

TAX LAW CHANGES

2025



NCDOR

NORTH
CAROLINA
DEPARTMENT
OF REVENUE



PREFACE

The 2025 Tax Law Changes publication is prepared for use by the North Carolina Department of Revenue personnel and is also available as a resource for others. It summarizes legislative tax changes enacted by previous sessions of the General Assembly that become effective in tax year 2025, as well as tax changes enacted in 2025, regardless of their effective date. This publication covers changes to tax law only and does not include other legislation affecting the Department of Revenue.

For detailed information on any specific tax change, please refer to the applicable legislation. Additional guidance on the implementation of these changes may be found in administrative rules, bulletins, directives, and other instructions issued by the Department, as well as opinions from the Attorney General's Office. I hope you find this publication helpful as you work to comply with North Carolina's tax laws.

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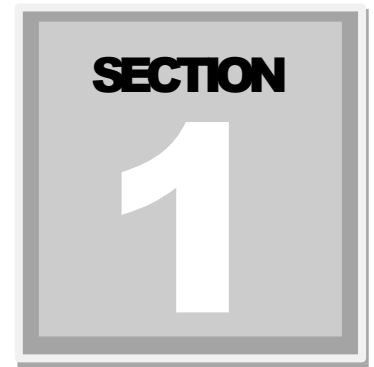
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SECTION 1 – PERSONAL TAXES



INDIVIDUAL INCOME TAX – ARTICLE 4, PART 2

G.S. 105-153.5(a)(2)a. – Charitable Contribution:

The 2024 General Assembly reenacted the conservation tax credit for certain real property donations, repealed by Session Law 2013-316, and modified the conservation purposes for which the tax credit can be claimed, (collectively, the “NC Conservation Tax Credit”).

The 2025 General Assembly made changes to the NC Conservation Tax Credit, including a change to this sub-subdivision to prohibit a taxpayer that is allowed the NC Conservation Tax Credit pursuant to G.S. 105-153.11(a) from including the same qualified donation that was the basis of the NC Conservation Tax Credit in the amount of charitable contributions that can be deducted under G.S. 105-153.5(a)(2).

(Effective for taxable years beginning on or after January 1, 2025, for donations made on or after January 1, 2025, and expires for taxable years beginning on or after January 1, 2027, for donations made on or after January 1, 2027; HB 74, s. 9.1.(d), S.L. 2025-4.)

G.S. 105-153.7(a) – Individual Income Tax Imposed: The 2023 General Assembly amended this subsection to accelerate the reduction in the individual income tax rate imposed on North Carolina taxable income for tax years 2024, 2025, and 2026. The rate was reduced to 4.5% for tax years beginning in 2024, 4.25% for tax years beginning in 2025, and 3.99% for tax years beginning after 2025.

(Effective October 3, 2023; HB 259, s. 42.1.(a), S.L. 2023-134.)

G.S. 105-153.8A – Organ and Tissue Donor Election on Income Tax Returns: This section was added to allow a resident taxpayer or spouse to enroll in the organ and tissue donation program by means of the individual income tax return.

Subsection (a) was added to require the Department to include a section on the individual income tax return titled “Organ and Tissue Donation Election” that allows a resident taxpayer or a spouse to elect to become a donor in accordance with G.S. 130A-412. This new subsection includes the following four new subdivisions:

Subdivision (a)(1) includes the following two sub-subdivisions:

Sub-subdivision (a)(1)a. was added to require the Department to include on the individual income tax return a fillable check box and a statement that reads, “Check here if resident taxpayer authorizes an organ and tissue donation in the event of death.” This sub-subdivision also requires the Department to request the month, day, and year of the resident taxpayer’s date of birth, specified in the date format of mm-dd-yyyy.

Sub-subdivision (a)(1)b. was added to require the Department to include on the individual income tax return a fillable check box and a statement that reads, “Check here if spouse authorizes an organ and tissue donation in the event of death.” This sub-subdivision also requires the Department to request the month, day, and year of the spouse’s date of birth, specified in the date format of mm-dd-yyyy.

Subdivision (a)(2) was added to require the Department to explain that the resident taxpayer or spouse, if applicable, is authorizing an anatomical gift of his or her organs, eyes, and tissue to take effect after the donor’s death.

Subdivision (a)(3) was added to require the Department to explain that the resident taxpayer or spouse is not required to record a response to the organ and tissue donation election section to file an income tax return, pay taxes, or receive a refund.

Subdivision (a)(4) was added to require the Department to describe the process for amending or revoking the donor’s election to become an organ and tissue donor.

Subsection (b) was added to permit the Department to request any information necessary from a resident taxpayer or spouse on the income tax return to facilitate the resident taxpayer’s or spouse’s election to become an organ and tissue donor in accordance with Part 3A of Chapter 130A of the General Statutes.

(Effective on January 1, 2027, and for tax returns for taxable years beginning on or after January 1, 2027.; SB 600, s. 2.(a)., S.L. 2025-60.)

G.S. 105-153.11 – Credit for Certain Real Property Donations: The 2024 General Assembly reenacted the conservation tax credit for certain real property donations, repealed by Session Law 2013-316, and modified the conservation purposes for which the tax credit can be claimed, (collectively, the “NC Conservation Tax Credit”).

The 2025 General Assembly made changes to the NC Conservation Tax Credit, including the following:

Subsection (a), which establishes the NC Conservation Tax Credit, was amended to modify the statutory language to ensure consistency with updates made throughout G.S. 105-153.11. Language was added to the subsection to require a pass-through entity to allocate the NC Conservation Tax Credit to its owners as outlined in G.S. 105-153.11(f), and to clarify that the amount of NC Conservation Tax Credit allowed to an individual or pass-through entity cannot exceed the limits in G.S. 105-153.11(e) and G.S. 105-153.11(f). In addition, the title of the subsection was changed from “Credit,” to “Credit; Limitation.”

As rewritten, subsection (a) provides:

(a) Credit; Limitation. – Subject to the limitations in [G.S. 105-153.11], an individual or a pass-through entity that makes a qualified donation is allowed a [NC Conservation Tax Credit] against [North Carolina individual income tax] equal to twenty-five percent (25%) of the fair market value of the qualified donation. A pass-through entity must pass through the [NC Conservation Tax Credit] to its owners as required under [G.S. 105-153.11(f)]. The amount of [NC Conservation Tax Credit] allowed to an individual or pass-through entity may not exceed the limitations provided under [G.S. 105-153.11(e) and G.S. 105-153.11(f)]. The [NC Conservation Tax Credit] may not be taken for the year in which the qualified donation is made but may be taken for the taxable year beginning in the calendar year in which the application for the [NC Conservation Tax Credit] becomes effective as provided in [G.S. 105-153.11(c)].

Subsection (b) was amended to make technical and stylistic changes consistent with updates throughout G.S. 105-153.11.

Previously the subsection defined only the term “qualified donation.” As amended, the definition of “qualified donation” has been substantively changed and definitions have been added for additional terms used throughout G.S. 105-153.11. In addition, the title of the subsection was changed from “Qualified Donation” to “Definitions.”

As rewritten, subsection (b) provides:

- (b) Definitions.** – The following definitions apply in [G.S. 105-153.11]:
- (1) Allocated credit. - A requested credit minus the reduction required under [G.S. 105-153.11(l)].
 - (2) Cap remainder. - The amount that is the difference between the maximum amount and the amount of prioritized credit requests allowed.
 - (3) Maximum amount. - The amount set out in [G.S. 105-153.11(l)] that is the total aggregate amount of all credits allowed to taxpayers under this section and G.S. 105-130.34A for qualified donations made in a calendar year.
 - (4) Nonprioritized credit request. - A credit request under [G.S. 105-153.11] or G.S. 105-130.34A that is for a qualified donation for a use other than forestland or farmland preservation.

- (5) Pass-through entity. - As it is defined in G.S. 105-228.90(b)(21).
- (6) Prioritized amount. - The amount set out in [G.S. 105-153.11(l)] that is for prioritized credit requests.
- (7) Prioritized credit request. - A credit requested under this section or G.S. 105-130.34A that is for a qualified donation for forestland or farmland preservation.
- (8) Qualified donation. – A qualified donation is a donation of a qualified real property interest located in North Carolina that meets all of the following conditions:
 - a. It is donated in perpetuity for one of the following uses and is accepted in perpetuity for the use for which the qualified real property interest is donated:
 - 1. Forestland or farmland preservation.
 - 2. Fish or wildlife conservation.
 - 3. A buffer to limit land use activities that would restrict impede, or interfere with military training, testing, or operations on a military installation or training area or otherwise be incompatible with the mission of the installation.
 - 4. Floodplain protection in a county that, in the five years preceding the donation, was the subject of a Type II or Type III gubernatorial disaster declaration, as provided in G.S. 166A-19.21, as a result of a natural disaster.
 - 5. Historic landscape or conservation.
 - 6. Public trails or access to public trails.
 - b. It is donated to the State, a local government, or a body that is both organized to receive and administer lands for conservation purposes and qualified to receive charitable contributions under the [Internal Revenue] Code. Lands required to be dedicated pursuant to local government regulation or ordinance and dedications made to increase building density levels permitted under a regulation or ordinance are not eligible for [the NC Conservation Tax Credit].
- (9) Qualified real property interest. – As defined in section 170(h)(2) of the [Internal Revenue] Code.
- (10) Total allocated credits. – Total requested credits less any reduction required under [G.S. 105-153.11(l)] and G.S. 105-130.34A(h).
- (11) Taxed pass-through entity. – As defined in G.S. 105-153.3.
- (12) Total requested credits. – The sum of nonprioritized credit requests and prioritized credit requests.

Subsection (c) was amended to make technical and stylistic changes consistent with updates throughout G.S. 105-153.11.

As rewritten, subsection (c) provides:

- (c) **Application**. – An individual or a pass-through entity must file an application with the Secretary to request the [NC Conservation Tax Credit.] The application must be filed on or before April 15 of the year following the calendar year in which the donation was made.

An application is effective for the year in which it is timely filed. The Secretary may not accept late applications. The application must be on a form prescribed by the Secretary and include any information required by the Secretary demonstrating that the donation has met the conditions to qualify for the [NC Conservation Tax Credit], including the following items:

(1) A copy of the certification by the Department of Natural and Cultural Resources identifying which of the valid public benefits listed in [G.S. 105-153.11(b)(8)] for which the donated qualified real property interest is suitable. The certification for a qualified donation made by a pass-through entity must be filed by the pass-through entity.

(2) A self-contained or summary appraisal report as defined in Standards Rule 2-2 in the latest edition of the Uniform Standards of Professional Appraisal Practice as promulgated by the Appraisal Foundation for the donated qualified real property interest. For fee simple absolute donations of real property, an individual or pass-through entity may submit documentation of the county's appraised value of the donated qualified real property interest, as adjusted by the sales assessment ratio, in lieu of an appraisal report.

