



**NORTH CAROLINA
DEPARTMENT OF REVENUE**

2013 TAX LAW CHANGES



**OFFICE OF THE ASSISTANT SECRETARY
FOR TAX ADMINISTRATION**

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PREFACE

This document is designed for use by personnel in the North Carolina Department of Revenue. It is available to those outside the Department as a resource document. It gives a brief summary of the tax law changes made by prior General Assemblies that take effect for tax year 2013, as well as changes made by the 2013 General Assembly, regardless of when they take effect.

The local sales and use tax changes follow the State sales and use tax changes. The document does not include law changes that affect the Department of Revenue but do not affect the tax laws.

For further information on a tax law change, refer to the legislation that made the change. Administrative rules, bulletins, directives, and other instructions issued by the Department, as well as opinions issued by the Attorney General's Office, may provide further information on the application of a tax law change.

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LOCAL GOVERNMENT

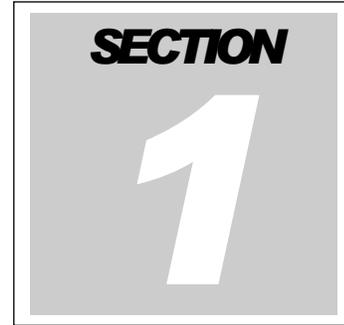
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GENERAL ADMINISTRATION

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PERSONAL TAXES



ESTATE TAXES

Article 1A, G.S. 105-32.1 through G.S. 105-32.8 – Estate Taxes: North Carolina’s estate tax, imposed under Article 1A of Chapter 105, was repealed as part of the changes made to simplify North Carolina’s tax structure.

(Effective January 1, 2013, and applies to the estates of decedents dying on or after that date; HB 998, s. 7.(a), S.L. 13-316.)

INDIVIDUAL INCOME TAX

G.S. 105-133 – Short Title: Re-codified as G.S. 105-153.1.

(Effective for taxable years beginning on or after January 1, 2014; HB 998; s.1.1.(a), S.L. 13-316.)

G.S. 105-134 – Purpose: Re-codified as G.S. 105-153.2.

(Effective for taxable years beginning on or after January 1, 2014; HB 998, s. 1.1.(a), S.L. 13-316.)

G.S. 105-134.1 – Definitions: Re-codified as G.S. 105-153.3.

(Effective for taxable years beginning on or after January 1, 2014; HB 998, s. 1.1.(a), S.L. 13-316.)

G.S. 105-134.1(7a) – Definition of Limited Liability Company: This subdivision was rewritten to make reference to Chapter 57D instead of Chapter 57C. Chapter 57C was repealed effective January 1, 2014 by section 1 of S.L. 13-157.

(Effective January 1, 2014; SB 439, s. 28, S.L. 13-157.)

G.S. 105-134.2 – Individual Income Tax Imposed: This subsection was repealed as part of the changes made to simplify North Carolina’s tax structure and to reduce

individual tax rates. The individual income tax rate is now imposed under G.S. 105-153.7.

(Effective for taxable years beginning on or after January 1, 2014; HB 998, s. 1.1.(b), S.L. 13-316.)

G.S. 105-134.2(b) – Tax Tables for Individual Income Tax Imposed: This subsection was rewritten to change the language from “an individual making a return” to “an individual filing a return.”

(Effective August 23, 2013; HB 14, s. 1.(e), S.L. 13-414.)

G.S. 105-134.3 – Year of Assessment: Repealed.

(Effective for taxable years beginning on or after January 1, 2014; HB 998, s. 1.1.(b), S.L. 13-316.)

G.S. 105-134.5 – North Carolina Taxable Income Defined: There were two tax law changes to this section. House Bill 14 rewrote this section to incorporate new G.S. 105-134.6A. For residents, the term “North Carolina taxable income” means adjusted gross income as modified in G.S. 105-134.6 and G.S. 105-134.6A. For nonresidents, the term “North Carolina taxable income” means adjusted gross income as modified in G.S. 105-134.6 and G.S. 105-134.6A multiplied by a fraction, the denominator of which is the taxpayer’s gross income as modified in G.S. 105-134.6 and G.S. 105-134.6A. The numerator is the amount of that gross income, as modified, that is derived from North Carolina sources and is attributable to the ownership of any interest in real or tangible personal property in this State, is derived from a business, trade, profession, or occupation carried on in this State, or is derived from gambling activities in this State. For part-year residents, the term “North Carolina taxable income” has the same meaning as nonresidents except that the numerator includes gross income, as modified under G.S. 105-134.6 and G.S. 105-134.6A, derived from all sources during the period the individual was a resident. In addition, effective for taxable years beginning on or after January 1, 2014, House Bill 998 re-codified G.S. 105-134.5 as new G.S. 105-153.4.

(Effective August 23, 2013; HB 14, s. 55, S.L. 13-414.)

(Effective for taxable years beginning on or after January 1, 2014; HB 998, s. 1.1.(a), S.L. 13-316.)

G.S. 105-134.6 – Modifications to Adjusted Gross Income: This section was repealed as part of the changes made to individual income tax to reform and simplify the State’s tax laws. This section was replaced with G.S. 105-153.5.

(Effective for taxable years beginning on or after January 1, 2014; HB 998, s. 1.1.(b), S.L. 13-316.)

G.S. 105-134.6(b)(17) – Bonus Depreciation Deduction: This subdivision, which provided a taxpayer with a 20% deduction of the total amount of bonus depreciation added to federal taxable income in tax years 2002 through 2005, was repealed. (See the summary for G.S. 105-134.6A.)

(Effective August 23, 2013; HB 14, s. 34.(c), S.L. 13-414.)

G.S. 105-134.6(b)(17a) – Bonus Depreciation Deduction: This subdivision, which provided a taxpayer with a 20% deduction of the total amount of bonus depreciation added to federal taxable income in tax years 2008 and 2009, was repealed. (See the summary for G.S. 105-134.6A.)

(Effective August 23, 2013; HB 14, s. 34.(c), S.L. 13-414.)

G.S. 105-134.6(b)(17b) – Bonus Depreciation Deduction: There were three tax law changes that impacted this subdivision. First, effective for taxable years beginning on or after January 1, 2012, House Bill 14 rewrote this subdivision to change the reference from federal taxable income to adjusted gross income. Second, effective March 13, 2013, this subdivision was amended to provide a future deduction from adjusted gross income for the add back required in G.S. 105-134.6(c)(8b) on the 2013 return. For taxpayers who made the addition for bonus depreciation on their 2013 return, the deduction applies to the first five taxable years beginning on or after January 1, 2014. Lastly, effective August 23, 2013, this subdivision was repealed. (See the summary for G.S. 105-134.6A.)

