subsection now states that the aggregate amount of tax payable by a protected cell captive insurance company with more than 10 cells or a special purpose captive insurance company with a cell or series structure with more than 10 cells or series may not be less than ten thousand dollars (\$10,000) and may not exceed the

(\$5,000) multiplied by the number of cells or series over 10, or two hundred thousand dollars (\$200,000).

(Effective for premium taxes imposed for taxable years beginning on or after January 1, 2022; SB 347, s.5.(a), S.L. 2022-7.)

G.S. 105-228.4A(g) – Tax on Captive Insurance Companies: This new subsection (g) was added to provide that if a captive insurance company formed and licensed under the laws of another jurisdiction redomesticates to North Carolina prior to December 31, 2022 and obtains approval from the North Carolina Commissioner of Insurance pursuant to G.S. 58-10-380(g) to operate as a North Carolina-domiciled captive insurance company, it is exempt from premium taxes imposed by G.S. 105-228.4A for the remainder of the year in which redomestication occurs and for the calendar year following its redomestication. As amended, this subsection expires for taxable years beginning on or after January 1, 2024.

(Effective for premium taxes imposed for taxable years beginning on or after January 1, 2021; SB 347, s.5.(b), S.L. 2022-7.)

G.S. 105-228.5 – Taxes Measured by Gross Premiums: The 2022 General Assembly has directed that this section be amended to eliminate the phrase “NC Health Choice” from the statute. As a result of the repeal of Article 2, Part 8 of Chapter 108A of the General Statutes, the Revisor of Statutes is directed to eliminate this phrase from wherever it appears in the General Statutes not already amended.

(Effective on the date that the NC Health Choice program is eliminated, as approved by the Centers for Medicare and Medicaid Services (CMS) in accordance with subsection (a) of this section. The Secretary of the Department of Health and Human Services shall report to the Revisor of Statutes and the Fiscal Research Division when the elimination of the NC Health Choice program has been approved by CMS and the specific date approved for that elimination to take place; HB 103, s.9D.15.(z), S.L. 2022-74.)

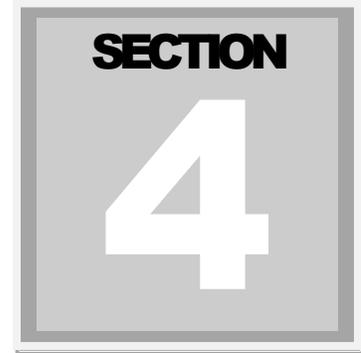
G.S. 105-228.5(b1) – Taxes Measured by Gross Premiums: Calculation of Tax Base: This subsection was amended by the 2021 General Assembly to make a substantive change limiting the gross premiums tax base for insurers of bail bonds to the amount paid by the surety bondsman to the insurer of the bail bonds. As amended, subdivision (b1) states that an insurer of bail bonds gross premiums tax is measured by amounts received by an insurer from a surety bondsman during the calendar year for bail bonds written on behalf of the insurer.

(Effective for taxable years beginning on or after January 1, 2022; SB 105, s. 42.8.(a), S.L. 2021-180.)

G.S. 105-228.5(d)(3) – Taxes Measured by Gross Premiums: Tax Rates; Disposition: Additional Rate on Property Coverage Contracts: This subdivision was amended to correct a statutory reference. As amended, it now states that up to twenty percent (20%), as determined in accordance with G.S. 58-87-10(g), of the net proceeds of the additional tax on property coverage contracts must be credited to the Workers' Compensation Fund. Previously, it stated that the amount was to be determined in accordance with G.S. 58-87-10(f), which was incorrect.

(Effective June 29, 2022; HB 83, s.1.6., S.L. 2022-13.)

SECTION 4 – EXCISE TAX



TOBACCO PRODUCTS TAX – ARTICLE 2A

G.S. 105-113.4L – Federal Tobacco Tax Reporting: This section was added requiring persons filing a report in accordance with 15 U.S.C. § 376 (commonly referred to as PACT Act reports) to file in the form prescribed by the Secretary.

(Effective June 29, 2022; HB 83, s. 4.1, S.L. 2022-13.)