Subsection (d) was amended to make technical and stylistic changes consistent with updates throughout G.S. 105-153.11.

As rewritten, subsection (d) provides:

(d) Substantiation. – An individual or pass-through entity must maintain and make available for inspection by the Secretary any records the Secretary considers necessary to determine and verify the amount of [NC Conservation Tax Credit] allowed under [G.S. 105-153.11(a)]. The burden of proving eligibility for the [NC Conservation Tax Credit] and the amount of the [NC Conservation Tax Credit] rests upon the taxpayer, and no [NC Conservation Tax Credit] may be allowed to a taxpayer that fails to maintain adequate records or to make them available for inspection.

Subsection (e) was amended to make technical and stylistic changes consistent with updates throughout G.S. 105-153.11. In addition, the title of the subsection was changed from “Individuals” to “Limitation for Individuals.”

As rewritten, subsection (e) provides:

(e) Limitation for Individuals. – The allocated credit allowed under [G.S. 105-153.11(a)] may not exceed two hundred fifty thousand dollars (\$250,000), whether the individual makes, directly or indirectly as an owner of a pass-through entity, one or more qualified donations during the calendar year. In the case of property owned by a married couple, if both spouses are required to file North Carolina income tax returns, the [North Carolina

Conservation Tax Credit] allowed under [G.S. 105-153.11(a)] may be claimed only if the spouses file a joint return. The allocated credit allowed on the joint tax return may not exceed five hundred thousand dollars (\$500,000). If only one spouse is required to file a North Carolina income tax return, the allocated credit to that spouse may not exceed two hundred fifty thousand dollars (\$250,000).

Subsection (f) was amended to make technical and stylistic changes consistent with updates throughout G.S. 105-153.11. In addition, language was added requiring a pass-through entity to allocate to each eligible owner their distributive share of the NC Conservation Tax Credit for which the entity qualified. Lastly, the title of the subsection was changed from “Pass-through Entity” to “Limitation for Pass-Through Entities.”

As rewritten, subsection (f) provides:

(f) Limitation for Pass-Through Entities. – The allocated credit allowed under [G.S. 105-153.11(a)] may not exceed five hundred thousand dollars (\$500,000), whether the pass-through entity makes directly, or indirectly as an owner of another pass-through entity, one or more qualified donations during the calendar year. The pass-through entity must pass through to each of its owners the owner’s distributive share of the [NC Conservation Tax Credit] for which the pass-through entity qualifies, not to exceed the amounts listed in [G.S. 105-153.11(f)(1) and G.S. 105-153.11(f)(2)]. The pass-through entity may allocate the [NC Conservation Tax Credit] only to owner that was an owner of the pass-through entity as of the last day of the calendar year in which the [NC Conservation Tax Credit] was allocated. If an owner’s share of the pass-through entity’s [NC Conservation Tax Credit] is limited due to the maximum allowable credit under [G.S. 105-153.11(f)] for a taxable year, the pass-through entity and its owners may not reallocate the unused credit among the other owners. The maximum allowable credit amounts are:

- (1) Two hundred fifty thousand dollars (\$250,000) to an owner who is an individual.
- (2) Five hundred thousand dollars (\$500,000) to an owner that is a C Corporation or a pass-through entity.

Subsection (g) was amended to make technical and stylistic changes consistent with updates throughout G.S. 105-153.11. In addition, the definition of “taxed pass-through entity” was deleted from the subsection because the term is now defined in G.S. 105-153.11(b). Lastly, the title of the subsection was changed from “Taxed Pass-Through Entity” to “Taxed Pass-Through Entities.”

As rewritten, subsection (g) provides:

(g) Taxed Pass-Through Entities. – A taxed pass-through entity that engages in an activity that makes it eligible for a credit under [G.S. 105-153.11(a)] as an entity may not take the credit at the entity level but must pass through to each of its owners the owner’s distributive share of the credit for which the taxed pass-through entity qualifies. The

maximum allowable credit amounts and other limitations apply in determining the amount of credit available to an owner of a pass-through entity apply to the same extent in determining the amount of a credit for which the taxed pass-through entity qualifies.

Subsection (h) was amended to make technical and stylistic changes consistent with the updates throughout G.S. 105-153.11. In addition, the title of the subsection was changed from “Limitation” to “Cap.”

As rewritten, subsection (h) provides:

(h) Cap. – The allocated credit may not exceed the amount of the tax against which it is claimed for the taxable year reduced by the sum of all credits allowed, except payments of tax made by or on behalf of the individual or pass-through entity.

Subsection (i) was amended to make technical and stylistic changes consistent with updates throughout G.S. 105-153.11.

As rewritten, subsection (i) provides:

(i) Carryforward. - If the allocated credit exceeds the cap under [G.S. 105-153.11(h)], any unused portion of the allocated credit may be carried forward for the next succeeding five years.

Subsection (j) was repealed. Similar language was added to G.S. 105-153.5(a)(2)a to prevent an individual or a pass-through entity from obtaining a “double benefit” by claiming both the NC Conservation Tax Credit and a charitable contribution based on the same qualified donation.

Subsection (k) was added to govern the “transferability” of the NC Conservation Tax Credit.

As written, subsection (k) provides:

(k) Transferability. - Except as otherwise provided in [G.S. 105-153.11(k)], an allocated credit allowed under [G.S. 105-153.11(a)] may not be transferred. A taxpayer that is allowed, but has not used, an allocated credit under [G.S. 105-153.11(a)] may provide through a will, bequest, or other instrument of transfer that, upon the taxpayer's death, the unused allowable credit shall be transferred to a designated beneficiary. If a taxpayer that is allowed, but has not used, an allocated credit under [G.S. 105-153.11(a)] dies without a will, the unused allowable credit shall be transferred to the next person who is eligible to receive [the credit] according to the rules of intestate succession as described in Chapter 29 of the General Statutes. The carryover period for credits transferred under [G.S. 105-153.11(k)] are subject to the original carryover period provided in [G.S. 105-153.11(i)] and shall not be extended.

Subsection (l), previously codified as subsection (g), was amended to make technical and stylistic changes consistent with updates throughout G.S. 105-153.11. In addition, language was added to require the Secretary to allocate the amount of NC Conservation Tax Credits allowed to individuals and pass-through entities for donations made in a taxable year, based on dollar thresholds and priorities set by the General Assembly.

As rewritten, subsection (l) provides:

(l) Ceiling; Use; Allocation. – The amount of total allocated credits under [G.S. 105-153.11] and G.S. 105-130.34A for a taxable year may not exceed five million dollars (\$5,000,000), of which three million two hundred fifty thousand dollars (\$3,250,000) is a prioritized amount. If the total requested credits are equal to or less than the maximum amount, the Secretary shall allow the total requested credits. If the total requested credits are greater than the maximum amount, the Secretary shall allocate the total requested credits in accordance with [G.S. 105-153.11(l)].

Subsection (m), previously codified as subsection (l), was amended to make technical and stylistic changes consistent with updates throughout G.S. 105-153.11. In addition, language was added to provide a detailed proration formula the Secretary must use to reduce the amount of NC Conservation Tax Credit to which a taxpayer is entitled when the amount of total requested credits exceeds either (1) the maximum overall dollar amount authorized for NC Conservation Tax Credits or (2) the maximum amount that is for prioritized credits.

As rewritten, subsection (m) provides:

(m) Reduction. - If the total requested credits exceed the maximum amount, the Secretary shall prorate the total requested credits in accordance with this subsection. If a requested credit is reduced as provided in this subsection, the Secretary shall notify the individuals or pass-through entities of the amount of the reduction of the credit on or before December 31 of the year following the calendar year in which the qualified donation was made. The Secretary's allocations based on applications filed under subsection (c) of this section are final and shall not be adjusted to account for credits requested but reduced under this subsection. The total requested credits shall be reduced as follows:

- (1) If the total requested credits are (i) all prioritized credit requests or (ii) all nonprioritized credit requests, then the Secretary shall prorate the total requested credits based on the proportion of each requested credit to the total requested credits.
- (2) If the total requested credits are (i) a combination of prioritized credit requests and nonprioritized credit requests and (ii) the amount of prioritized credit requests is equal to or less than the prioritized amount, the Secretary shall first allow the prioritized credit requests. The Secretary shall then prorate the cap remainder

based on the proportion of each of the remaining requested credits to the total requested credits less the prioritized amount.

- (3) If the total amount of requested credits is (i) a combination of prioritized credit requests and nonprioritized credit requests and (ii) the amount of prioritized credit requests is greater than the prioritized amount, the Secretary shall first prorate the prioritized credit requests based on the proportion of each prioritized credit request to the prioritized amount. The Secretary shall then prorate the cap remainder, including the remainder of any prioritized credit requests, based on the proportion of each of the remaining requested credits to the total requested credits less the prioritized amount.

Subsection (n), previously codified as subsection (m), was amended to make technical and stylistic changes consistent with updates throughout G.S. 105-153.11. In addition, language was added to require the Department to include the total amount of qualified donations in the economic incentives report required by G.S. 105-256.

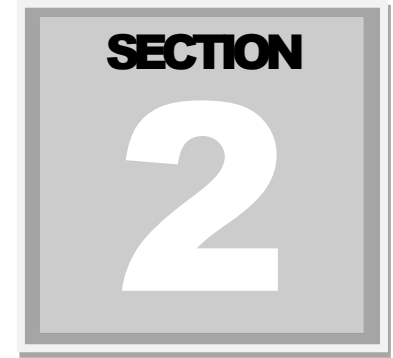
As rewritten, subsection (n) provides:

(n) Report. - The Department must include in the economic incentives report required by G.S. 105-256 the following information:

- (1) The number of individuals and pass-through entities that requested the credit allowed under [G.S. 105-153.11(a)].
- (2) The total amount of allocated credits identified by public benefit as listed in [G.S. 105-153.11(b)(8)].
- (3) The total amount of credits carried forward.
- (4) The total cost to the General Fund of the credits taken.
- (5) The total amount of qualified donations.

(Effective for taxable years beginning on or after January 1, 2025, for donations made on or after January 1, 2025, and expires for taxable years beginning on or after January 1, 2027, for donations made on or after January 1, 2027; HB 74, s. 9.1, S.L. 2025-4.)

SECTION 2 – CORPORATE TAXES



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: Neither an S Corporation nor a Taxed S Corporation are 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. 105-130.4(a) – Market-Based Sourcing for Wholesale Content Distributors: The definition of a wholesale content distributor contained in subdivision (3) of this subsection was amended to update the term “Internet” to “internet”. This conforms with the State’s drafting conventions for use of this term by making it lowercase.

