State of North Carolina

PRIVILEGE LICENSE TAX

Issued by:

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PREFACE

This publication supplements the information in the Administrative Rules but does not supersede the Administrative Rules. In addition, this bulletin does not cover all provisions of the law.

Taxpayers are cautioned that this publication is intended merely as a guide and that consideration must be given to all the facts and circumstances in applying this bulletin to particular situations. Taxpayers using this publication should be aware that additional changes may result from legislative action, court decisions, and rules adopted or amended under the Administrative Procedure Act, Chapter 150B of the General Statutes. To the extent there is any change to a statute, administrative rule, or new case law subsequent to the date of this publication, the provisions in this bulletin may be superseded or voided. Unless otherwise noted, this bulletin is intended to reflect changes made through the 2025 Regular Session of the North Carolina General Assembly.

Revised December 2025

A. General Information

1. Scope and Nature (G.S. 105-33)

State privilege license taxes are imposed for the privilege of carrying on the business, exercising the privilege, or doing the act named in Article 2 of the Revenue Laws of North Carolina. These taxes are in addition to any regulatory or qualification requirements to engage in the practice of a profession, business, or trade. **Note:** 105-41 was repealed for taxable years beginning on or after July 1, 2024.

2. License Required (G.S. 105-109(b))

Before a person may engage in a business, trade, or profession for which a license is required, the person must be licensed by the Department. A license must be displayed conspicuously at the location of the licensed business, trade, or profession. A required license should be applied for using Form B-202A, Application for State Privilege License, and the tax paid before beginning business. Licenses are renewable annually (Form B-202A) by July 1 and no grace period is allowed before penalty accrues.

3. Tax Year (G.S. 105-33(b))

The privilege license tax is an annual tax and is due by July 1 of each year. The license tax is not prorated; instead, the full amount of the license tax is due when a person begins to engage in an activity for which a license is required at any time during the fiscal year, July 1 through June 30.

4. Engaged in More than One Business (G.S. 105-105)

Where any person, firm, or corporation is engaged in more than one business, trade, employment, or profession which is made subject to State license taxes, such persons, firms, or corporations must pay the license tax prescribed for each separate business, trade, employment, or profession.

5. Penalty (G.S. 105-103, G.S. 105-109, G.S. 105-236(a)(2))

It is unlawful to engage in business without obtaining a required privilege license. The penalty for failure to obtain a license is the greater of five dollars ($5) or five percent (5%) of the amount prescribed for the license per month or fraction thereof from the time the amount is due until the amount is paid, up to a maximum not to exceed twenty-five percent (25%). The penalty for failure to pay any tax when due is five percent (5%) of the tax due.

The Secretary may collect a tax due in any manner allowed under Article 9 of Chapter 105 of the General Statutes. The penalty and provisions for the collection of delinquent license taxes apply to taxes levied by counties, cities, and towns of the State, or any other provision of law, in the same manner and to the same extent as they apply to taxes levied by the State.

6. Effect of Change in Name of Firm (G.S. 105-106)

A firm, partnership, or corporation, is regarded as continuing, and thus does not require a new privilege license when any of the following occur:

a) The name of the firm, partnership, or corporation is changed,
b) A new partner is taken in, or one or more partners withdraw from the firm, if any one or more of the partners remain, or
c) If there is change in ownership of less than a majority of the stock.

7. Liability Upon Transfer (G.S. 105-33(h))

A grantee, transferee, or purchaser of any business or property subject to the privilege taxes must make diligent inquiry as to whether the State tax has been paid. If the business or property has been granted, sold, transferred, or conveyed to an innocent purchaser for value and without notice that the vendor owed or is liable for any of the State taxes, the property, while in the possession of the innocent purchaser, is not subject to any lien for the taxes.

8. Property used in a Licensed Business not Exempt from Taxation (G.S. 105-108)

A State license shall not be construed to exempt from other forms of taxation the property employed in such licensed business, trade, employment, or profession.