TAX ON MOTOR CARRIERS – ARTICLE 36B

G.S. 105-449.37(a)(1) – Definitions; Tax Liability; Application: Definitions: This subdivision was amended to incorporate the most recent version of the Articles of Agreement adopted by the International Fuel Tax Association, Inc. (“IFTA”) As amended, the statute incorporates the IFTA Articles of Agreement as of January 1, 2022.

(Effective June 29, 2022; HB 83, s. 4.2., S.L. 2022-13.)

GASOLINE, DIESEL, AND BLENDS – ARTICLE 36C

G.S. 105-449.106 – Quarterly Refunds for Nonprofit Organizations, Special Mobile Equipment, and Off-Highway Use: This section was amended implementing changes to the filing frequency for off-highway use motor fuel refund claims.

Specifically, subsection (d) added a quarterly refund provision for off-highway use of motor fuel. The refund provision for off-highway use of motor fuel was previously in G.S. 105-449.107(a), which provided for an annual off-highway use refund. For purchases of motor fuel on or after January 1, 2023, a person may file a quarterly claim for refund when a person “purchases and uses [excise-tax-paid] motor fuel for a purpose other than to operate a licensed highway vehicle” during the preceding quarter. The record keeping requirements for substantiating an off-highway refund remain the same as required under 17 NCAC 12B .0404.

Subsection (c) was also amended making corresponding technical changes by removing reference to G.S. 105-449.107(c), which was repealed. Motor fuel refunds for

special mobile equipment remain subject to sales tax in accordance with the newly enacted G.S. 105-447.107A.

The catch line was updated to reflect the addition of off-highway use refunds to this section and also removed reference to a previously repealed refund provision regarding taxicabs.

(Effective January 1, 2023, and applies to purchases of motor fuel on or after that date; HB 103, s. 42.4.(a), S.L. 2022-74.)

G.S. 105-449.107 – Annual Refunds for Certain Vehicles with Power Attachments:

This section was amended to implement changes to the filing frequency for off-highway use motor fuel refund claims. Previously, pursuant to G.S. 105-449.107(a), persons could submit an annual refund claim for off-highway use of motor fuel. For purchases of motor fuel on or after January 1, 2023, persons may submit a quarterly refund claim for off-highway use of motor fuel under G.S. 105-449.106(d).

Specifically, subsections (a) and (c) of this section were repealed. Subsection (a) contained the language for annual off-highway use refunds, and similar language was enacted in G.S. 105-449.106(d). Subsection (c) contained the language for calculating the sales tax due on motor fuel refunds, and substantially similar language was enacted in G.S. 105-449.107A(a).

The catch line was also amended removing reference to annual off-highway use refunds. As amended, G.S. 105-449.107 now applies to “[a]nnual refunds for certain vehicles with power attachments.”

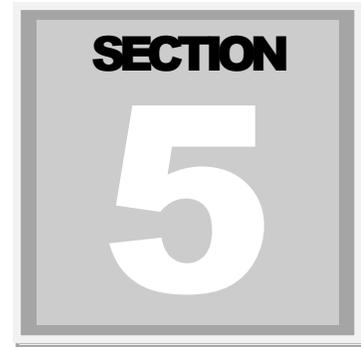
(Effective January 1, 2023, and applies to purchases of motor fuel on or after that date; HB 103, s. 42.4.(b)-(c), S.L. 2022-74.)

G.S. 105-449.107A – Sales Tax Due on Motor Fuel: The section was added to replace the repealed G.S. 105-449.107(c), which calculated the sales tax due on certain motor fuel refunds. Subsection (a) is substantially similar to the repealed G.S. 105-449.107(c). Subsection (b) clarifies that all the following motor fuel refunds are subject to sales tax as determined under subsection (a):

1. Special mobile equipment pursuant to G.S. 105-449.106(c).
2. Refunds for off-highway use pursuant to G.S. 105-449.106(d).
3. Refunds for eligible vehicles with power attachments pursuant to G.S. 105-449.107.

(Effective January 1, 2023, and applies to purchases of motor fuel on or after that date; HB 103, s. 42.4.(d), S.L. 2022-74.)