(Effective June 26, 2025; HB 40, s. 29(3), S.L. 2025-25.)

G.S. 105-130.9(4) – Contributions: This subsection was amended to correct a statutory reference to the conservation tax credit in G.S. 105-130.34A. The 2025 General Assembly recodified G.S. 105-130.34 as G.S. 105-130.34A.

(Effective for taxable years beginning on or after January 1, 2025, for donations made on or after January 1, 2025, and expires for taxable years beginning on or after January 1, 2027, for donations made on or after January 1, 2027; HB 74, s. 9.1(b), S.L. 2025-4.)

G.S. 105-130.34A – Credit for Certain Real Property Donations: The 2024 General Assembly reenacted the conservation tax credit for certain real property donations, repealed by Session Law 2013-316, and modified the conservation purposes for which the tax credit can be claimed, (collectively, the “NC Conservation Tax Credit”).

The 2025 General Assembly recodified the NC Conservation Tax Credit from G.S. 105-130.34 to G.S. 105-130.34A and made various stylistic, technical, and substantive changes to the NC

Conservation Tax Credit, including the following:

Subsection (a), which establishes the NC Conservation Tax Credit, was amended to modify the statutory language to ensure consistency with updates made throughout G.S. 105-130.34A. In addition, the title of the subsection was changed from “Credit” to “Credit; Limitation.”

As rewritten, subsection (a) provides:

(a) Credit; Limitation. – Subject to the limitations in [G.S. 105-130.34A], a C Corporation that makes a qualified donation is allowed a credit against the tax imposed by [North Carolina Corporation Income Tax] equal to twenty-five percent (25%) of the fair market value of the qualified donation. The amount of credit allowed under this subsection may not exceed five hundred thousand dollars (\$500,000), whether the corporation makes, directly or indirectly as an owner of a pass-through entity, one or more qualified donations during the calendar year. The credit may not be taken for the year in which the qualified donation is made but may be taken for the taxable year beginning in the calendar year in which the application for the credit becomes effective as provided in [G.S. 105-130.34A(c)].

Subsection (b), previously codified as subsection (a1), was amended to make technical and stylistic changes consistent with updates throughout G.S. 105-130.34A. Previously subsection (a1) defined only the term “qualified donation.” As amended, the definition of “qualified donation” has been substantively changed and definitions have been added for additional terms used throughout G.S. 105-130.34A. In addition, the title of the subsection was changed from “Qualified Donation” to “Definitions.”

As rewritten, subsection (b) provides:

(b) Definitions. – The following definitions apply in [G.S. 105-130.34A]:

- (1) Allocated credit. – A requested credit minus the reduction required under [G.S. 105-130.34A(h)].
- (2) Cap remainder. - The amount that is the difference between the maximum amount of prioritized credit requests allowed.
- (3) Maximum amount. – The amount set out in [G.S. 105-130.34A(h)] that is the total aggregate amount of all credits allowed to taxpayers under [G.S. 105-130.34A] and G.S. 105-153.11 for qualified donations made in a calendar year.
- (4) Nonprioritized credit request. – A credit under [G.S. 105-130.34A] or G.S. 105-153.11 that is for a qualified donation for a use other than farmland preservation.
- (5) Prioritized amount. – The amount set out in [G.S. 105-130.34A(h)] that is for prioritized credit requests.
- (6) Prioritized credit request. – A credit requested under [G.S. 105-130.34A] or G.S. 105-153.11 that is for a qualified donation for forestland or farmland preservation.
- (7) Qualified donation. – A qualified donation is a donation of a qualified real property interest located in North Carolina that meets all of the following condition:

- a. It is donated in perpetuity for one of the following uses and is accepted in perpetuity for the use for which the qualified real property interest is donated:
 - 1. Forestland or farmland preservation.
 - 2. Fish or wildlife conservation.
 - 3. A buffer to limit land use activities that would restrict, impede, or interfere with military training, testing or operations on a installation or training area or otherwise be incompatible with the mission of the installation.
 - 4. Floodplain protection in a county that, in the five years preceding the donation, was the subject of a Type II or Type III gubernatorial disaster declaration, as provided in G.S. 166A-19.21, as a result of a natural disaster.
 - 5. Historic landscape conservation.
 - 6. Public trails or access to public trails.
- b. It is donated to the State, a local government, or a body that is both organized to receive and administer lands for conservation purposes and qualified to receive charitable contributions pursuant to G.S 105-130.9. Lands required to be dedicated pursuant to local government regulation or ordinance and dedications made to increase building density levels permitted under a regulation or ordinance are not eligible for [the NC Conservation Tax Credit].

(8) Qualified real property interest. – As defined in section 170(h)(2) of the [Internal Revenue] Code.

(9) Total allocated credits. – Total requested credits less any reduction required under [G.S. 105-130.34A(h)] and G.S. 105-153.11(l).

(10) Total requested credits. – The sum of nonprioritized credit requests and prioritized credit requests.

Subsection (c), previously codified as subsection (a2), was amended to make technical and stylistic changes consistent with updates throughout G.S. 105-130.34A.

As rewritten, subsection (c) provides:

(c) Application. – A C Corporation must file an application with the Secretary to request the [NC Conservation Tax Credit.] The application must be filed on or before April 15 of the year following the calendar year in which the donation was made. An application is effective for the year in which it is timely filed. The Secretary may not accept late applications. The application must be on a form prescribed by the Secretary and include any information required by the Secretary demonstrating that the donation has met the conditions to qualify for the [NC Conservation Tax Credit], including the following items:

- (1) A copy of the certification by the Department of Natural and Cultural Resources identifying which of the valid public benefits listed in [G.S. 105-130.34A(b)(7)] for which the donated qualified real property interest is suitable. The certification for a qualified donation made by a pass-through entity must be filed by the pass-through entity.

- (2) A self-contained or summary appraisal report as defined in Standards Rule 2-2 in the latest edition of the Uniform Standards of Professional Appraisal Practice as promulgated by the Appraisal Foundation for the donated qualified real property interest. For fee simple absolute donations of real property, a C Corporation may submit documentation of the county's appraised value of the donated qualified real property interest, as adjusted by the sales assessment ratio, in lieu of an appraisal report.

Subsection (d), previously codified as subsection (a3), was amended to make technical and stylistic changes consistent with updates throughout G.S. 105-130.34A. Previous subsection (d) regarding “no double benefit” was repealed because it is already set out in 105-130.9.

As rewritten, subsection (d) provides:

- (d) Substantiation**. – A C Corporation must maintain and make available for inspection by the Secretary any records the Secretary considers necessary to determine and verify the amount of [NC Conservation Tax Credit] allowed under [G.S. 105-130.34A(a)]. The burden of proving eligibility for the [NC Conservation Tax Credit] and the amount of the [NC Conservation Tax Credit] rests upon the taxpayer, and no [NC Conservation Tax Credit] may be allowed to a taxpayer that fails to maintain adequate records or to make them available for inspection.

Subsection (e), previously codified as subsection (b), was amended to make technical and stylistic changes consistent with updates throughout G.S. 105-130.34A. In addition, the title of the subsection was changed from “Limitation” to “Cap.”

As rewritten, subsection (e) provides:

- (e) Cap**. – The allocated credit may not exceed the amount of the tax against which it is claimed for the taxable year reduced by the sum of all credits allowed, except payments of tax made by or on behalf of the C Corporation.

Subsection (f), previously codified as subsection (c), was amended to make technical and stylistic changes consistent with updates throughout G.S. 105-130.34A.

As rewritten, subsection (f) provides:

- (f) Carryforward**. – If the allocated credit exceeds the cap under [G.S. 105-130.34A(e)], any unused portion of the allocated credit may be carried forward for the next succeeding five years.

Subsection (g) was added to govern the “transferability” of the NC Conservation Tax Credit.

As rewritten, subsection (g) provides:

- (g) Transferability**. – An allocated credit allowed under [G.S. 105-130.34A(a)] may not be transferred.

Subsection (h), previously codified as subsection (e), was amended to make technical and stylistic changes consistent with updates throughout G.S. 105-130.34A. In addition, language was added to require the Secretary to allocate the amount of NC Conservation Tax Credits allowed to C Corporations, individuals and pass-through entities for donations made in a taxable year, based on dollar thresholds and priorities set by the General Assembly.

As rewritten, subsection (h) provides:

(h) Ceiling; Use; Allocation. – The amount of total allocated credits under [G.S. 105-130.34A] and G.S. 105-153.11 for a taxable year may not exceed five million dollars (\$5,000,000), of which three million two hundred fifty thousand dollars (\$3,250,000) is a prioritized amount. If the total requested credits are equal to or less than the maximum amount, the Secretary shall allow the total requested credits. If the total requested credits are greater than the maximum amount, the Secretary shall allocate the total requested credits in accordance with [G.S. 105-130.34A(h)].

Subsection (i), previously codified as subsection (f), was amended to make technical and stylistic changes consistent with updates throughout G.S. 105-130.34A. In addition, language was added to provide a detailed proration formula the Secretary must use to reduce the amount of NC Conservation Tax Credit to which a taxpayer is entitled when the amount of total requested credits exceeds either (1) the maximum overall dollar amount authorized for NC Conservation Tax Credits or (2) the maximum amount that is for prioritized credits.

As rewritten, subsection (i) provides:

(i) Reduction. – If the total requested credits exceed the maximum amount, the Secretary shall prorate the total requested credits in accordance with [G.S. 105-130.34A(i)]. If a requested credit is reduced as provided in [G.S. 105-130.34A(i)], the Secretary shall notify the C Corporation of the amount of the reduction of the credit on or before December 31 of the year following the calendar year in which the qualified donation was made. The Secretary's allocations based on applications filed under [G.S. 105-130.34A(c)] are final and shall not be adjusted to account for credits requested but reduced under [G.S. 105-130.34A(i)]. The total requested credits shall be reduced as follows:

- (1) If the total requested credits are (i) all prioritized credit requests or (ii) all nonprioritized credit requests, then the Secretary shall prorate the total requested credits based on the proportion of each requested credit to the total requested credits.
- (2) If the total requested credits are (i) a combination of prioritized credit requests and nonprioritized credit requests and (ii) the amount of prioritized credit requests is equal to or less than the prioritized amount, the Secretary shall first allow the prioritized credit requests. The Secretary shall then prorate the cap remainder based on the proportion of each of the remaining requested credits to the total requested credits less the prioritized amount.
- (3) If the total amount of requested credits is (i) a combination of prioritized credit requests and nonprioritized credit requests and (ii) the amount of prioritized credit requests is greater than the prioritized amount, the

Secretary shall first prorate the prioritized credit requests based on the proportion of each prioritized credit request to the prioritized amount. The Secretary shall then prorate the cap remainder, including the remainder of any prioritized credit requests, based on the proportion of each of the remaining requested credits to the total requested credits less the prioritized amount.