(Effective for taxable years beginning on or after January 1, 2012; HB 14, s. 5(a), S.L. 13-414.)

(Effective March 13, 2013; HB 82, s. 2.(d), S.L. 13-10.)

(Effective August 23, 2013; HB 14, s. 34.(c), S.L. 13-414.)

G.S. 105-134.6(b)(21) – Section 179 Expense Deduction: This subdivision, which provided a taxpayer with a 20% deduction of the total amount of section 179 expense added to federal taxable income in tax years 2010 and 2011, was repealed. (See the summary for G.S. 105-134.6A.)

(Effective August 23, 2013; HB 14, s. 34.(c), S.L. 13-414.)

G.S. 105-134.6(b)(21a) – Section 179 Expense Deduction: There were two tax law changes that impacted this subdivision. Effective March 13, 2013, this subdivision was added to provide a deduction from adjusted gross income for an amount equal to 20% of the amount added to adjusted gross income for section 179 expense in tax years 2012 and 2013. A taxpayer that added an amount under G.S. 105-134.6(c)(15a) in the 2012 taxable year is allowed a deduction in the first five taxable years beginning on or after January 1, 2013. A taxpayer that added an amount under G.S. 105-134.6(c)(15a) in the 2013 taxable year is allowed a deduction in the first five taxable years beginning

on or after January 1, 2014. In addition, effective August 23, 2013, this subdivision was repealed. (See the summary for G.S. 105-134.6A.)

*(Effective March 13, 2013; HB 82, s. 3.(d), S.L. 13-10.)
(Effective August 23, 2013; HB 14, s. 34.(c), S.L. 13-414.)*

G.S. 105-134.6(b)(23) – Bonus Depreciation and Section 179 Expense Deduction:

This subdivision was added as part of the changes made to individual income tax to reform and simplify the State's tax laws. Under previous law, subdivisions G.S. 105-134.6(b)(17), (17a), (17b), (21) and (21a) allowed taxpayers a deduction from federal taxable income or adjusted gross income, as appropriate, equal to 20% of the amount of bonus depreciation and section 179 expense added under G.S. 105-134.6(c)(8), (8a), (8b), (15), and (15a). Under current law, these separate deductions have been repealed. G.S. 105-134.6(b)(23) was added to provide a taxpayer with a deduction from federal taxable income or adjusted gross income, as appropriate, equal to the amount allowed under new G.S. 105-134.6A when the State decouples from federal accelerated depreciation and expensing.

(Effective August 23, 2013, HB 14, ss. 34.(c), 34.(d), S.L. 13-414.)

G.S. 105-134.6(b)(24) – Installment Method Income Deduction: House Bill 14 re-codified part of G.S. 105-134.7(a)(3) to this new subdivision. Amounts that were recognized as income under State law but not under federal law due to a taxpayer's use of a different installment method prior to January 1, 1989, shall be deducted from taxable income in the taxpayer's first taxable year beginning on or after January 1, 1989.

(Effective for taxable years beginning on or after January 1, 2012; HB 14, s. 6.(c), S.L. 13-414.)

G.S. 105-134.6(c)(8) – Bonus Depreciation Addition: This subdivision, which required a taxpayer for taxable years 2002 through 2005 to add to federal taxable income a percentage of the amount allowed as a bonus depreciation deduction under section 168(k) or section 1400L of the Code, was repealed. (See the summary for G.S. 105-134.6A.)

(Effective August 23, 2013; HB 14, s. 34.(c), S.L. 13-414.)

G.S. 105-134.6(c)(8a) – Bonus Depreciation Addition: This subdivision, which required a taxpayer for taxable years 2008 and 2009 to add to federal taxable income 85% of the amount allowed as a bonus depreciation deduction under section 168(k) or section 168(n) of the Code, was repealed. (See the summary for G.S. 105-134.6A.)

(Effective August 23, 2013; HB 14, s. 34.(c), S.L. 13-414.)

G.S. 105-134.6(c)(8b) – Bonus Depreciation Addition: There were two tax law changes that impacted this subdivision. Effective March 13, 2013, this subdivision was amended to add tax year 2013 to the taxable years for which a taxpayer is required to

add to federal taxable or adjusted gross income, as appropriate, 85% of the amount allowed as bonus depreciation deduction under section 168(k) or section 168(n) of the Code. These adjustments do not result in a difference in basis of the affected assets for State and federal income tax purposes. In addition, effective August 23, 2013, this subdivision was repealed. (See the summary for G.S. 105-134.6A.)

(Effective March 13, 2013; HB 82, s. 2.(c), S.L. 13-10.)
(Effective August 23, 2013; HB 14, s. 34.(c), S.L. 13-414.)

G.S. 105-134.6(c)(15) – Section 179 Expense Addition: This subdivision, which required a taxpayer for taxable years 2010 and 2011 to add to federal taxable income 85% of the amount by which the expense deduction under section 179 of the Code for property placed in service during 2010 and 2011 exceeded the amount that would have been allowed as of May 1, 2010, was repealed. (See the summary for G.S. 105-134.6A.)

(Effective August 23, 2013; HB 14, s. 34.(c), S.L. 13-414.)

G.S. 105-134.6(c)(15a) – Section 179 Expense Addition: There were two tax law changes that impacted this subdivision. This subdivision was added to require a taxpayer for taxable years 2012 and 2013 to add to adjusted gross income 85% of the amount by which the expense deduction under section 179 of the Code for property placed in service during 2012 and 2013 exceeds the amount that would have been allowed as of May 1, 2010. For purposes of this subdivision, the definition of section 179 property has the same meaning as under section 179 of the Code as of January 2, 2013. These adjustments do not result in a difference in basis of the affected assets for State and federal income tax purposes. In addition, effective August 23, 2013, this subdivision was repealed. (See the summary for G.S. 105-134.6A.)

(Effective March 13, 2013; HB 82, s. 3.(c), S.L. 13-10.)
(Effective August 23, 2013; HB 14, s. 34.(c), S.L. 13-414.)