SECTION 5 – SALES AND USE TAX



SALES AND USE TAX – ARTICLE 5

G.S. 105-164.3 – Definitions: The 2022 General Assembly added new defined terms, amended a definition for an existing defined term, and repealed a definition for a defined term. The changes and their effective dates are as follows:

(108) - Interstate Air and Ground Carrier: The definition of this term was added in conjunction with a new exemption. The term is defined as “[a] person whose primary business is the furnishing of air and ground delivery of individually addressed letters and packages for compensation, in interstate commerce, except by the United States Postal Service.”

(Effective July 1, 2022, and applies to purchases made on or after that date; HB 103, s. 42.2.(a), S.L. 2022-74.)

(161) - Operator: The definition of the term was repealed.

(Effective June 29, 2022; HB 83, s. 3.1., S.L. 2022-13.)

(166) - Package Sorting Facility: The definition of this term was added in conjunction with a new exemption. The term is defined as “[a] facility that satisfies both of the following conditions:

- a. The facility is used primarily for sorting and distributing letters and packages for an interstate air and ground courier.
- b. The Secretary of Commerce has certified that an investment of private funds of at least one hundred million dollars (\$100,000,000) has been or will be made in real and tangible personal property for the facility within five years after the date on which the first property investment is made and that the facility will achieve an employment level of at least 400 within five years after the date the facility is placed into service and maintain that minimum level of employment throughout its operation.”

(Effective July 1, 2022, and applies to purchases made on or after that date; HB 103, s. 42.2.(a), S.L. 2022-74.)

(259) - Streamlined Agreement: The definition of the term was amended to update the date the Streamlined Agreement was updated. The term is defined as “[t]he Streamlined Sales and Use Tax Agreement as amended as of *December 21, 2021*.” [Emphasis added.]

(Effective June 29, 2022; HB 83, s. 3.2., S.L. 2022-13.)

G.S. 105-164.4F(c1) – Accommodation Facilitator Report: The 2022 General Assembly repealed the requirement that accommodation facilitators file an annual report with the Secretary of Revenue. G.S. 105-164.4F(c1) was repealed.

(Effective June 29, 2022; HB 83, s. 3.4., S.L. 2022-13.)

G.S. 105-164.13 – Exemptions and Exclusions: The 2022 General Assembly added and enacted clarifying changes to the exemptions from sales and use tax. The changes and their effective dates are as follows:

(11)a - Exemption for Certain Sales of Motor Fuel Taxed in Article 36C: This subdivision was amended in conjunction with changes to the frequency that a taxpayer may file a claim for refund of the tax imposed in Article 36C on motor fuel. The amendment updates the references to motor fuel refunds that are excluded from the sales and use tax exemption to reflect the changes to Article 36C. The subdivision as amended provides an exemption for “[m]otor fuel, as taxed in Article 36C of this Chapter, except motor fuel for which a refund of the per gallon excise tax is allowed under G.S. 105-449.105A, G.S. 105-449.106(c), G.S. 105-449.106(d), or G.S. 105-449.107.” [Emphasis added.]

(Effective January 1, 2023, and applies to purchases of motor fuel on or after that date; HB 103, s. 42.4.(e), S.L. 2022-74.)

(13d) - Exemption for Certain Sales of Diapers or Incontinence Pads: This subdivision was amended in conjunction with the merger of the NC Health Choice program into the North Carolina Medicaid program. The amendment removed a reference to an enrolled health choice provider. The subdivision as amended provides an exemption for “[s]ales of diapers or incontinence underpads on prescription by an enrolled State *Medicaid* provider for use by beneficiaries of the State Medicaid program when the provider is reimbursed by the State Medicaid program or a Medicaid managed care organization, as defined in 42 U.S.C. § 1396b(m).” [Emphasis added.]

(Effective July 1, 2022; HB 103, s. 9D.15.(e), S.L. 2022-74.)

(45e) - Certain Sales to an Interstate Air and Ground Courier: This subdivision was added to provide a new exemption. The subdivision provides an exemption for “[s]ales to an interstate air and ground courier of materials handling equipment, automated conveyor systems, racking systems, and related parts and accessories for the storage or handling and movement of tangible personal property at its package sorting facility. A qualifying item listed in this subdivision purchased to fulfill a contract with an interstate

air and ground courier is exempt to the same extent as if purchased directly by the interstate air and ground courier.