Subsection (j), previously codified as subsection (g), was amended to make technical and stylistic changes consistent with updates throughout G.S. 105-130.34A. In addition, language was added to require the Department to include the total amount of qualified donations in the economic incentives report required by G.S. 105-256.

As rewritten, subsection (j) provides:

(j) Report. – The Department must include in the economic incentives report required by G.S. 105-256 the following information:

- (1) The number of C Corporations that requested the credit allowed under subsection (a) of this section.
- (2) The total amount of allocated credits identified by public benefit as listed in subdivision (7) of subsection (b) of this section.
- (3) The total amount of credits carried forward.
- (4) The total cost to the General Fund of the credits taken.
- (5) The total amount of qualified donations.

(Effective for taxable years beginning on or after January 1, 2025, for donations made on or after January 1, 2025, and expires for taxable years beginning on or after January 1, 2027, for donations made on or after January 1, 2027; HB 74, s. 9.1(a), S.L. 2025-4.)

INSURANCE GROSS PREMIUMS TAX – ARTICLE 8B

G.S. 105-228.5(d)(3) – Taxes Measured by Gross Premiums: The 2024 General Assembly amended this subdivision to change the distribution of net proceeds credited to Workers' Compensation Fund from up to twenty percent (20%) to ten percent (10%). In addition, this subdivision was amended to reference that the Fund is established in G.S. 58-87-10 and that the Fund reserve cannot exceed forty-five million dollars (\$45,000,000). As amended, the statute also now allocates ten percent (10%) of the net proceeds to the Office of the State Fire Marshal in the Department of Insurance to be used to fund the Firefighters' Cancer Insurance Program established in Article 86A of Chapter 58 of the General Statutes and limits the amount credited to ten million dollars (\$10,000,000).

(Effective July 1, 2025, and apply to the distribution of net proceeds of the gross premiums tax collected on or after that date; SB 319, s. 10.2., S.L. 2024-29.)

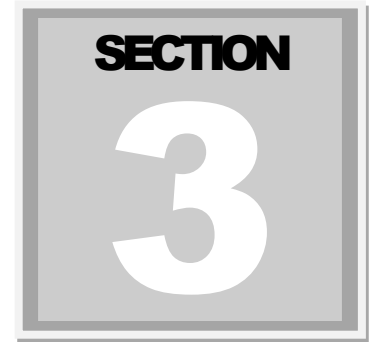
G.S. 105-228.5C– Transfer to Health Advancement Receipts Special Fund: This section was amended to require the gross premiums tax revenue amounts used to pay for the States’s share of the costs of NC Health Works Medicaid coverage be transferred from the Department of Revenue to a Special Fund in the Depart of Health and Human Services instead of to the General Fund.

(Effective July 1, 2025; HB 125, s. 2B.12.(a), S.L. 2025-125.)

G.S. 58-6-25 – Insurance Regulatory Charge: This section was amended to replace “shall be” with “is” in referencing the insurance regulatory charge under this statute as six and a half percent (6.5%). This charge is a percentage of gross premiums tax liability.

(Effective June 26, 2025; HB 40, s. 6., S.L. 2025-25.)

SECTION 3 – EXCISE TAX



TOBACCO PRODUCTS TAX – ARTICLE 2A

G.S. 105-113.4 – Definitions: This section was amended implementing weight-based taxation for snuff and adding alternative nicotine products as a taxable product under Article 2A.

The definition of cigar was renumbered from subsection (1b) to subsection (1c).

The definition of cigarette was renumbered from subsection (1c) to a new subsection: (1d).

Subsection (1b) was amended adding a definition for alternative nicotine products. An alternative nicotine product is a

noncombustible product that contains nicotine, whether natural or synthetic, but does not contain tobacco and is intended for human consumption, whether chewed, absorbed, dissolved, ingested, or by other means. This term does not include a vapor product or any product regulated by the United States Food and Drug Administration under Chapter V of the federal Food, Drug, and Cosmetic Act.

Subsection (10d) was added to define snuff. Snuff is “[a] tobacco product consisting of finely cut, ground, or powdered tobacco that is not intended to be smoked.”

Subsection (11a) amended the definition of tobacco product. As amended, a tobacco product is a “cigarette, a cigar, a vapor product, an alternative nicotine product, or any other product that contains tobacco and is intended for inhalation or oral use.”

(Effective July 1, 2025, and applies to sales or purchases occurring on or after that date; HB 259, s. 42.18.(a), S.L. 2023-134)

G.S. 105-113.4(2d) – Definitions: Delivery Sale: This section was amended to update “Internet” to the term “internet.” This conforms with the State’s drafting conventions for the use of this term.

(Effective June 26, 2025; HB 40, s. 29.(3), S.L. 2025-25.)

G.S. 105-113.4D – Tax with respect to inventory on effective date of tax increase: This section was amended as a part of implementing the new taxation methodology for snuff and the new tax on alternative nicotine products.

This section was amended by clarifying that, for the purposes of this section, “tax increase” includes a new tax or a change to the methodology for calculating a tax that results in additional tax being due.”

(Effective July 1, 2025, and applies to sales or purchases occurring on or after that date; HB 259, s. 42.18.(a), S.L. 2023-134)

G.S. 105-113.4F(c) – Definitions sales of certain tobacco products; age verification: Filing Requirement: This subsection was amended to update “e-mail” to the term “email.” This conforms with the State’s drafting conventions for the use of this term.

(Effective June 26, 2025; HB 40, s. 29.(1), S.L. 2025-25.)

G.S. 105-113.36A – Tax rates; liability for tax: This section was amended changing the taxation methodology for snuff and imposing a new tax on alternative nicotine products. It also made conforming changes to what may be used to determine the value of tobacco products when the taxpayer fails to produce satisfactory documentation to the Secretary.

Subdivision (a)(3) was amended taxing snuff at the rate of forty cents (40¢) per ounce and a proportionate rate on all fractional parts of an ounce. The tax must be computed based on the net weight as listed by the manufacturer on the package in accordance with federal law.

Subdivision (a)(4) was added imposing a tax on alternative nicotine products at the rate of ten cents (10¢) per container containing up to 20 units, and at the rate of one-half cent (1/2¢) per unit for any amount in a container containing over 20 units.

Subdivision (a)(5) was added containing the language previously in subsection (3), which imposes a tax on all other tobacco products at the rate of twelve and eight-tenths percent (12.8%) of the cost price.

Subsection (f) clarifies that if a person liable for the tax imposed by Part 3 of Article 2A cannot produce satisfactory documentation, the Secretary may determine a value based on the cost price, weight, count, or volume of comparable items.

(Effective July 1, 2025, and applies to sales or purchases occurring on or after that date; HB 259, s. 42.18.(b), S.L. 2023-134)

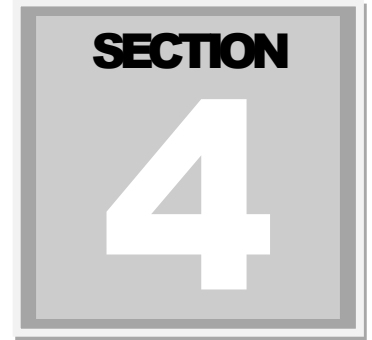
G.S. 105-113.38B – Records: This section was amended as a part of implementing the new taxation methodology for snuff and the new tax on alternative nicotine products.

Subsection (1) was amended limiting the record keeping requirements for remote sellers. As amended, only as to cigars, must a remote seller maintain “a list, updated annually, showing the cost price paid by the remote seller for each stock keeping unit . . .” Previously, this was required for all other tobacco products.

Subsection (3) was amended requiring remote sellers to maintain records documenting “the cost price, weight, or count based on the applicable tax imposed of purchases of all tobacco products sold to consumers in this State.”

(Effective July 1, 2025, and applies to sales or purchases occurring on or after that date; HB 259, s. 42.18.(c), S.L. 2023-134)

SECTION 4 – SALES AND USE TAX



SALES AND USE TAX – ARTICLE 5

DEFINITIONS

G.S. 105-164.3 – Definitions: The 2025 General Assembly amended the definition of one defined term. The change and effective date are as follows:

Telecommunications Service – (269). Subject to the grammatical rules and general drafting conventions of capitalization, the Revisor of Statutes was instructed to make the following change to the defined term. Replace “Internet protocol” with “Internet Protocol” in G.S. 105-164.3.

(Effective June 26, 2025; HB 40, s. 29.(4)., S.L. 2025-25.)

EXEMPTIONS AND EXCLUSIONS

G.S. 105-164.13 – Exemptions and Exclusions: The 2025 General Assembly enacted an amendment to the following exemption from sales and use tax. The amended change and the effective date are as follows:

Sales of items by a provider of continuing care . . . – (74). This exemption is amended to update a statute reference. This subdivision is amended and provides an exemption for “[s]ales of items by a provider of continuing care to its residents, other than sales of alcoholic beverages. A provider of continuing care must pay sales and use tax on the purchase price of an item that is exempt from tax under this subdivision as if the provider is the user of the item. As a result, the provider of continuing care is not required to pay sales or use tax if the purchase would be exempt if purchased for use, not resale, by the provider. The terms ‘provider,’ ‘continuing care,’ and ‘resident’ have the same meanings as defined in G.S. 58-64A-5. The term ‘alcoholic beverage’ has the same meaning as defined in G.S. 18B-101.” [Emphasis added.]

(Effective December 1, 2025, and applies to (i) offenses committed on or after that date and (ii) contracts issued, renewed, or amended on or after that date; HB 357, s. 3., S.L. 2025-58.)

GUILFORD COUNTY ONE-QUARTER CENT (1/4¢) COUNTY SALES AND USE TAX

The changes in this section apply only to Guilford County. In addition, the General Assembly made some effective dates in this section dependent on future actions to be taken by the Guilford County Board of Commissioners.

“(a) Definitions. – The definitions in G.S. 105-472 apply to this section to the extent they are not inconsistent with the provisions of this section. In addition, the following definitions apply in this section:

- (1) Allocated share. – The product of a qualifying municipality's per capita distribution multiplied by twenty-five percent (25%).
- (2) Council. – Defined in G.S. 160A-1.
- (3) Per capita distribution. – The net proceeds of the tax collected under Articles 39, 40, and 42 of Chapter 105 of the General Statutes and distributable to a qualifying municipality as calculated using the per capita distribution method under G.S. 105-472(b)(1).
- (4) Qualifying municipality. – A municipality that meets all of the following requirements:
 - a. Is in Guilford County.
 - b. Does not levy ad valorem taxes.
 - c. Does not receive distributions under G.S. 105-472(b)(2).