G.S. 105-134.6(c)(16) – Qualified Tuition and Related Expenses Addition: House Bill 82 created this new subdivision. For tax year 2013, an addition is required for the amount of the taxpayer's deduction for qualified tuition and related expenses claimed under section 222 of the Code.

(Effective March 13, 2013; HB 82, s. 5.(a), S.L. 13-10.)

G.S. 105-134.6(c)(17) – Charitable Distribution from IRA Addition: House Bill 82 created this new subdivision. For tax year 2013, an addition is required for the amount excluded from the taxpayer's federal gross income under section 408(d)(8) of the Code for a qualified charitable distribution from an individual retirement plan by a person who has attained age 70 ½. The purpose of this subdivision is to decouple from the extension of the income exclusion under section 208 of the American Taxpayer Relief Act of 2012.

(Effective March 13, 2013; HB 82, s. 6.(a), S.L. 13-10.)

G.S. 105-134.6(c)(18) – Discharge of Qualified Principal Residence Indebtedness Addition: House Bill 82 created this new subdivision. For tax year 2013, an addition is required for the amount excluded from the taxpayer's federal gross income for the discharge of qualified principal residence indebtedness under section 108 of the Code. The purpose of this subdivision is to decouple from the extension of the income exclusion under section 202 of the American Taxpayer Relief Act of 2012.

(Effective March 13, 2013; HB 82, s. 7, S.L. 13-10.)

G.S. 105-134.6(c)(19) – Mortgage Insurance Premiums Addition: House Bill 82 created this new subdivision. For tax year 2013, an addition is required for the amount of the taxpayer's deduction for mortgage insurance premiums as qualified residence interest under section 163 of the Code. The purpose of this subdivision is to decouple from the extension of the income exclusion under section 204 of the American Taxpayer Relief Act of 2012.

(Effective March 13, 2013; HB 82, s. 8, S.L. 13-10.)

G.S. 105-134.6(c)(20) – Installment Method Income Addition: House Bill 14 re-codified part of G.S. 105-134.7(a)(3) to this new subdivision. Amounts that were recognized as income under federal law but not under State law due to a taxpayer's use of the installment method set out in G.S. 105-142(f) prior to January 1, 1989, shall be added to taxable income in the taxpayer's first taxable year beginning on or after January 1, 1989.

(Effective for taxable years beginning on or after January 1, 2012; HB 14, s. 6.(a), S.L. 13-414.)

G.S. 105-134.6(c)(21) – Loss Deduction from State Taxable Income Addition: House Bill 14 re-codified G.S. 105-134.7(a)(6) to this new subdivision. An addition is required for a loss or deduction that was incurred or paid and deducted from State taxable income in a taxable year beginning before January 1, 1989, and is carried forward and deducted in a taxable year beginning on or after January 1, 1989, under the Code.

(Effective for taxable years beginning on or after January 1, 2012; HB 14, s. 6.(b), S.L. 13-414.)

G.S. 105-134.6(c)(22) – Bonus Depreciation and Section 179 Expense Addition: This subdivision was added as part of the changes made to individual income tax to reform and simplify the State's tax laws. Under previous law subdivisions G.S. 105-134.6(c)(8), (8a), (8b), (15), and (15a) required taxpayers to add to federal taxable income or adjusted gross income, as appropriate, a percentage of bonus depreciation and section 179 expense. Under current law, the separate add-back provisions have been repealed. G.S. 105-134.6(c)(22) was added to require a taxpayer to add back to federal taxable income or adjusted gross income, as appropriate, the amount of bonus

depreciation and section 179 expense required under new G.S. 105-134.6A when the state decouples from federal accelerated depreciation and expensing.

(Effective August 23, 2013; HB 14, ss. 34.(c), 34.(d), S.L. 13-414.)

G.S. 105-134.6(d) – Other Adjustments: This subsection was rewritten to change the reference from federal taxable income to adjusted gross income and to change the reference to the transitional adjustments in G.S. 105-134.7 to G.S. 105-134.6A.

(Effective for taxable years beginning on or after January 1, 2012; HB 14, s. 5.(a), S.L. 13-414.)

G.S. 105-134.6(d)(2) – Deduction in Lieu of Tax Credit: This subdivision was rewritten to clarify that for tax year 2013, if the taxpayer claims either the Hope Scholarship Credit, the Lifetime Learning Credit, or the American Opportunity Credit, a deduction is not allowed on the North Carolina individual return for the tuition and fees deduction the taxpayer could have otherwise claimed on the federal return had the taxpayer not claimed the federal tax credit. Note: an addition is required under new G.S. 105-134.6(c)(16) for tax year 2013 when the taxpayer claims the deduction for tuition and fees on the federal return.

(Effective March 13, 2013; HB 82, s. 5.(b), S.L. 13-10.)

G.S. 105-134.6(d)(10) – Charitable Distribution from IRA Contributions Deduction: House Bill 14 re-codifies subdivision G.S. 105-134.6(d)(23) to this new subdivision. This law rewrites the provision to limit this deduction to a taxpayer who elects to itemize deductions under G.S. 105-134.6(a2). A taxpayer may deduct the amount that would have been allowed as a charitable contributions deduction under section 170 of the Code had the taxpayer not elected to take the income exclusion under 408(d)(8) of the Code. This deduction is not subject to the charitable contributions limitation and carryover provisions under section 170 of the Code, but is subject to the overall limitation on itemized deductions under section 68 of the Code.

(Effective for taxable years beginning on or after January 1, 2013; HB 14, s. 35.(a), S.L. 13-414.)

G.S. 105-134.6(d)(11) –Shareholders Pro Rata Share of S Corporation Income: House Bill 14 re-codifies subdivision G.S. 105-134.7(a)(7) to this subdivision. The transitional adjustments provided in Part 1A of this Article shall be made with respect to a shareholder's pro rata share of S Corporation income.

(Effective for taxable years beginning on or after January 1, 2012; HB 14, s. 6.(d), S.L. 13-414.)

G.S. 105-134.6(d)(12) – Other Transitional Adjustments: House Bill 14 re-codifies subsection G.S. 105-134.7(b) to this new subdivision. The Secretary may by rule require other adjustments to be made to taxable income as necessary to assure that the transition to the tax changes effective January 1, 1989, will not result in double taxation

of income, exemption of otherwise taxable income from taxation under this Division, or double allowance of deductions.

(Effective for taxable years beginning on or after January 1, 2012; HB 14, s. 6.(e), S.L. 13-414.)