If the level of investment or employment required by G.S. 105-164.3(166)b. is not timely made, achieved, or maintained, then the exemption provided under this subdivision is forfeited. If the exemption is forfeited due to a failure to timely make the required investment or to timely achieve the minimum required employment level, then the exemption provided under this subdivision is forfeited on all purchases. If the exemption is forfeited due to a failure to maintain the minimum required employment level once that level has been achieved, then the exemption provided under this subdivision is forfeited for those purchases occurring on or after the date the taxpayer fails to maintain the minimum required employment level. A taxpayer that forfeits an exemption under this subdivision is liable for all past sales and use taxes avoided as a result of the forfeiture, computed at the applicable State and local rates from the date the taxes would otherwise have been due, plus interest at the rate established under G.S. 105-241.21. Interest is computed from the date the sales or use tax would otherwise have been due. The past taxes and interest are due 30 days after the date of forfeiture. A taxpayer that fails to pay the past taxes and interest by the due date is subject to the provisions of G.S. 105-236.”

(Effective July 1, 2022, and applies to purchases made on or after that date; HB 103, s. 42.2.(b), S.L. 2022-74.)

G.S. 105-164.13E – Exemption for Farmers: The 2022 General Assembly amended G.S. 105-164.13E. The change and its effective date are as follows:

(a1) - Exemption for Qualifying or Conditional Farmers Also Operating a Zoo: This subsection was added and provides an exemption for certain sales to a qualifying or conditional farmer who operates a zoo in addition to the farmer’s farming operations. The subdivision provides an exemption for “[a] qualifying farmer or conditional farmer who operates a zoo in addition to the farmer’s farming operations is allowed a sales and use tax exemption under this subsection for the items used in the farmer’s zoo operations. The income derived from the farmer’s zoo operations is not included for purposes of determining if the farmer meets the qualifications for a qualifying farmer under [G.S. 105-164.13E(a)] or the qualifications for a conditional farmer under [G.S. 105-164.13E(b)] of this section. The items that may be exempt from sales and use tax are the items listed under [G.S. 105-164.13E(a)] that are purchased by a qualifying farmer or conditional farmer and used by the farmer primarily in zoo operations. The provisions of [G.S. 105-164.13E(c) and G.S. 105-164.13E(c1)] apply to the exemption provided in this subsection. For purposes of this subsection, an item is used in a farmer’s zoo operations if it is used for the housing, raising, or feeding of animals for public display.”

(Effective January 1, 2023, and applies to sales made on or after that date; SB 388, s. 1.(a), S.L. 2022-45.)

G.S. 105-164.13F – Exemption for Wildlife Managers: The 2022 General Assembly amended Article 5 of Chapter 105 by adding a new section. The new section provide an exemption from sales and use tax for certain sales to a wildlife manager who holds a valid exemption certificate issued by the Secretary of Revenue. The new section provides the following:

- “(a) Definitions. – The following definitions apply in this section:
- (1) Wildlife management activities. – One or more of the activities for which wildlife conservation land must be used to qualify for the wildlife conservation land classification under G.S. 105-277.15.
 - (2) Wildlife manager. – A person who owns land classified and taxed as wildlife conservation land under G.S. 105-277.15.
- (b) Exemption. – Certain items purchased by a wildlife manager and used primarily for wildlife management activities may be exempt from sales and use tax under this section. The items that may be exempt under this section are:
- (1) Feed and feeders.
 - (2) Rodenticides, insecticides, herbicides, fungicides, and pesticides when their application is prescribed in and compatible with the objectives of the Wildlife Habitat Conservation Agreement.
 - (3) Commercial fertilizer, lime, land plaster, mulch, plant plugs, seedlings, saplings, seeds, and seed inoculants.
 - (4) Machinery used for one or more of the purposes listed in this subdivision. The term ‘machinery’ includes implements that have moving parts or are operated by an animal. The term does not include implements operated solely by hand or motor vehicles required to be registered under Chapter 20 of the General Statutes. The purposes for which the machinery must be used are:
 - a. To establish, restore, enhance, or maintain wildlife habitats.
 - b. To access or develop access to wildlife habitats.
 - c. To implement other wildlife management practices, including land and forest conservation and management.
 - (5) Fuel that is measured by a separate meter or another separate device and used only to operate machinery exempt under subdivision (4) of this subsection and used for one or more of the purposes listed in subdivision (4) of this subsection. Examples of a separate device include a tank, a container, and a transfer tank.
 - (6) Fuel storage tanks, containers, transfer tanks, and pumps when used only to provide fuel to operate machinery exempt under subdivision (4) of this subsection and used for one or more of the purposes listed in subdivision (4) of this subsection.
 - (7) Materials, supplies, fixtures, and equipment that become part of or are used for one or more of the following:
 - a. The construction, repair, or improvement of an impoundment, wetland, or ephemeral pool specifically designed, constructed, and used for the benefit of one or more wildlife species.
 - b. Erosion control.