(b) Authorization. – Notwithstanding G.S. 105-472(b)(2), 105-486(c), and 105-501(a), a qualifying municipality may receive an allocated share of the net proceeds of the tax collected under Articles 39, 40, and 42 of Chapter 105 of the General Statutes in accordance with this section during any year in which the ad valorem method of distribution under G.S. 105-472 is in effect for Guilford County.

(c) Resolution Required. – The council of a qualifying municipality shall adopt a resolution indicating its intent to receive an allocated share in accordance with this section. A resolution adopted in 2025 must be adopted no later than October 1, 2025. For a resolution adopted in any other year, the resolution must be adopted during the month of April. For a resolution under this subsection to be effective, a certified copy of it must be delivered to the Secretary in Raleigh. If the council of a qualifying municipality fails to adopt a resolution under this subsection, or if a certified copy of the resolution is not delivered to the Secretary, that qualifying municipality is prohibited from receiving an allocated share. A resolution under this subsection is effective for net proceeds distributed beginning on and after the fiscal year following the fiscal year after the adoption of the resolution and is effective until either (i) the municipality no longer meets the criteria of a ‘qualifying municipality’ or (ii) a resolution by the Guilford County Board of Commissioners choosing the per capita distribution method becomes effective in accordance with G.S. 105-472.

(d) Discontinuation. – If either of the conditions listed in (i) or (ii) of subsection (c) of this section are met, the distributions shall be discontinued in accordance with this subsection. If the condition in (i) of subsection (c) of this section is met because the municipality levies an ad valorem tax, then the distribution under this act shall be discontinued effective for net proceeds distributed beginning on and after the fiscal year for which ad valorem taxes are levied by the municipality. If the condition in (ii) of subsection (c) of this section is met, then the distribution under this act shall be discontinued effective for net proceeds distributed beginning on and after the fiscal year following the succeeding fiscal year after the adoption of the resolution by the Guilford County Board of Commissioners choosing the per capita distribution method of distribution. The council of the qualifying municipality shall adopt and submit a new resolution consistent with this subsection indicating the condition resulting in the discontinuance of distributions under this act. A certified copy of a resolution under this subsection must be delivered to the Secretary in Raleigh.

(e) Distribution Method. – The Secretary of Revenue shall calculate and distribute the net proceeds of the tax collected under Articles 39, 40, and 42 of Chapter 105 of the General Statutes under this act and provide certain information to assist with distributions made by the county and its municipalities to taxing districts as follows:

- (1) Determine Guilford County's allocation in accordance with G.S. 105-472(a).
 - (2) Deduct a qualifying municipality's allocated share from the county allocation and distribute the allocated share to a qualifying municipality.
 - (3) Divide the remaining funds among the county and its other municipalities in accordance with G.S. 105-472(b)(2).
 - (4) Provide Guilford County and any municipality that levies an ad valorem tax on behalf of a taxing district or otherwise distributes a taxing district's share of net proceeds under G.S. 105-472(b)(2), the amount of what the taxing district's distribution would have been but for the allocated share to a qualifying municipality.
- (f) Hold Harmless. – A taxing district in Guilford County or the City of Greensboro for which ad valorem taxes are collected by the county in behalf of the taxing district shall receive their funds from the county or the City of Greensboro, as applicable, under G.S. 105-472(b)(2) as if the allocated share had not been paid to a qualifying municipality under subsection (b) of this section.
- (g) Service/Fire Districts Inapplicable. – Ad valorem taxes levied by any service or fire district located in whole or in part within a qualifying municipality shall not prohibit that municipality from receiving net proceeds under this section.
- (h) This section is effective when it becomes law and expires for net proceeds distributed beginning on or after the date of the levy of a tax by Guilford County that was approved in a referendum authorized under Article 46 of Chapter 105 of the General Statutes, as amended by Section 2 of this act. If the Guilford County Board of Commissioners repeals the tax levied under Article 46 of Chapter 105 of the General Statutes, as amended by Section 2 of this act, this section is reenacted for net proceeds distributed beginning on or after the date of the repeal. The Guilford County Board of Commissioners shall notify the Revisor of Statutes if it either levies or repeals the tax under Article 46 of Chapter 105 of the General Statutes, as amended by Section 2 of this act.

(Effective July 31, 2025; HB 305, s. 1., S.L. 2025-87. Note: This change expires for net proceeds distributed beginning on or after the date of the levy of a tax by Guilford County that was approved in a referendum authorized under Article 46 of Chapter 105 of the General Statutes, as amended by Section 2 of S.L. 2025-87. If the Guilford County Board of Commissioners repeals the tax levied under Article 46 of Chapter 105 of the General Statutes, as amended by Section 2 of S.L. 2025-87, this section is reenacted for net proceeds distributed beginning on or after the date of the repeal. The Guilford County Board of Commissioners shall notify the Revisor of Statutes if it either levies or repeals the tax under Article 46 of Chapter 105 of the General Statutes, as amended by Section 2 of S.L. 2025-87.)

G.S. 105-537 was rewritten as follows for Guilford County only: This section is amended to provide the following:

- “(a) Authority. – A tax levied under this Article must be approved in a “referendum.” If the majority of those voting in a referendum held pursuant to this Article vote for the levy of the tax, the board of county commissioners may, by resolution and after 10 days' public notice, levy a local sales and use tax at a rate of one-quarter percent (0.25%).
- (b) Vote. – The board of county commissioners may direct the county board of elections to conduct an advisory referendum on the question of whether to levy a local sales and use tax in the county as provided in this Article. The election shall be held in accordance with the procedures of G.S. 163-287, except that the election shall not be held within one year from the date of the last preceding election under this section.
- (c) Ballot Question. – The form of the question to be presented on a ballot for a special election concerning the levy of the tax authorized by this Article shall be:

[] FOR [] AGAINST

Local sales and use tax at the rate of one-quarter of one percent (0.25%) in addition to all other State and local sales and use taxes to be used solely for classroom teacher salary supplements, fire protection equipment and services, for Guilford Technical Community College, and to be used by municipalities for any public purpose.”[Emphasis added]

(Effective July 31, 2025; H.B. 305, s. 2.(b). S.L 2025-87. Note: This section applies only to Guilford County and only to referenda held on or after that date for which the Guilford County Board of Commissioners has adopted a resolution prior to, on, or after July 31, 2025.)

G.S. 105-538 – Administration, Distribution, and Use of Taxes for Guilford County only:

This section is amended to provide the following:

“(a) *Definitions.* – The following definitions and the definitions in G.S. 105-472, to the extent they are not inconsistent with the provisions of this section, apply in this section:

- (1) *Adjusted distribution.* – The net proceeds of the tax collected under Articles 39, 40, and 42 of Chapter 105 of the General Statutes distributable to a municipality as calculated using the per capita distribution method under G.S. 105-472(b)(1) multiplied by twenty-five percent (25%).
- (2) *Ad valorem distribution.* – The net proceeds of the tax collected under Articles 39, 40, and 42 of Chapter 105 of the General Statutes and distributable to a municipality as calculated using the ad valorem distribution method under G.S. 105-472(b)(2).
- (3) *Allocated share.* – An amount equal to a qualifying municipality's ad valorem distribution subtracted from its adjusted distribution but only if the amount is positive.
- (4) *Per capita distribution.* – The net proceeds of the tax collected under Articles 39, 40, and 42 of Chapter 105 of the General Statutes and distributable to a municipality as calculated using the per capita distribution method under G.S. 105-472(b)(1).
- (5) *Qualifying municipality.* – A municipality located in Guilford County that has an adjusted distribution that is greater than its ad valorem “distribution.”

(b) *“Administration.”* – The Secretary shall, on a monthly basis, allocate to each taxing county the net proceeds of the tax levied under this Article. If the Secretary collects taxes under this Article in a month and the taxes cannot be identified as being attributable to a particular taxing county, the Secretary must allocate the net proceeds of these taxes among the taxing counties in proportion to the amount of taxes collected in each county under this Article in that month. For purposes of this Article, the term ‘net proceeds’ has the same meaning as defined in G.S. 105-472.

Except as provided in this Article, the adoption, levy, collection, administration, and repeal of these additional taxes must be in accordance with Article 39 of this Chapter. G.S. 105-468.1 is an administrative provision that applies to this Article. A tax levied under this Article does not apply to the sales price of food that is exempt from tax pursuant to G.S. 105-164.13B or to the sales price of a bundled transaction taxable pursuant to G.S. 105-467(a)(5a).

(c) *Distribution Method.* – During any year in which the ad valorem method of distribution under G.S. 105-472 is in effect in the taxing county, the Secretary shall calculate and distribute, on a monthly basis, the net proceeds of the tax collected under this Article as follows:

- (1) *Of the amount allocated to the taxing county, calculate and set aside an amount equal to the sum of the amounts listed in this subdivision multiplied by a fraction with a numerator of 1 and a denominator of 12. The amounts calculated under this*

subdivision shall be based on using the total annual net proceeds from the prior fiscal year. The amount set aside under this subdivision shall be distributed in accordance with subdivision (3) of this subsection. The amounts are:

- a. The greater of twenty percent (20%) of the net proceeds or five million dollars (\$5,000,000).
 - b. The greater of ten percent (10%) of the net proceeds or two million five hundred thousand dollars (\$2,500,000).
- (2) From the amount remaining after the calculation in subdivision (1) of this subsection, deduct a qualifying municipality's allocated share and distribute the allocated share to the qualifying municipality.
- (3) From the amount remaining after the distribution in subdivision (2) of this subsection, distribute to the county the amount set aside under subdivision (1) of this subsection plus the remaining net proceeds, if any, after the distribution in subdivision (2) of this subsection.

(d) *Municipal and District Use.* – Each fiscal year, a qualifying municipality, except for the Town of Summerfield, shall use the net proceeds of a tax distributed to it under this Article only for any public purpose. The Town of Summerfield shall distribute the allocated share to the Summerfield Fire District until the cumulative total distributed reaches three million dollars (\$3,000,000). The Summerfield Fire District shall use the net proceeds distributed to it only for capital enhancements for water resources related to fire protection. When the cumulative total distributed to the Summerfield Fire District reaches three million dollars (\$3,000,000), the Town of Summerfield shall retain the allocated share distributed to it on and after that date and use it for any public purpose. For purposes of this subsection, the ‘cumulative total’ is determined from the first distribution until distributions across fiscal years equal or exceed three million dollars (\$3,000,000).