B. Installment Paper Dealers (G.S. 105-83)

1. Basis for Taxation

Every person engaged in the business of dealing in, buying, or discounting installment paper, notes, bonds, contracts, or evidences of debt for which, at the time of or in connection with the execution of said instruments, a lien is reserved or taken upon personal property located in this State to secure the payment of such obligations, is subject to the installment paper dealers tax. The primary factors in determining liability are: (a) three party transactions, (b) obligations concerning personal property and (c) liens reserved upon personal property in this State to secure payment of such obligations.

Example: A motor vehicle dealer sells an automobile (personal property) and accepts a retail installment contract from the customer. A lien is reserved on the title of the vehicle. The dealer sells or assigns the retail installment contract to a third party. The purchaser of the retail installment contract from the dealer is liable for the installment paper dealers' tax.

The tax on installment paper dealers do not apply to banks (as defined in G.S. 105-130.7B(b)) and savings and loan associations.

2. Additional Tax and Reports (G.S. 105-83(a), 17 NCAC 04B .2903, 17 NCAC 04B. 2904)

Form B-203, Installment Paper Dealer Tax Return, is used to remit the tax at the rate of .277 percent of the total face value of paper subject to the tax. Face value is the sum of the principal shown on the face of the paper plus accrued interest, excluding finance charges. The tax return, with remittance, is due no later than the twentieth day of January, April, July and October of each year.

3. Nonresident Engaged in Business (17 NCAC 04B .2905)

This tax is not imposed on the business of dealing in, buying and/or discounting installment paper which is engaged in exclusively in a foreign state. When any of the activity incident to such business occurs in North Carolina, the tax applies. Such activities include the promotion and solicitation of such business by employees or agents within this State, whether or not the transfer of such paper is consummated in this State.

4. Liability for Direct Loans (17 NCAC 04B .2902)

A person who is engaged in the business of making direct loans (two party transactions) and also purchases installment paper (three party transactions) is subject to both the tax on installment paper dealers (G.S. 105-83) and the tax on loan agencies (G.S. 105-88).

C. Loan Agencies (G.S. 105-88)

a. Privilege Tax (G.S. 105-88(a))

An annual privilege tax of two hundred and fifty dollars ($250.00) is levied on every person, firm, or corporation engaged in any of the following businesses for each location at which the business is conducted:

- The business of making loans or lending money, accepting liens on, or contracts of assignments of, salaries or wages, or any part thereof, or other security or evidence of debt for repayment of such loans in installment payment or otherwise.
- The business of check cashing regulated under Article 22 of Chapter 53 of the General Statutes.
- The business of pawnbroker regulated under Part 1 of Article 45 of Chapter 66 of the General Statutes.

The annual privilege tax should be reported and paid using Form B-202A, Application for State Privilege License.

b. Real Estate Loans: Loaning Own Funds (17 NCAC 04B .3301)

A person making real estate loans in his own name with his own funds and selling those loans to insurance companies and other loan investment companies is subject to loan agency license under G.S. 105-88 unless meeting the exemption under subsection (b) of that section.

c. Real Estate Loans: Personal Property Collateral (17 NCAC 04B .3302)

A person who negotiates real estate loans for others and also includes as part of the collateral mortgages on automobiles or other personal property is subject to loan agency license under G.S. 105-88 and real estate license under G.S. 105-41.

d. Loan Statement Required (G.S. 105-88(c))

At the time of making any such loan, the person, or officer of the firm or corporation making the loan, must give to the borrower in writing in convenient form a statement showing the amount received by the borrower, the amount to be paid back by the borrower, the time in which the amount is to be paid, and the rate of interest and discount agreed upon.

e. Exempt Entities (G.S. 105-88(b))

The tax on loan agencies does not apply to banks, industrial banks, trust companies, savings and loan associations, cooperative credit unions, in the business of negotiating loans on real estate or insurance premium finance companies licensed under Article 35 of Chapter 58 of the General Statutes. The tax applies to those persons or concerns operating what are commonly known as loan companies or finance companies and whose business is as hereinbefore described, and those persons, firms, or corporations pursuing the business of lending money and taking as security for the payment of the loan and interest an assignment of wages or an assignment of wages with power of attorney to collect the amount due, or other order or chattel mortgage or bill of sale upon household or kitchen furniture.