- c. The installation and maintenance of infrastructure used to access land areas for wildlife management activities. Examples of this type of infrastructure include bridges, culverts, and gravel.
- d. The construction and maintenance of structures used by wildlife for reproduction, travel, or cover. Examples of this type of structure include nest boxes, road crossing development, and structures providing cover or other valuable functions for life processes.
- e. The construction and maintenance of fencing, signage, and other exclusion methods to protect wildlife from access by people or other species or to manipulate livestock access as a method of habitat management.

(8) Repair, maintenance, and installation services for items exempt under this subsection.

- (c) Exemption Certificate. – A wildlife manager may apply to the Secretary for an exemption certificate under G.S. 105-164.28A. The exemption certificate is valid for three years and may be renewed. The exemption certificate expires when the wildlife manager ceases to engage in wildlife management activities or when the land no longer qualifies for classification and taxation under G.S. 105-277.15. A person who no longer qualifies for an exemption certificate under this section must notify the Secretary within 30 days to cancel the exemption number.
- (d) Contract with a Wildlife Manager. – A qualifying item listed in subdivision (7) of subsection (b) of this section purchased to fulfill a contract with a person who holds a wildlife manager exemption certificate issued under G.S. 105-164.28A is exempt from sales and use tax to the same extent as if purchased directly by the person who holds the exemption certificate. A contractor that purchases one of the items allowed an exemption under this section must provide an exemption certificate to the retailer that includes the name of the wildlife manager certificate holder and the exemption number issued to the wildlife manager by the Department pursuant to G.S. 105-164.28A. A contractor that purchases an item exempt from tax under this subsection must maintain records to substantiate that it is used to fulfill a contract with a person who holds a wildlife manager exemption certificate. The records must be maintained for at least three years.
- (e) Services for Wildlife Manager. – An item exempt under subsection (b) of this section purchased to perform a service for a person who holds a wildlife manager exemption certificate issued under G.S. 105-164.28A is exempt from sales and use tax to the same extent as if purchased directly by the person who holds the exemption certificate. A person that purchases one of the items allowed an exemption under this subsection must provide an exemption certificate to the retailer that includes the name of the wildlife manager certificate holder and the exemption number issued to the wildlife manager by the Department pursuant to G.S. 105-164.28A. A person that purchases an item exempt from tax under this subsection must maintain records to substantiate that it is used to provide a service for a person who holds a wildlife manager exemption certificate. The records must be maintained for at least three years."

(Effective October 1, 2022, and applies to sales made on or after that date; SB 388, s. 2.(a), S.L. 2022-45.)

G.S. 105-164.42B – Definitions: The 2022 General Assembly amended subdivision (8) to broaden the definition of state. The broader definition is consistent with the Streamlined Sales and Use Tax Agreement. The definition applies in Part 7A of Chapter 105, which authorizes the Secretary of Revenue to enter into the Streamlined Sales and Use Tax Agreement. The term is defined as follows:

“(8) State. – The term ‘this State’ means the State of North Carolina. Otherwise, the term ‘state’ means any state of the United States, the District of Columbia, *and any territory of the United States including American Samoa, Guam, Northern Mariana Islands, Puerto Rico, and the U.S. Virgin Islands.*” [Emphasis added.]

(Effective June 29, 2022; HB 83, s. 3.3., S.L. 2022-13.)