G.S. 105-134.6(d)(23) – Charitable Contributions Deduction:

House Bill 82 adds this new subdivision. For tax year 2013, the taxpayer may deduct the amount that would have been allowed as a charitable contributions deduction under section 170 of the Code had the taxpayer not elected to take the income exclusion under section 408(d)(8) of the Code. In addition, effective for tax years beginning on or after January 1, 2013, House Bill 14 re-codifies this subdivision as G.S. 105-134.6(d)(10) and rewrites it to add clarifying language.

(Effective for taxable years beginning on or after January 1, 2013; HB 14, s. 35.(a), S.L. 13-414.)

(Effective March 13, 2013; HB 82, s. 6.(b), S.L. 13-10.)

G.S. 105-134.6A – Adjustments When State Decouples from Bonus Depreciation and Section 179 Expensing:

This section was added to provide additions and deductions to federal taxable income or adjusted gross income, as appropriate, when the State decouples from federal accelerated depreciation and section 179 expensing. This section also provides a potential adjustment in an asset's basis when there is an actual or deemed transfer of assets.

Subsection (a) was added to require a taxpayer to add to federal taxable income or adjusted gross income, as appropriate, 85% of the amount of bonus depreciation taken for federal income tax purposes under section 168(k) or 168(n) of the Code. Subsection (a) also provides a deduction from federal taxable income or adjusted gross income, as appropriate, for the 85% bonus depreciation required to be added to federal taxable income or adjusted gross income, as appropriate. A taxpayer may deduct twenty percent (20%) of the total amount of the bonus depreciation added to federal taxable income or adjusted gross income, as appropriate, in each of the first five taxable years following the year the taxpayer is required to include the add-back in income.

Subsection (b) provides a depreciation exception for a taxpayer who placed property in service during the 2009 taxable year and whose North Carolina taxable income for the 2009 taxable year reflected a special accelerated depreciation deduction allowed for the property under section 168(k) of the Code. In this situation, the taxpayer must add eighty-five percent (85%) of the amount of the special accelerated depreciation deduction to its federal taxable income for the 2010 taxable year. A taxpayer is allowed to deduct this add-back under subsection (a) of this section as if it were for property placed in service in 2010.

Subsection (c) provides an adjustment when the State decouples from federal expense deduction under section 179 of the Code. For purposes of this subdivision, the definition of section 179 property has the same meaning as under section 179 of the

Code as of January 2, 2013. A taxpayer who places section 179 property in service during a taxable year listed in the table below must add to the taxpayer's federal taxable income or adjusted gross income, as appropriate, eighty-five percent (85%) of the amount by which the taxpayer's expense deduction under section 179 of the Code exceeds the dollar and investment limitation listed in the table below for the taxable year. A taxpayer is allowed to deduct twenty percent (20%) of the add-back in each of the first five taxable years following the year the taxpayer is required to include the add-back in income.

<u>Taxable Year of 85% Add-Back</u>	<u>Dollar Limitation</u>	<u>Investment Limitation</u>
2010	\$250,000	\$800,000
2011	\$250,000	\$800,000
2012	\$250,000	\$800,000
2013	\$ 25,000	\$125,000**

****The Department has been advised by the staff of the General Assembly that there was a drafting error in HB 14. According to staff, the General Assembly intended the North Carolina section 179 investment limitation for tax year 2013 to be set at \$200,000. The Department expects the General Assembly to make a technical change to the law during the 2014 legislative session. Taxpayers affected by this legislation may consider filing their 2013 tax return under extension.**

Subsection (d) was added to clarify that with the exception of subsection (e), the adjustments made for bonus depreciation and the expense deduction under section 179 of the Code do not result in a difference in basis of the affected assets for State and federal income tax purposes.

Subsection (e) was added to require a taxpayer to make an asset basis adjustment when there is an actual or deemed transfer of an asset occurring on or after January 1, 2013, where the tax basis of the transferred asset carries over from the transferor to the transferee for federal income tax purposes. To make an asset basis adjustment, the transferee must add any remaining deductions allowed under subsection (a) of this section to the basis of the transferred asset and depreciate the adjusted basis over any remaining life of the asset. **The amount of the basis adjustment is limited to the total remaining future bonus depreciation deductions forfeited by the transferor or owner in a transferor at the time of the transfer.** The transferee may elect the depreciation method by which to spread the deduction (e.g. MACRS or straight-line), but the depreciation method must be consistent throughout the remaining life of the asset. In addition, notwithstanding the provisions of subsection (a) of this section, the transferor and any owner in a transferor are not allowed any remaining future bonus depreciation deductions associated with the transferred asset. This subsection applies only to the extent that each transferor or owner in a transferor that added bonus depreciation to its federal taxable income or adjusted gross income, as appropriate, associated with the transferred asset certifies in writing to the transferee, that the

transferor or owner in a transferor will not take any remaining future bonus depreciation deduction associated with the transferred asset.

A taxpayer that acquires an asset that meets the statutory provisions of this subsection but the asset has no remaining life (because the asset has been fully depreciated for federal income tax purposes) must add any remaining deductions allowed under subsection (a) of this section to the basis of the transferred asset and may deduct the entire amount of depreciation added to the basis of the transferred asset in the year the transfer is made.

Subsection (f) was added to provide a taxpayer with an asset basis adjustment allowed under subsection (e) for transfers occurring prior to January 1, 2013. The transferor and transferee can make an election to make an asset basis adjustment on the transferee's 2013 tax return, only if all of the following conditions are met: (1) the transferor and any owner in a transferor have not taken the bonus depreciation deduction allowed under subsection (a) on a prior return and (2) each transferor or owner in a transferor certifies in writing to the transferee that the transferor or owner in a transferor will not take any remaining deductions allowed under subsection (a) of this section for tax years beginning on or after January 1, 2013, for depreciation associated with the transferred asset. The transferee may elect the depreciation method by which to spread the deduction (e.g. MACRS or straight-line), but the depreciation method must be consistent throughout the life of the asset. The amount of the basis adjustment under this subsection is limited to the total remaining future bonus depreciation deductions forfeited by the transferor and any owner in the transferor at the time of the transfer.

A taxpayer that makes a successful election under subsection (f) and that acquires an asset that meets the statutory provisions of subsection (e), but the asset has no remaining life (because the asset has been fully depreciated for federal income tax purposes), is permitted to deduct the entire amount of depreciation added to the basis of the transferred asset on its 2013 tax return.