(e) *County Use.* – Each fiscal year, a county shall use the net proceeds of a tax distributed to it under this Article for the items and in the amounts and priority order as set forth in this subsection. A county shall use the net proceeds of a tax distributed to it under this Article to supplement and not to supplant or replace existing funds or other resources for the items listed and shall, at a minimum, maintain funding for the items listed at a level that meets the average level of funding provided for that item during the previous 10 years. The items and amounts are as follows:

- (1) Twenty percent (20%) or five million dollars (\$5,000,000), whichever is greater, to the Guilford County Fire and Rescue Council for equipment purchases or capital expenditures necessary to provide fire protection services in the county.
- (2) Ten percent (10%) or two million five hundred thousand dollars (\$2,500,000), whichever is greater, to the Guilford Technical Community College for capital expenditures.
- (3) The remainder for classroom teacher salary supplements. For purposes of this subsection, a ‘classroom teacher’ is an employee of a local board of education employed as a teacher who spends at least seventy percent (70%) of his or her work time in classroom instruction.” [Emphasis added]

(Effective July 31, 2025; H.B. 305, s. 2.(c). S.L 2025-87. Note: This section applies only to Guilford County and only to referenda held on or after that date for which the Guilford County Board of Commissioners has adopted a resolution prior to, on, or after July 31, 2025.)

LOCAL PUBLIC TRANSPORTATION TAXES AND NEW ADDITIONAL MECKLENBURG ONE PERCENT (1%) TAX

The General Assembly made some of the changes in this section effective on the same date that the tax levied under Part II of the session law becomes effective. At this time, the Department understands the Mecklenburg County Board of Commissioners has taken action to levy the tax effective July 1, 2026. As a result, the Department has listed the anticipated effective date for impacted provisions. During 2026, the Department will publish additional guidance regarding the effective date of this levy.

G.S. 105-506.1. – Definitions: This section is amended to provide “[t]he definitions in G.S. 105-164.3 and the following definitions apply in . . . [Article 43 of Chapter 105 of the North Carolina General Statutes]:

- ...
- “(3) Public transportation system. – Any combination of real and personal property established for purposes of public transportation. The systems may include one or more of the following: structures, improvements, buildings, equipment, vehicle parking or passenger transfer facilities, railroads and railroad rights-of-way, rights-of-way, bus services, shared-ride *services and other forms of micro transit*, high-occupancy vehicle facilities, car-pool and vanpool programs, voucher programs, telecommunications and information systems, integrated fare systems, and the interconnected bicycle and pedestrian infrastructure that supports public transportation, bus lanes, and busways. *The term includes tunnels and other infrastructure designed to rapidly transport people, freight, or vehicles through automated means.* The term does not include, however, streets, roads, or highways except to the extent they are dedicated to public transportation vehicles or to the extent they are necessary for access to vehicle parking or passenger transfer facilities.
 - (4) Transportation authority. – *For the purposes of Part 2 of . . . [Article 43 of Chapter 105 of the North Carolina General Statutes], a metropolitan public transportation authority created pursuant to Article 34 of Chapter 160A of the General Statutes. For the purposes of Parts 3 and 4 of . . . [Article 43 of Chapter 105 of the North Carolina General Statutes], a regional public transportation authority created pursuant to Article 26 of Chapter 160A of the General Statutes; and for the purposes of Parts 3 and 5 of . . . [Article 43 of Chapter 105 of the North Carolina General Statutes], a regional transportation authority created pursuant to Article 27 of Chapter 160A of the General Statutes.* [Emphasis added.]

(Effective July 1, 2025; H.B. 948, s. 2.1., S.L. 2025-39.)

G.S. 105-507.2. – Levy, Collection, and Repeal of Sales and Use Tax: This section is amended and provides the following:

- “(a) If the majority of those voting in a referendum held pursuant to G.S. 105-507.1 vote for the levy of the tax, the board of commissioners of the county may, by resolution, levy one-half percent (½%) local sales and use taxes in addition to any other State and local sales and use taxes levied pursuant to law. Except as provided in this Part, the adoption, levy, collection, administration, and repeal of these additional taxes shall be in accordance with Article 39 of this Chapter. In applying the provisions of Article 39 of this Chapter to this Part, references to ‘this Article’ mean ‘Part 1 of Article 43 of Chapter 105 of the General Statutes.’
- (b) *No action by a county to repeal a tax levied under this Part may become effective while*

previously issued or, as provided in this subsection, refinanced, bonds, notes, or other financing secured or payable by receipts derived from the tax allocated to a municipality or a transportation authority by the county remain outstanding. Nothing in this Part obligates a county to exercise any power of taxation or restricts the ability of the county to repeal the tax previously levied. If a county repeals a tax levied under this Part, a municipality or transportation authority may refinance previously issued bonds, notes, or other financing that are secured or payable by receipts for the tax revenue under this Part to reduce debt service as allowed under the law so long as the refinancing does not extend the date of maturity for the previously issued bonds, notes, or other financing." [Emphasis added.]

(Effective July 1, 2025; H.B. 948, s. 2.2., S.L. 2025-39.)

G.S. 105-507.3.(b) – Distribution and Use of Taxes: This subsection is amended to provide the following:

"(b) Use. – A county must allocate the net proceeds distributed to it in accordance with its financial plan adopted pursuant to G.S. 105-507 and use the net proceeds only for financing, constructing, operating, and maintaining local public transportation systems. Any other unit of local government may use the net proceeds distributed to it under this Part only for financing, constructing, operating, and maintaining local public transportation systems. Every unit of government shall use the net proceeds to supplement and not to supplant or replace existing funds or other resources for public transportation systems. *The net proceeds distributed to any unit of local government, other than the county that levies the tax, pursuant to this Part may be included as revenues within the meaning of G.S. 159-81(4), including any modifications of that statute.*" [Emphasis added.]

(Effective July 1, 2025; H.B. 948, s. 2.3., S.L. 2025-39.)

G.S. 105-507.3. – Distribution and Use of Taxes: This section is amended to provide the following:

"(a) Distribution. – The Secretary shall, on a monthly basis, allocate to each taxing county the net proceeds of the tax levied under this Part by that county. If the Secretary collects taxes under this Part in a month and the taxes cannot be identified as being attributable to a particular taxing county, the Secretary shall allocate these taxes among the taxing counties, in proportion to the amount of taxes collected in each county under this Part in that month and shall include them in the monthly distribution.

The Secretary shall distribute the net proceeds of the tax levied by a county *to the largest transportation authority that includes the county*. No proceeds shall be distributed to a *transportation authority* that does not operate a public transportation system.

(b) Use. – *A transportation authority* may use the net proceeds distributed to it under this Part only for financing, constructing, operating, and maintaining local public transportation systems. The net proceeds distributed to any unit of local government, other than the county that levies the tax, pursuant to this Part may be included as revenues within the meaning of G.S. 159-81(4), including any modifications of that statute." [Emphasis added.]

(Anticipated Effective July 1, 2026; H.B. 948, s. 2.4., S.L. 2025-39. Note: Effective only if Mecklenburg County levies a tax authorized under Part IV of this act. If Mecklenburg County levies a tax authorized under Part IV of this act, then this section becomes effective on the same date that the tax levied under that Part becomes effective.)

Revisions to Current Mecklenburg County U-Drive-It Tax: This section is amended to provide the following:

“A county authorized to impose a tax under Part 2 of Article 43 of Chapter 105 of the General Statutes is considered an authority under Article 50 of Chapter 105 of the General Statutes, as enacted by Section 3 of this act, and the board of commissioners of that county is considered the board of trustees of the authority under Article 50. G.S. 105-554 of Article 50 does not apply to the proceeds of a tax imposed by a county considered an authority under this section. The proceeds of a tax imposed by a county considered an authority under this section must be transferred to the largest *metropolitan public transportation authority, including* that county operating a public transportation system and used only for financing, constructing, operating, and maintaining a public transportation system. The proceeds may supplant existing funds allocated for a public transportation system. The term 'public transportation system' has the same meaning as defined in G.S. 105-506.1.” [Emphasis added]

(Anticipated Effective July 1, 2026; H.B. 948, s. 3.1., S.L. 2025-39. Note: Effective only if Mecklenburg County levies a tax authorized under Part IV of this act. If Mecklenburg County levies a tax authorized under Part IV of this act, then this section becomes effective on the same date that the tax levied under that Part becomes effective.)

Additional Mecklenburg County Roadway Systems and Public Transportation Systems Sales Tax: This section is added to provide the following:

“Title. – This Part is the Mecklenburg County Roadway Systems and Public Transportation Systems Sales Tax Act and may be cited by that name. This Part gives Mecklenburg County an opportunity to obtain an additional source of revenue with which to meet its needs for financing roadway systems and public transportation systems. It provides the County with authority to levy sales and use taxes. All such taxes must be approved in a referendum.”

(Effective July 1, 2025; H.B. 948, s. 4.1., S.L. 2025-39)

Additional Mecklenburg County Roadway Systems and Public Transportation Systems Sales Tax: This section is added to provide the following:

“Definitions. – The definitions in G.S. 105-164.3, G.S. 105-506.1, and the following definitions apply in this Part:

- (1) Authority. – A metropolitan public transportation authority created under Article 34 of Chapter 160A of the General Statutes, as enacted by Part V of this act.
- (2) Eligible municipality. – Any of the following municipalities in Mecklenburg County: the City of Charlotte and the Towns of Cornelius, Davidson, Huntersville, Matthews, Mint Hill, and Pineville.
- (3) Red Line. – A rail project that includes, at a minimum, service from the center of the City of Charlotte through the towns of Cornelius, Davidson, and Huntersville and, provided that agreement is obtained from applicable local governments outside of Mecklenburg County, continues to a point north of the jurisdiction of the Town of Davidson, and in no event shall the terminus be in the Town of Davidson's jurisdiction unless approved by the Town of Davidson.
- (4) Roadway system. – A roadway together with appurtenances to a roadway which includes, but is not limited to, plans, designs, and related studies; rights-of-way, whether conveyed by deed or easement; construction, maintenance, and improvements to streets and highways, intersections, streetscapes and landscaping, pedestrian facilities, bicycle facilities, parking lots, curbs, gutters, storm drainage, bridges, overpasses, grade

crossings, street lighting, and traffic control devices; utility relocations; publicly accessible electric vehicle charging infrastructure, hydrogen fueling infrastructure, propane fueling infrastructure, natural gas fueling infrastructure, and vehicle-to-grid infrastructure; current and emerging intelligent transportation technologies, including the ability of vehicles to communicate with infrastructure, buildings, and other road users; projects that facilitate intermodal connections between emerging transportation technologies, such as magnetic levitation and hyperloop; protective features, including natural infrastructure, to enhance the resilience of a transportation facility; and measures to protect a roadway system from cybersecurity threats.”

(Effective July 1, 2025; H.B. 948, s. 4.2., S.L. 2025-39.)

Additional Mecklenburg County Roadway Systems and Public Transportation Systems

Sales Tax: This section is added to provide the following:

“Exemption of Food. – A tax levied under this Part does not apply to the sales price of food that is exempt from tax pursuant to G.S. 105-164.13B or to the sales price of a bundled transaction taxable pursuant to G.S. 105-467(a)(5a).”