G.S. 105-164.44M – Transfer to Highway Fund: The 2022 General Assembly amended this section to modify the amounts that are transferred to the highway fund and highway trust fund and to re-title the section. The section provides:

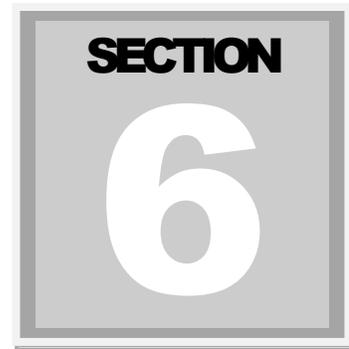
“(a) *Aviation.* – The net proceeds of the tax collected on aviation gasoline and jet fuel under G.S. 105-164.4 must be transferred within 75 days after the end of each fiscal year to the Highway Fund. This amount is annually appropriated from the Highway Fund to the Division of Aviation of the Department of Transportation for prioritized capital improvements to general aviation airports for time-sensitive aviation capital improvement projects for economic development purposes.

(b) *Transportation Needs.* – *At the end of each quarter, the Secretary must transfer to the Funds listed below a percentage of the net proceeds of the tax collected under this Article at the State's general rate of tax set in G.S. 105-164.4(a). The percentages that must be transferred are as follows:*

| <u>Fiscal Year</u> | <u>Percentage to Highway Fund</u> | <u>Percentage to Highway Trust Fund</u> |
|------------------------|-----------------------------------|---|
| 2022-23 | 2% | 0% |
| 2023-24 | 1% | 3% |
| 2024-25 and thereafter | 1.5% | 4.5%.” [Emphasis added.] |

(Effective July 1, 2022; HB 103, s. 42.3.(a), S.L. 2022-74.)

SECTION 6 – LOCAL GOVERNMENT



G.S. 105-277.2(1) – Agricultural, Horticultural, and Forestland – Definitions: Adds the boarding of horses to the definition of “the commercial production or growing of animals” for purposes of determining eligibility for participation in the Present-Use Value Program.

(Effective for taxable years beginning on or after July 1, 2022; SB 726, s. 6.(a), S.L. 2022-55.)

G.S. 105-277.3(d1) – Agricultural, Horticultural, and Forestland – Classifications: Rewords the conservation exception for Present-Use Value income and production requirements, and updates reference to relevant conservation easement statute:

Property may continue to qualify “without regard to actual production or income requirements of this section as long as (i) the property is subject to a qualifying conservation easement that meets the requirements of G.S. 113A-235(a); and (ii) the taxpayer received no more than seventy-five percent (75%) of the fair market value of the donated property interest in compensation.”

(Effective June 23, 2022; HB 83, s. 6.1, S.L. 2022-13.)

G.S. 105-277.15 – Taxation of Wildlife Conservation Land: Recodifies and renumbers the section [(c)(1) becomes (c1); (c)(2) becomes (c2); and(c)(3) becomes (c3)], and makes some substantive changes:

- (a)(6): Defines “Wildlife conservation land. – Land that meets the size, ownership, and use requirements of this section.”
- (b): Establishes three different property classification types, along with the respective Present-Use Value schedule to be used in appraising the property (previously, all qualifying property was appraised as agricultural land):

“(1) Wildlife conservation land used for wildlife species protection under subdivision (c3)(1) of this section must be appraised and assessed as if it were classified under G.S. 105-277.3 as forestland.

(2) Wildlife conservation land used for wildlife habitat protection under subdivision (c3)(2) of this section must be appraised and assessed as if it were classified under G.S. 105-277.3 as forestland.

(3) Wildlife conservation land used for wildlife reserve under subdivision (c3)(3) of this section must be appraised and assessed as if it were classified under G.S. 105-277.3 as agricultural land.”

- (c1): Size requirement, previously 20 contiguous acres, now: “20 contiguous acres located in the same county. Once the initial qualifying tract of 20 contiguous acres has been met, one or more additional acres that meet the ownership and use requirements of this section may qualify for enrollment. If the land is used for wildlife habitat protection under subdivision (c3)(2) of this section, then the additional acreage must be located in the same county as the qualifying 20-acre tract.”
- (c2): Ownership requirement, previously requiring five years of ownership by an individual, a family business entity, or a family trust, now permits ownership by a combination of these owners as tenants in common. In addition, the statutes reduces the required length of ownership to four years, and provides further exceptions to this time requirement:

“(1) If the land is the owner's place of residence, then it meets the ownership requirements.