The provision of subsection (f) of this legislation is not available to a taxpayer that disposed of a transferred asset prior to January 1, 2013 because there is no asset on the taxpayer's books and records to which to add the remaining deductions. Therefore, there is no adjustment to the basis of the transferred asset and the transferee may not take any remaining deductions.

Subsection (g) provides that for transactions described in subsection (e) or (f) of this section, adjusted gross income must be increased or decreased to account for any difference in the amount of depreciation, amortization, or gains or losses applicable to property that has been depreciated or amortized by use of a different basis or rate for State income tax purposes than used for federal income tax purposes prior to the effective date of this section.

Subsection (h) provides that a "transferor" is an individual, partnership, S Corporation, limited liability company, or an estate or trust that does not fully distribute income to its

beneficiaries, and an "owner in a transferor" is a partner, shareholder, member, or beneficiary subject to tax under Part 2 or 3 of Article 4 of this Chapter, of a "transferor."

Effective for taxable years beginning on or after January 1, 2014, G.S. 105-134.6A is repealed and replaced with similar language under G.S. 105-153.6. (See the summary for G.S. 105-153.6.)

(Effective August 23, 2013; HB 14, s. 34.(d), S.L. 13-414.)

(Effective for taxable years beginning on or after January 1, 2014; HB 14, s. 58.(b), S.L. 13-414.)

G.S. 105-134.7 – Transitional Adjustments: There were two tax law changes that impacted this section. House Bill 14 repeals the following remaining subdivisions that were not re-codified: G.S. 105-134.7(a)(1), G.S. 105-134.7(a)(2), G.S. 105-134.7(a)(4) and G.S. 105-134.7(a)(5). In addition, effective for taxable years beginning on or after January 1, 2014, this section is repealed.

(Effective for taxable years beginning on or after January 1, 2012; HB 14, s. 6.(f), S.L. 13-414.)

(Effective for taxable years beginning on or after January 1, 2014; HB 998, s. 1.1.(b), S.L. 13-316.)

G.S. 105-134.7(a)(3) – Installment Method Income:

The first sentence of this subdivision is re-codified as G.S. 105-134.6(c)(20). The second sentence of this subdivision is re-codified as G.S. 105-134.6(b)(24).

(Effective for taxable years beginning on or after January 1, 2012; HB 14, ss. 6.(a), 6.(c), S.L. 13-414.)

G.S. 105-134.7(a)(6) – Loss Deduction from State Taxable Income: This subdivision is re-codified as G.S. 105-134.6(c)(21) and rewritten to make conforming changes.

(Effective for taxable years beginning on or after January 1, 2012; HB 14, s. 6.(b), S.L. 13-414.)

G.S. 105-134.7(a)(7) – Shareholders Pro Rata Share of S Corporation Income: This subdivision is re-codified as G.S. 105-134.6(d)(11).

(Effective for taxable years beginning on or after January 1, 2012; HB 14, s. 6.(d), S.L. 13-414.)

G.S. 105-134.7(b) – Transitional Adjustments: This subsection is re-codified as G.S. 105-134.6(d)(12).

(Effective for taxable years beginning on or after January 1, 2012; HB 14, s. 6.(e), S.L. 13-414.)

G.S. 105-134.8 – Inventory: Repealed.

(Effective for taxable years beginning on or after January 1, 2014; HB 998, s. 1.1.(b), S.L. 13-316.)

G.S. 105-151 – Tax Credits for Income Taxes Paid to Other States by Individuals:

There were two tax law changes that impacted this section. Effective for taxable years beginning on or after January 1, 2012, subdivision (a)(2) was rewritten to reflect the re-codification of G.S. 105-134.7 to G.S. 105-134.6A. In addition, effective for taxable years beginning on or after January 1, 2014, this section is re-codified as G.S. 105-153.9 as part of the changes made to individual income tax to reform and simplify the State's tax laws.

(Effective for taxable years beginning on or after January 1, 2012; HB 14, s. 5.(b), S.L. 13-414.)

(Effective for taxable years beginning on or after January 1, 2014; HB 998, s. 1.1.(a), S.L. 13-316.)

G.S. 105-151.1 – Credit for Construction of Dwelling Units for Handicapped

Persons: This section was repealed as part of the changes made to individual income tax to reform and simplify the State's tax laws.

(Effective for taxable years beginning on or after January 1, 2014; HB 998, s. 1.1.(b), S.L. 13-316.)

G.S. 105-151.11 – Credit for Child Care and Certain Employment-Related

Expenses: There were two tax law changes that impacted this section. Effective for taxable years beginning on or after January 1, 2012, subsection (c) was rewritten to clarify that “[n]o credit shall be allowed under this section for amounts deducted in calculating North Carolina taxable income.” In addition, effective for taxable years beginning on or after January 1, 2014, this section is repealed as part of the changes made to individual income tax to reform and simplify the State's tax laws.

(Effective for taxable years beginning on or after January 1, 2012; HB 14, s. 5.(c), S.L. 13-414.)

(Effective for taxable years beginning on or after January 1, 2014; HB 998, s. 1.1.(b), S.L. 13-316.)

G.S. 105-151.12 – Credit for Certain Real Property Donations: This section was repealed as part of the changes made to individual income tax to reform and simplify the State's tax laws.

(Effective for taxable years beginning on or after January 1, 2014; HB 998, s. 1.1.(b), S.L. 13-316.)

G.S. 105-151.13 – Credit for Conservation Tillage Equipment: This section was repealed as part of the changes made to individual income tax to reform and simplify the State’s tax laws.

(Effective for taxable years beginning on or after January 1, 2014; HB 998, s. 1.1.(b), S.L. 13-316.)

G.S. 105-151.14 – Credit for Gleaned Crop: This section was repealed as part of the changes made to individual income tax to reform and simplify the State’s tax laws.

(Effective for taxable years beginning on or after January 1, 2014; HB 998, s. 1.1.(b), S.L. 13-316.)

G.S. 105-151.18 – Credit for the Disabled: There were two tax law changes that impacted this section. House Bill 14 rewrites this section to update the statutory reference from G.S. 105-134.7 to G.S. 105-134.6A. In addition, effective for taxable years beginning on or after January 1, 2014, this section was repealed as part of the changes made to individual income tax to reform and simplify the State’s tax laws.