(Effective July 1, 2025; H.B. 948, s. 4.3., S.L. 2025-39.)

Additional Mecklenburg County Roadway Systems and Public Transportation Systems

Sales Tax: This section is added to provide the following:

“Advisory Referendum. – The Mecklenburg County Board of Commissioners may direct the county board of elections to conduct an advisory referendum within the County on the question of whether a local sales and use tax at the rate of one percent (1%) may be levied in accordance with this Part. The election shall be held in accordance with the procedures of G.S. 163-287. The Board of Commissioners shall hold a public hearing on the question at least 30 days before the date the election is to be held.”

(Effective July 1, 2025; H.B. 948, s. 4.4(a), S.L. 2025-39.)

Additional Mecklenburg County Roadway Systems and Public Transportation Systems

Sales Tax: This section is added to provide the following:

“Ballot Question. – The form of the question to be presented on a ballot for a special election concerning the levy of a tax authorized by this Part shall be:

[] FOR [] AGAINST

One percent (1%) local sales and use taxes, in addition to the current local sales and use taxes, to be used only for roadway systems and public transportation systems.”

(Effective July 1, 2025; H.B. 948, s. 4.4(b), S.L. 2025-39.)

Additional Mecklenburg County Roadway Systems and Public Transportation Systems

Sales Tax: This section is added to provide the following:

“Levy of Tax. – The Board of Commissioners may, by resolution, levy one percent (1%) local sales and use taxes in addition to any other State and local sales and use taxes levied pursuant to law only if all of the following conditions are satisfied:

- (1) The majority of those voting in a referendum held pursuant to Section 4.4(a) of this Part vote for the levy of the tax.
- (2) An Authority that includes Mecklenburg County has been established.

- (3) At least one eligible municipality or an Authority maintains a public transportation system in the County.”

(Effective July 1, 2025; H.B. 948, s. 4.5., S.L. 2025-39.)

Additional Mecklenburg County Roadway Systems and Public Transportation Systems

Sales Tax: This section is added to provide the following:

“Administration. – Except as otherwise provided in this Part, the adoption, levy, collection, administration, and repeal of these additional taxes shall be in accordance with Article 39 of Chapter 105 of the General Statutes. Nothing in this Part obligates Mecklenburg County to exercise any power of taxation or restricts the ability of the County to repeal the tax previously levied.”

(Effective July 1, 2025; H.B. 948, s. 4.6., S.L. 2025-39.)

Additional Mecklenburg County Roadway Systems and Public Transportation Systems

Sales Tax: This section is added to provide the following:

“Distribution. – The Secretary of Revenue shall, on a monthly basis, distribute to Mecklenburg County the net proceeds of the tax levied under this Part. Mecklenburg County must distribute forty percent (40%) of the net proceeds of a tax levied under this Part as provided in Section 4.8 of this act and sixty percent (60%) of the net proceeds of a tax levied under this Part as provided in Section 4.9 of this act.”

(Effective July 1, 2025; H.B. 948, s. 4.7., S.L. 2025-39.)

Additional Mecklenburg County Roadway Systems and Public Transportation Systems

Sales Tax: This section is added to provide the following:

“Roadway Distribution and Use. – Mecklenburg County must distribute forty percent (40%) of the net proceeds of a tax levied under this Part among the eligible municipalities as provided in this section. Each eligible municipality shall annually submit to the County a copy of the statement certified by a registered engineer or surveyor that is submitted to the Department of Transportation under G.S. 136-41.1(a) of the total number of miles of streets in that municipality that are not part of the State highway system. The word ‘street’ as used under this section has the same definition as provided in G.S. 136-41.1(a). Each eligible municipality shall use the net proceeds distributed to it under this section only for costs associated with financing, constructing, operating, or maintaining roadway systems.

- (1) Procedure. The following amounts must be computed before the distribution of any tax proceeds under this subdivision:

- a. The monthly amount for each eligible municipality other than the City of Charlotte is equal to one hundred twenty-five percent (125%) of the greater of the following two amounts:
 1. The amount generated by multiplying the net proceeds distributed under this section during a month by the percentage proportion that the mileage of streets in the eligible municipality that do not form a part of the State highway system bears to the total mileage of the streets that do not constitute a part of the State highway system in all eligible municipalities combined.
 2. The sum of the following:
 - I. The amount generated by multiplying seventy-five percent (75%) of the net proceeds distributed under this section during a month by the percentage proportion that the population of the eligible municipality

bears to the total population of all eligible municipalities according to the most recent annual estimates of population as certified to the Secretary of Revenue by the State Budget Officer.

- II. The amount generated by multiplying twenty-five percent (25%) of the net proceeds distributed under this section during a month in the percentage proportion that the mileage of streets in each eligible municipality that do not form a part of the State highway system bears to the total mileage of the streets that do not constitute a part of the State highway system in all eligible municipalities combined.
- b. The monthly amount for the City of Charlotte is the remainder of net proceeds to be distributed under this section during a month after the amounts for the other eligible municipalities are determined under Section 4.8(1)a. of this act.
- c. The annual amount for an eligible municipality is equal to the sum of the 12 monthly amounts for that municipality.
- d. The baseline amount for an eligible municipality other than the City of Charlotte is equal to the following:
 1. For fiscal years beginning on or after the effective date of the levy of the tax but prior to the first full fiscal year beginning on or after one year after the effective date of the levy of the tax, the baseline amount is zero.
 2. For fiscal years beginning on or after at least one full fiscal year after the effective date of the levy of the tax but before the release of census data by the U.S. Census Bureau for the next decennial census, the annual amount as calculated under Section 4.8(1)c. of this act for the first full fiscal year beginning on or after the effective date of the levy of the tax.
 3. For later fiscal years, the annual amount as calculated under Section 4.8(1)c. of this act for the first fiscal year beginning on or after the release of census data by the U.S. Census Bureau for the most recent decennial census.
- e. The baseline amount for the City of Charlotte is zero.

- (2) Distribution. The distribution of net proceeds under this subdivision is as follows:
- a. For the first 11 months of the fiscal year, the County shall distribute the monthly amount to each eligible municipality.
 - b. For the final month of the fiscal year, the distribution is as follows:
 1. If the total net proceeds distributed to the County for the fiscal year are less than the total net proceeds distributed to the County for the preceding fiscal year, the County shall distribute the monthly amount to each eligible municipality.
 2. If the total net proceeds distributed to the County for the fiscal year are greater than the total net proceeds distributed to the County for the preceding fiscal year, the County shall distribute the proceeds as follows:
 - I. If the annual amount for each municipality is greater than the baseline amount for that municipality, the monthly amount.
 - II. Except as provided in Section 4.8(2)b.2.III. of this act, if the annual amount for any municipality is less than the baseline amount for that municipality, then the following:
 - A. The amount to be distributed to each eligible municipality whose annual amount is less than the baseline amount is the amount needed so that the total amount distributed to that

- municipality for the fiscal year is equal to the baseline amount.
- B. The amount to be distributed to the other eligible municipalities is the monthly amount as reduced by this sub-sub-sub-sub-subdivision. The amount of the reduction is equal to the difference between the annual amount and the baseline amount for all eligible municipalities combined that receive a distribution under Section 4.8(2)b.2.II.A. of this act multiplied by a percentage. The percentage is equal to the percentage proportion that the population of the eligible municipality bears to the total population of all eligible municipalities subject to distribution under this sub-sub-sub-sub-subdivision according to the most recent annual estimates of population as certified to the Secretary of Revenue by the State Budget Officer.
- III. If the calculation required in Section 4.8(2)b.2.II.B. of this act would result in the annual amount for any of those eligible municipalities to be lower than that municipality's baseline amount, then the county shall distribute to each eligible municipality the monthly amount.”

(Effective July 1, 2025; H.B. 948, s. 4.8., S.L. 2025-39.)

Additional Mecklenburg County Roadway Systems and Public Transportation Systems

Sales Tax: This section is added to provide the following:

“Each eligible municipality shall use the net proceeds distributed to it under Section 4.8 of this act to supplement and not to supplant or replace existing local expenditures for roadway systems. For purposes of this section, ‘local expenditures’ means expenditures from non-State and nonfederal funds that are not derived from the proceeds of indebtedness issued by the municipality or grants received by the municipality. To comply with this section, each eligible municipality shall, at a minimum, maintain local expenditures for roadway systems at a level that meets or exceeds the average level of local expenditures for roadway systems by the municipality during the 10 fiscal years beginning with the 2014-2015 fiscal year and ending with the 2023-2024 fiscal year.”

(Effective July 1, 2025; H.B. 948, s. 4.8A., S.L. 2025-39.)

Additional Mecklenburg County Roadway Systems and Public Transportation Systems

Sales Tax: This section is added to provide the following:

“Public Transportation Distribution and Use. – Mecklenburg County must distribute sixty percent (60%) of the net proceeds of the tax levied under this Part to the Authority. The Authority shall use the net proceeds distributed to it under this section only for costs associated with financing, acquiring, constructing, operating, and maintaining any combination of real and personal property for a public transportation system, specifically including micro transit services. The Authority may accomplish these purposes by undertaking these activities itself or by entering an interlocal agreement with a municipality in Mecklenburg County that operates a public transportation system to use funds allocated under this section for those purposes as directed by the Authority in the interlocal agreement. An interlocal agreement entered under this section may include a binding commitment on the part of the Authority to allocate all or a portion of these proceeds to the municipality for a defined number of years or until a defined condition is met, such as the satisfaction of any debt that was issued for public transportation systems. In addition, the Authority may enter an agreement with a private entity whereby that entity uses these funds for

this purpose as directed by the Authority in the agreement. The net proceeds of a tax levied under this Part that are distributed to the Authority may be included as revenues within the meaning of G.S. 159-81(4), including any modifications of that statute. The following conditions apply to the use of funds distributed under this section:

- (1) No more than two-thirds of these funds may be used for the capital and operating costs of rail projects over any period of 30 calendar years combined. Compliance with this section is first determined at the end of the first 30-year period, and then annually thereafter based on the previous 30-year period. Nothing in this section will be interpreted to adversely impact the rights of bondholders to any funds distributed or pledged to secure bonds, notes, or other obligations used to finance or refinance real and personal property for a public transportation system.
- (2) The Authority shall complete at least fifty percent (50%) of the Red Line as evidenced by a scope of work schedule created and submitted by the general contractor or construction manager on the project before the completion of any other rail project, absent the existence or occurrence of force majeure events that delay completion of the Red Line or make completion of the Red Line impracticable. For the purposes of this section, a 'scope of work schedule' is defined as a listing of project tasks associated with a project timeline that is updated as the Red Line construction project progresses. For the purposes of this section, force majeure events include fire, flood, earthquakes, other elements of nature, acts of war, terrorism, riots, civil disorders, rebellions or revolutions, nuclear or chemical contamination, epidemics, quarantines, acts of the federal or State government, a declared state of emergency, strikes or labor disruptions other than those specific to the Authority, or other conditions beyond its reasonable control and which, by reasonable diligence, the Authority is unable to prevent. Should a force majeure event delay or halt the Red Line project, the Authority shall resume the original Red Line schedule as soon as practicable when the force majeure event has ceased or subsided. Planning, design, and construction work may occur simultaneously on other rail projects, but only to the extent that those activities do not interfere with or delay the completion of the Red Line.
- (3) The Authority shall solicit input from the Towns of Cornelius, Davidson, and Huntersville on all aspects of the Red Line design, including conceptual design, construction drawings, and station location. If the Red Line extends to the Town of Mooresville, the Authority shall also solicit input from that Town.
- (4) The Authority shall reimburse the City of Charlotte for the acquisition of the Norfolk Southern O-Line and related property. The amount to be reimbursed may not be more than the cost to the City of Charlotte to acquire the property from Norfolk Southern, including any costs for indebtedness incurred by the City with respect to the acquisition. The Authority and the City of Charlotte shall jointly agree to a schedule for reimbursement of these costs."