(2) If an owner of land enrolled as wildlife conservation land under this section acquires additional land that shares a common boundary with the enrolled land, then the acquired land meets the ownership requirement.”

...[(5), formerly (3), allowing continued participation by a new owner of land already enrolled in the Wildlife Conservation Land Program, is reworded without significant change.]

...”(6) If the land is owned as tenants in common, the land meets the ownership requirement if the land was owned by one or more of the tenants for the required time.

(7) If the land is acquired through transfer or inheritance from a relative, the land meets the ownership requirement if the land was owned by the relative for the required time.”

- (c3): Defines qualifying land uses, all of which must be managed under a written agreement with the North Carolina Wildlife Resources Commission:

(1) – Protect an animal species that lives on the land and, as of January 1 of the year for which the benefit of this section is claimed, is on a North Carolina protected animal list published by the Commission under G.S. 113-333.

(2) Wildlife habitat protection. – Conserve any of the following priority animal wildlife habitats: longleaf pine forest, early successional habitat,

small wetland community, stream and riparian zone, rock outcrop, or bat cave.

(3) Wildlife reserve. – Create and actively and regularly use as a reserve for hunting, fishing, shooting, wildlife observation, or wildlife activities, provided that the land is inspected by a certified wildlife biologist at least quintennially to ensure that at least three of the seven activities listed in this subdivision are maintained to propagate a sustaining breeding, migrating, or wintering population of indigenous wild animals for human use, including food, medicine, or recreation. The Commission shall adopt rules needed to administer the inspection requirements of and activities mandated by this subdivision. The activities are as follows:

- a. Supplemental food
- b. Supplemental water
- c. Supplemental shelter
- d. Habitat control
- e. Erosion control
- f. Predator control
- g. Census of animal population on the land

- (d) Increases the maximum amount of land that may qualify from 100 acres to 200 acres.

(Effective for taxable years beginning on or after July 1, 2022; SB 388, s. 3.(a) through s. 3.(c), S.L. 2022-45.)

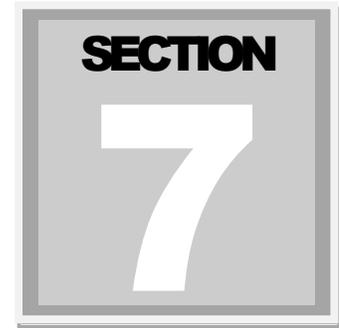
G.S. 105-374(k) – Judgment of Sale: Provides that a foreclosure sale made pursuant to G.S. 105-374 is subject to “...(iv) conservation agreements, as defined in G.S. 121-35(1).”

(Effective June 30, 2022; SB 726, s. 4.(a), S.L. 2022-55.)

G.S. 105-375(i) – Issuance of Execution: Provides that an execution sale made pursuant to G.S. 105-375 is subject to “...conservation agreements, as defined in G.S. 121-35(1).”

(Effective June 30, 2022; SB 726, s. 4.(b), S.L. 2022-55.)

SECTION 7 – GENERAL ADMINISTRATION



GENERAL ADMINISTRATION – ARTICLE 9

G.S. 105-236(a)(2) – Failure to Obtain a License: This subdivision was amended by the 2021 General Assembly to include additional licensees subject to the one thousand dollar (\$1,000) penalty provision. As amended, if a person required to be licensed under Article 2A (the Tobacco Products Tax Act) fails to become licensed after written notification by the Department, the person is subject to a one thousand dollar (\$1,000) penalty.

Note that there is a different penalty structure under Article 2A for delivery sellers and remote sellers who fail to obtain a license before accepting an order. See G.S. 105-113.4F, 105-113.38C.

(Effective January 1, 2022 and applies to penalties assessed on or after that date; SB 105, s. 42.13E.(j), S.L. 2021-180.)