(Effective for taxable years beginning on or after January 1, 2012; HB 14, s. 7, S.L. 13-414.)

(Effective for taxable years beginning on or after January 1, 2014; HB 998, s. 1.1.(b), S.L. 13-316.)

G.S. 105-151.20 – Credit or Partial Refund for Tax Paid on Certain Federal Retirement Benefits: This section was repealed as part of the changes made to individual income tax to reform and simplify the State’s tax laws.

(Effective for taxable years beginning on or after January 1, 2014; HB 998, s. 1.1.(b), S.L. 13-316.)

G.S. 105-151.21 – Credit for Property Taxes Paid on Farm Machinery: This section was repealed as part of the changes made to individual income tax to reform and simplify the State’s tax laws.

(Effective for taxable years beginning on or after January 1, 2014; HB 998, s. 1.1.(b), S.L. 13-316.)

G.S. 105-151.24 – Credit for Children: This section was re-codified as G.S. 105-153.10 as part of the changes made to individual income tax to reform and simplify the State’s tax laws.

(Effective for taxable years beginning on or after January 1, 2014; HB 998, s. 1.1.(a), S.L. 13-316.)

G.S. 105-151.25 – Credit for Construction of a Poultry Composting Facility: This section was repealed as part of the changes made to individual income tax to reform and simplify the State’s tax laws.

(Effective for taxable years beginning on or after January 1, 2014; HB 998, s. 1.1.(b), S.L. 13-316.)

G.S. 105-151.26 – Credit for Charitable Contributions by Non-itemizers: There were two tax law changes that impacted this section. House Bill 14 rewrites this section to allow as part of the tax credit computation for tax year 2013, the taxpayer’s excess charitable contributions that also includes the amount by which the taxpayer’s charitable contributions for the taxable year would have been deductible under section 170 of the Code had the taxpayer not elected to take the income exclusion under section 408(d)(8) of the Code that exceed two percent (2%) of the taxpayer’s adjusted gross income. For purposes of computing this tax credit, charitable contributions are not subject to the charitable contribution limitation and carryover provisions under section 170 of the Code.

In addition, effective for taxable years beginning on or after January 1, 2014, G.S. 105-151.26 was repealed as part of the changes made to individual income tax to reform and simplify the State’s tax laws.

(Effective for taxable years beginning on or after January 1, 2013; HB 14, s. 37.(a), S.L. 13-414.)

(Effective for taxable years beginning on or after January 1, 2014; HB 998, s. 1.1.(b), S.L. 13-316)

G.S. 105-151.30(e) – Credit for Recycling Oyster Shells: This subsection has been rewritten to clarify that a taxpayer who claims a credit under this section must make an addition to adjusted gross income for any amount deducted under G.S. 105-134.6(a2) for the donation of the oyster shells.

(Effective for taxable years beginning on or after January 1, 2012; HB 14, s. 5.(d), S.L. 13-414.)

G.S. 105-151.31 – Earned Income Tax Credit: Subsection (a) was amended for taxable year 2013, to change the computation of this credit. North Carolina continues to allow a percentage of the federal credit allowed under section 32 of the Code; however, the percentage is reduced from 5% to 4.5% for taxable year 2013. This credit is repealed for taxable years beginning on or after January 1, 2014.

(Effective March 13, 2013; HB 82, s. 9, S.L. 13-10.)

G.S. 105-151.32 – Credit for Adoption Expenses: Subsection (a) was amended for taxable year 2013, to change the computation of the credit and to correct an erroneous reference to the Internal Revenue Code. North Carolina continues to allow a percentage of the federal credit allowed; however, the percentage is reduced from 50%

to 30% for taxable year 2013. This credit is repealed for taxable years beginning on or after January 1, 2014.

(Effective March 13, 2013; HB 82, s. 10, S.L. 13-10.)

G.S. 105-151.33 – Education Expenses Credit: This section was repealed as part of the changes made to individual income tax to reform and simplify the State’s tax laws.

(Effective for taxable years beginning on or after January 1, 2014; HB 269, s. 1, S.L. 13-364.)
(Effective for taxable years beginning on or after January 1, 2014; HB 998, s. 1.1.(b), S.L. 13-316.)

G.S. 105-152 – Income Tax Returns: Re-codified as G.S. 105-153.8.

(Effective for taxable years beginning on or after January 1, 2014; HB 998; s.1.1.(a), S.L. 13-316.)

G.S. 105-152(c) – Information Required With Return: This subsection was rewritten to change the reference from federal taxable income to adjusted gross income.

(Effective for taxable years beginning on or after January 1, 2012; HB 14, s. 5.(e), S.L. 13-414.)

G.S. 105-152(d) – Secretary May Require Additional Information: This subsection was rewritten to change the reference from federal taxable income to adjusted gross income.

(Effective for taxable years beginning on or after January 1, 2012; HB 14, s. 5.(e), S.L. 13-414.)

G.S. 105-153.1 – Short Title: G.S. 105-133 was re-codified to this new section.

(Effective for taxable years beginning on or after January 1, 2014; HB 998, s. 1.1.(a), S.L. 13-316.)

G.S. 105-153.2 – Purpose: G.S. 105-134 was re-codified to this new section.

(Effective for taxable years beginning on or after January 1, 2014; HB 998, s. 1.1.(a), S.L. 13-316.)

G.S. 105-153.3 – Definitions: G.S. 105-134.1 was re-codified to this new section. Definitions were renumbered and the definition for “Retirement benefits” was deleted.

(Effective for taxable years beginning on or after January 1, 2014; HB 998, ss. 1.1(a), 1.1.(c), S.L. 13-316.)

G.S. 105-153.3(12) – North Carolina Taxable Income: This subdivision was rewritten to change the reference from G.S. 105-134.5 to G.S. 105-153.5, and to correct the reference from G.S. 105-153.5 to G.S. 105-153.4.

(Effective for taxable years beginning on or after January 1, 2014; HB 998, s. 1.1.(c), S.L. 13-316.)

(Effective for taxable years beginning on or after January 1, 2014; HB 14, s. 58.(c), S.L. 13-414.)

G.S. 105-153.4 – North Carolina Taxable Income Defined: G.S. 105-134.5 was re-codified to this new section. The language was also amended to change the references for modifications to adjusted gross income to G.S. 105-153.5 and G.S. 105-153.6.

(Effective for taxable years beginning on or after January 1, 2014; HB 998, ss. 1.1.(a), 1.3.(c), S.L. 13-316.)