(Effective July 1, 2025; H.B. 948, s. 4.9., S.L. 2025-39.)

Additional Mecklenburg County Roadway Systems and Public Transportation Systems

Sales Tax: This section is added to provide the following:

"Repeal of Tax. – The Mecklenburg County Board of Commissioners may by resolution repeal the levy and imposition of the tax in the County as provided in G.S. 105-473(c). The Board of Commissioners, upon adoption of a repeal resolution, shall cause a certified copy of the resolution to be delivered immediately to the Secretary of Revenue. No liability for any tax levied under this Part that attached prior to the effective date on which a levy is repealed shall be discharged as a result of such repeal, and no right to a refund of tax or otherwise that accrued

prior to the effective date on which a levy is repealed shall be denied as a result of such repeal. If a county repeals a tax levied under this Part, the Authority or a municipality may refinance previously issued bonds, notes, or other financing that are secured or payable by receipts for the tax revenue under this Part to reduce debt service as allowed under the law so long as the refinancing does not extend the date of maturity for the previously issued bonds, notes, or other financing. No repeal of taxes levied and imposed under this Part shall be effective until the latest of the following:

- (1) The end of the fiscal year in which the repeal resolution was adopted.
- (2) The date by which all previously issued or, as provided in this section, refinanced, bonds, notes, or other financing obtained by the Authority or a municipality secured or payable by receipts from the tax levied under this Part have been satisfied.
- (3) The date by which the Authority has fully reimbursed the City for the purchase of the O-Line as required by Section 4.9(4) of this act.”

(Effective July 1, 2025; H.B. 948, s. 4.10., S.L. 2025-39.)

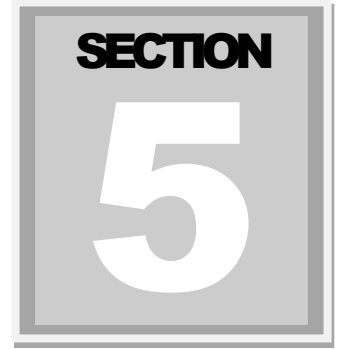
Additional Mecklenburg County Roadway Systems and Public Transportation Systems

Sales Tax: This section is added to provide the following:

“Study. – If a referendum held pursuant to this Part fails, then within one year after the failed referendum the Charlotte Area Transit System shall develop and publish a comprehensive, long-term public transportation plan that specifically includes frequent, express public transportation connections between the center of the City of Charlotte and Charlotte Douglas International Airport.”

(Effective July 1, 2025; H.B. 948, s. 4.11., S.L. 2025-39.)

SECTION 5 – HIGHWAY USE TAX

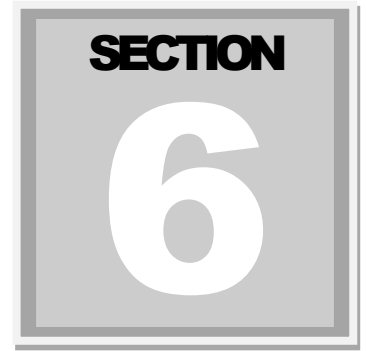


HIGHWAY USE TAX – ARTICLE 5A

G.S. 105-187.19(b) – Use of Tax Proceeds: This subsection is amended and provides “[e]ach quarter, the Secretary shall credit thirty percent (30%) of the net tax proceeds to the *Scrap Tire Disposal Account*. *In the event the amount in the Account exceeds three hundred thousand dollars (\$300,000) at the end of any fiscal year, such excess shall be credited to the Highway Fund*. The Secretary shall distribute the remaining seventy percent (70%) of the net tax proceeds among the counties on a per capita basis according to the most recent annual population estimates certified to the Secretary by the State Budget Officer.” [Emphasis added.]

(Effective October 1, 2025, and applies to quarterly crediting of the proceeds of the scrap tire disposal tax occurring on or after that date; SB 706, s. 1.(a). S.L. 2025-66.)

SECTION 6 – LOCAL GOVERNMENT



G.S. 105-277.13 – Taxation of Improvements on Brownfields: Amended to provide clarification for the exclusion offered by statute.

G.S.105-277.13(a):

- Clarifies two aspects of the exclusion by changing “an owner of land” to “an owner of *real property subject to a Brownfields agreement entered into by the Department of Environmental Quality pursuant to G.S. 130A-310.32.*” [Emphasis added]. The change clarifies the availability of the exclusion to all real property, and that the Brownfields agreement must be in place prior to the availability of the exclusion.
- Establishes July 1, 2000, as the date after which qualifying improvements must be made (this was previously a variable date).
- Clarifies that the exclusion is available to further improvements made on the property, so that each completed improvement could qualify for a separate five-year exclusion period.

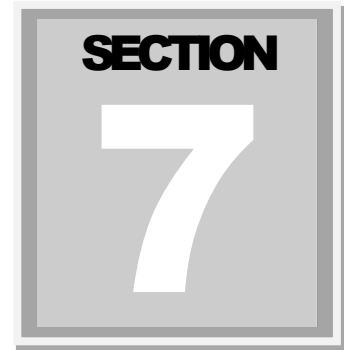
G.S.105-277.13(b): Clarifies the timing on when qualifying improvements are made, with respect to the Brownfields agreement.

- Defines “qualifying improvements on Brownfields properties” and “qualifying improvements” as improvements made:
 1. After the Department of Environmental Quality provides written certification of eligibility for a Brownfields agreement, provided that
 2. The real property actually is, or becomes, subject to a Brownfields agreement.

(Effective beginning on or after July 1, 2025; SB 387, s. 1., S.L. 2025-53.)

G.S.105-278.3 – HB 91 Religious Property Tax Exemption: Provides an opportunity for certain applications made for the exemption offered by G.S. 105-278.3 to be granted retroactively. Permits a late application to be filed as provided in G.S. 105-282.1(a1) to “apply to property taxes levied by the county or municipality during the five calendar years immediately preceding the effective date of this section.” The five calendar years immediately preceding the effective date of the section are 2020, 2021, 2022, 2023, and 2024.

SECTION 7 – GENERAL ADMINISTRATION



GENERAL ADMINISTRATION – ARTICLE 9

G.S. 105-241.01(e) – Electronic Filing of Returns: Notice to Taxpayers: This subsection was amended to update “Web site” to the term “website”. This conforms with the State’s drafting conventions for the use of this term.

(Effective June 26, 2025; HB 40, s. 29.(5), S.L. 2025-25.)

G.S. 105-259(b)(7) – Secrecy Required of Officials; Penalty for Violation; Disclosure Prohibited: This subdivision allows the Department to exchange information with certain agencies when the information is needed to fulfill a duty. One of those agencies is the State Highway Patrol.

The 2024 General Assembly passed legislation to make the State Highway Patrol an independent, cabinet-level department. This subdivision was amended to remove a reference to the Department of Public Safety.

(Effective July 1, 2025; SB 382, s. 3E.2.(w), S.L. 2024-57.)

G.S. 105-259(b)(56) – Disclosure Prohibited: This subdivision was added to facilitate the organ and tissue donor election on income tax returns. The addition was needed to allow the Department to furnish the Department of Transportation, Division of Motor Vehicles, with the information of an individual who has elected to become an organ and tissue donor under G.S. 105-153.8A for purposes of making an anatomical gift in accordance with Part 3A of Chapter 130A of the General Statutes.

(Effective on January 1, 2027, and for tax returns for taxable years beginning on or after January 1, 2027.; SB 600, s. 2.(b)., S.L. 2025-60.)

G.S. 105-259(b)(57) – Disclosure Prohibited: This subdivision was added to facilitate the organ and tissue donor election on income tax returns. The addition was needed to allow the Department to furnish any organ procurement organization and any organization responsible for maintaining a list of individuals who have authorized an anatomical gift with the information of an individual who has elected to become an organ and tissue donor under G.S. 105-153.8A for purposes of making an anatomical gift in accordance with Part 3A of Chapter 130A of the General Statutes.

(Effective on January 1, 2027, and for tax returns for taxable years beginning on or after January 1, 2027.; SB 600, s. 2.(b)., S.L. 2025-60.)

G.S. 105-262.1 – Rules to Exercise Tax Authority under G.S. 105-130.5A: Subsection (c) was amended to update the term “Internet” to “internet”. Subsection (d) was amended to update “rule making” to the term “rulemaking”. These amendments conform with the State’s drafting conventions for the use of these terms.

(Effective June 26, 2025; HB 40, s. 29.(3),(6), S.L. 2025-25.)

G.S. 105-264.2 – Publication of Written Determinations: Subsection (b) was amended to update “Web site” to the term “website”. This conforms with the State’s drafting conventions for the use of this term.

(Effective June 26, 2025; HB 40, s. 29.(5), S.L. 2025-25.)

G.S. 105-269.8(c) – Contribution by Individual for Early Detection of Breast and Cervical Cancer: This subsection was amended to extend the sunset of G.S. 105-269.8, the statute that allows an individual to contribute some or all of their income tax refund to the North Carolina Breast and Cervical Cancer Control Program. As amended, the option to donate now expires on January 1, 2030.

(Effective June 27, 2025; H 576, s. 4.6., S.L. 2025-27.)

G.S. 105-269.14(a) – Payment of Use Tax with Individual Income Tax: Requirement: Subdivisions (1) and (2) were amended to update the term “Internet” to “internet”. These amendments conform with the State’s drafting conventions for the use of these terms.

(Effective June 26, 2025; HB 40, s. 29.(3), S.L. 2025-25.)