G.S. 105-236(a)(4) – Failure to Pay Tax When Due: In general, subdivision (4) requires the Department to assess a penalty for failure to pay tax when due if the tax shown due on a return is not paid by the due date of the return. The 2021 General Assembly enacted legislation to change the calculation of the penalty from a flat rate of ten percent (10%) to a graduated rate (two percent, 2%, for the first month the tax is not paid, increased by two percent, 2%, for each succeeding month, not to exceed ten percent, 10%.) The change was to be effective for taxes assessed on or after July 1, 2022. The 2022 General Assembly amended this subdivision to:

- (1) Continue the current penalty rate of ten percent (10%) through December 2022;
- (2) Temporarily reduce the penalty rate to five percent (5%) from January 2023 to June 2024; and
- (3) Reintroduce the graduated penalty rate in July 2024.

(Effective June 30, 2022; HB 83, s. 5.6.(a), S.L. 2022-13. Effective January 1, 2023, and applies to tax assessed on or after that date; H83, s. 5.6.(b), S.L. 2022-13. Effective July 1, 2024, and applies to tax assessed on or after that date; H83 s. 5.6.(c), S.L. 2022-13.)

G.S. 105-236(a)(10) – Penalties Regarding Informational Returns: This subdivision was amended to clarify that the informational return penalties provided in G.S. 105-236(b) apply to both an informational return and an informational report.

(Effective June 29, 2022; HB 83, s. 5.1., S.L. 2022-13.)

G.S. 105-241.6(a) – Statute of Limitations for Refunds: This subsection defines the general statute of limitations for a refund of an overpayment of tax. Subdivision (2) of this subsection was amended to provide that the amount refunded cannot exceed the portion of the tax paid during the two years immediately preceding the taxpayer's request for refund.

(Effective June 29, 2022; HB 83, s. 5.2., S.L. 2022-13.)

G.S. 105-241.13A(a) – Taxpayer Inaction: Consequence of Inaction: This subsection was amended to add “proposed revocation of a certificate of registration” to the list of proposed Departmental actions discussed regarding what occurs when a taxpayer requests review of an action by the Department but then fails to respond or act within the required time frame. Prior to the amendment, the statute only included a proposed assessment or denial of a refund.

(Effective June 29, 2022; HB 83, s. 5.3., S.L. 2022-13.)

G.S. 105-241.21(c)(1)b – Interest on Taxes: Accrual on Refund: Franchise, Income, and Gross Premiums: This sub-subdivision was amended to clarify that the date the final return was due to be filed for the purposes of calculating interest on an overpayment of tax is to be determined without regard to an extension.

(Effective June 29, 2022, and applies to refunds issued on or after that date; HB 83, s. 5.4.(a), S.L. 2022-13.)

G.S. 105-249.2(b) – Due Date Extended and Penalties Waived for Certain Military Personnel or Persons Affected by a Presidentially Declared Disaster: Disaster: This subsection was amended to clarify that an extension of time granted by the Internal Revenue Service because of a presidentially declared disaster under section 7508A of the Code only applies to the corresponding State tax return or payment. In addition, for State returns and payments without a corresponding federal return and payment, the extension granted for individual income tax returns and payments by the Internal Revenue Service under section 7508A of the Code applies.

(Effective June 29, 2022; HB 83, s. 5.5.(a), S.L. 2022-13.)

G.S. 105-259 – Secrecy Required of Officials; Penalty for Violation: This section was amended by the 2021 General Assembly to remove all language referring to the “Section of Community Corrections of the Division of Adult Correction and Juvenile Justice of the Department of Public Safety” and replace with “Division of Community Supervision and Reentry of the Department of Adult Correction.” This change was made to refer to the new name of this division.

(Effective January 1, 2023; SB 105, s. 19C.9.(v1), S.L. 2021-180.)

G.S. 105-263(c) – Timely Filing of Mailed Documents and Requests for Extensions: Automatic Extension: This subsection was amended to clarify that the automatic extension of time granted for filing a North Carolina return when an extension is granted by the Internal Revenue Service only applies to extension applications filed by a taxpayer with the Commissioner of Internal Revenue. The automatic extension does not apply to extensions granted under section 7508A of the Code because of a presidentially declared disaster.

(Effective June 29, 2022; HB 83, s. 5.5.(b), S.L. 2022-13.)