G.S. 105-153.5 – Modifications to Adjusted Gross Income: Part 2 of Article 4 of Chapter 105 of the General Statutes is amended by adding this new section.

Under subsection (a), a taxpayer may deduct from adjusted gross income either the standard deduction amount or the itemized deduction amount as allowed in subdivisions (1) or (2) as shown below. In the case of a married couple filing separate returns, the taxpayer may not deduct the standard deduction amount if the taxpayer or the taxpayer's spouse claims the itemized deduction amount.

(1) Standard deduction amount –

Filing Status	Standard Deduction
Married, filing jointly	\$15,000
Head of Household	\$12,000
Single	\$ 7,500
Married, filing separately	\$ 7,500

(2) Itemized deduction amount – The amounts allowed under (a) and (b) below are not subject to the overall limitation on itemized deductions under section 68 of the Code.

(a) The amount allowed as a deduction for charitable contributions under section 170 of the Code for that taxable year.

(b) The amount allowed as a deduction for interest paid or accrued during the taxable year under section 163(h) of the Code with respect to any qualified residence plus the amount claimed by the taxpayer as a deduction for property taxes paid or accrued on real estate under section 164 of the Code for that taxable year. The total amount allowed for qualifying home mortgage interest and property taxes on real estate may not exceed twenty thousand dollars (\$20,000). For married individuals, the

\$20,000 limitation applies to the combined total qualified mortgage interest and real estate property taxes claimed by both spouses, rather than to each spouse separately.

Under subsection (b), the deductions previously allowed under G.S. 105-134.6(b) have been re-codified as follows:

New Law	Prior Law
G.S. 105-153.5(b)(1)	G.S. 105-134.6(b)(1)
G.S. 105-153.5(b)(2)	G.S. 105-134.6(b)(2)
G.S. 105-153.5(b)(3)	G.S. 105-134.6(b)(3)
G.S. 105-153.5(b)(4)	G.S. 105-134.6(b)(5)
G.S. 105-153.5(b)(5)	G.S. 105-134.6(b)(5b)
G.S. 105-153.5(b)(6)	G.S. 105-134.6(b)(9)
G.S. 105-153.5(b)(7)	G.S. 105-134.6(b)(10)

(Effective for taxable years beginning on or after January 1, 2014; HB 998, s. 1.1.(d), S.L. 13-316.)

G.S. 105-153.5(b)(5) – Bailey Retirement Deduction: Besides G.S. 105-134.6(b)(5b) being re-codified to this new subdivision, the language was changed to allow a deduction to the extent included in the taxpayer's adjusted gross income for the amount received during the taxable year from one or more State, local, or federal government retirement plans to the extent the amount is exempt from tax under this Part pursuant to a court order in settlement of any of the following cases: a. Bailey v. State, 92 CVS 10221, 94 CVS 6904, 95 CVS 6625, 95 CVS 8230., b. Emory v. State, 98 CVS 0738., or c. Patton v. State, 95 CVS 04346. The reference to amounts deducted under subdivision (6) in G.S. 105-134.6(b)(5b) was removed. There is no longer a retirement deduction for retirement benefits included in adjusted gross income that do not qualify for the *Bailey* retirement deduction.

(Effective for taxable years beginning on or after January 1, 2014; HB 998, s. 1.1.(d), S.L. 13-316.)

G.S. 105-153.5(b)(8) – Bonus Depreciation and Section 179 Expense Deduction: A new deduction was added for the amount allowed as a deduction under G.S. 105-153.6 as a result of an add-back for federal accelerated depreciation and expensing.

(Effective for taxable years beginning on or after January 1, 2014; HB 998, s. 1.1.(d), S.L. 13-316.)

G.S. 105-153.5(b)(9) – Eugenics Sterilization Payments: This new subdivision allows a deduction for the amount paid to the taxpayer during the taxable year from the Eugenics Sterilization Compensation Fund as compensation to a qualified recipient under the Eugenics Asexualization and Sterilization Compensation Program under Part 30 of Article 9 of Chapter 143B of the General Statutes. This subdivision expires for taxable years beginning on or after January 1, 2016.

(Effective for taxable years beginning on or after January 1, 2015; SB 402, s. 6.18.(b), S.L. 13-360)

G.S. 105-153.5(c) - Additions: - The additions previously required under G.S. 105-134.6(c) have been re-codified as follows:

New Law	Prior Law
G.S. 105-153.5(c)(1)	G.S. 105-134.6(c)(1)
G.S. 105-153.5(c)(2)	G.S. 105-134.6(c)(3a)
G.S. 105-153.5(c)(3)	G.S. 105-134.6(c)(6)
G.S. 105-153.5(c)(4)	G.S. 105-134.6(c)(10)

(Effective for taxable years beginning on or after January 1, 2014; HB 998, s. 1.1.(d), S.L. 13-316.)

G.S. 105-153.5(c)(5) – Bonus Depreciation and Section 179 Expense Addition: A new addition was added for the amount required to be added under G.S. 105-153.6 when the State decouples from federal accelerated depreciation and expensing.

(Effective for taxable years beginning on or after January 1, 2014; HB 998, s. 1.1.(d), S.L. 13-316.)

G.S. 105-153.5(d) – S Corporations: The adjustment under G.S. 105-153.5(d), previously required under G.S. 105-134.6(a), was re-codified and the language was modified. This adjustment requires that each shareholder’s pro rata share of an S Corporation’s income is subject to the adjustments provided in this section and in G.S. 105-153.6.

(Effective for taxable years beginning on or after January 1, 2014; HB 998, s. 1.1.(d), S.L. 13-316.)

G.S. 105-153.6 – Adjustments When State Decouples from Bonus Depreciation and Section 179 Expensing: This section was added to provide additions and deductions to federal taxable income or adjusted gross income, as appropriate, when the State decouples from federal accelerated depreciation and section 179 expensing. This section also provides a potential adjustment in an asset’s basis when there is an actual or deemed transfer of assets.

Subsection (a) was added to require a taxpayer to add to federal taxable income or adjusted gross income, as appropriate, 85% of the amount of bonus depreciation taken for federal income tax purposes under section 168(k) or 168(n) of the Code. Subsection (a) also provides a deduction from federal taxable income or adjusted gross income, as appropriate, for the 85% bonus depreciation required to be added to federal taxable income or adjusted gross income, as appropriate. A taxpayer may deduct twenty percent (20%) of the total amount of the bonus depreciation added to federal taxable income or adjusted gross income, as appropriate, in each of the first five taxable years following the year the taxpayer is required to include the add-back in income.

Subsection (b) provides a depreciation exception for a taxpayer who placed property in service during the 2009 taxable year and whose North Carolina taxable income for the

2009 taxable year reflected a special accelerated depreciation deduction allowed for the property under section 168(k) of the Code. In this situation, the taxpayer must add eighty-five percent (85%) of the amount of the special accelerated depreciation deduction to its federal taxable income for the 2010 taxable year. A taxpayer is allowed to deduct this add-back under subsection (a) of this section as if it were for property placed in service in 2010.

Subsection (c) provides an adjustment when the State decouples from federal expense deduction under section 179 of the Code. For purposes of this subdivision, the definition of section 179 property has the same meaning as under section 179 of the Code as of January 2, 2013. A taxpayer who places section 179 property in service during a taxable year listed in the table below must add to the taxpayer's federal taxable income or adjusted gross income, as appropriate, eighty-five percent (85%) of the amount by which the taxpayer's expense deduction under section 179 of the Code exceeds the dollar and investment limitation listed in the table below for the taxable year. A taxpayer is allowed to deduct twenty percent (20%) of the add-back in each of the first five taxable years following the year the taxpayer is required to include the add-back in income.

<u>Taxable Year of 85% Add-Back</u>	<u>Dollar Limitation</u>	<u>Investment Limitation</u>
2010	\$250,000	\$800,000
2011	\$250,000	\$800,000
2012	\$250,000	\$800,000
2013	\$ 25,000	\$125,000**

****The Department has been advised by the staff of the General Assembly that there was a drafting error in HB 14. According to staff, the General Assembly intended the North Carolina section 179 investment limitation for tax year 2013 to be set at \$200,000. The Department expects the General Assembly to make a technical change to N.C. Gen. Stat. §105-153.6 during the 2014 legislative session. Taxpayers affected by this legislation may consider filing their 2013 tax return under extension.**

Subsection (d) provides that the adjustments made in this section do not result in a difference in basis of the affected assets for State and federal income tax purposes. In addition, Subsection (d) was amended to clarify that with the exception of subsection (e), the adjustments made for bonus depreciation and the expense deduction under section 179 of the Code, do not result in a difference in basis of the affected assets for State and federal income tax purposes.

Subsection (e) was added to require a taxpayer to make an asset basis adjustment when there is an actual or deemed transfer of an asset occurring on or after January 1, 2013, where the tax basis of the transferred asset carries over from the transferor to the transferee for federal income tax purposes. To make an asset basis adjustment, the transferee must add any remaining deductions allowed under subsection (a) of this

section to the basis of the transferred asset and depreciate the adjusted basis over any remaining life of the asset. **The amount of the basis adjustment is limited to the total remaining future bonus depreciation deductions forfeited by the transferor or owner in a transferor at the time of the transfer.** The transferee may elect the depreciation method by which to spread the deduction (e.g. MACRS or straight-line), but the depreciation method must be consistent throughout the remaining life of the asset. In addition, notwithstanding the provisions of subsection (a) of this section, the transferor and any owner in a transferor are not allowed any remaining future bonus depreciation deductions associated with the transferred asset. This subsection applies only to the extent that each transferor or owner in a transferor that added bonus depreciation to its federal taxable income or adjusted gross income, as appropriate, associated with the transferred asset certifies in writing to the transferee, that the transferor or owner in a transferor will not take any remaining future bonus depreciation deduction associated with the transferred asset.

A taxpayer that acquires an asset that meets the statutory provisions of this subsection but the asset has no remaining life (because the asset has been fully depreciated for federal income tax purposes) must add any remaining deductions allowed under subsection (a) of this section to the basis of the transferred asset and may deduct the entire amount of depreciation added to the basis of the transferred asset in the year the transfer is made.

Subsection (f) was added to provide a taxpayer with an asset basis adjustment allowed under subsection (e) for transfers occurring prior to January 1, 2013. The transferor and transferee can make an election to make an asset basis adjustment on the transferee's 2013 tax return, only if all of the following conditions are met: (1) the transferor and any owner in a transferor-have not taken the bonus depreciation deduction allowed under subsection (a) on a prior return and (2) each transferor or owner in a transferor certifies in writing to the transferee that the transferor or owner in a transferor will not take any remaining deductions allowed under subsection (a) of this section for tax years beginning on or after January 1, 2013, for depreciation associated with the transferred asset. The transferee may elect the depreciation method by which to spread the deduction (e.g. MACRS or straight-line), but the depreciation method must be consistent throughout the life of the asset. The amount of the basis adjustment under this subsection is limited to the total remaining future bonus depreciation deductions forfeited by the transferor and any owner in the transferor at the time of the transfer.

A taxpayer that makes a successful election under subsection (f) and that acquires an asset that meets the statutory provisions of subsection (e), but the asset has no remaining life (because the asset has been fully depreciated for federal income tax purposes), is permitted to deduct the entire amount of depreciation added to the basis of the transferred asset on its 2013 tax return.

The provision of subsection (f) of this legislation is not available to a taxpayer that disposed of a transferred asset prior to January 1, 2013 because there is no asset on

the taxpayer's books and records to which to add the remaining deductions. Therefore, there is no adjustment to the basis of the transferred asset and the transferee may not take any remaining deductions.

Subsection (g) provides that for transactions described in subsection (e) or (f) of this section, adjusted gross income must be increased or decreased to account for any difference in the amount of depreciation, amortization, or gains or losses applicable to property that has been depreciated or amortized by use of a different basis or rate for State income tax purposes than used for federal income tax purposes prior to the effective date of this section.

Subsection (h) provides that a "transferor" is an individual, partnership, S Corporation, limited liability company, or an estate or trust that does not fully distribute income to its beneficiaries, and an "owner in a transferor" is a partner, shareholder, member, or beneficiary subject to tax under Part 2 or Part 3 of Article 4 of this Chapter, of a "transferor."

(Effective for taxable years beginning on or after January 1, 2014; HB 998, s. 1.1.(d), S.L. 13-316.)

(Effective for taxable years beginning on or after January 1, 2014; HB 14, s. 58.(a), S.L. 13-414.)

G.S. 105-153.7 – Individual Income Tax Imposed: This new section was created to impose a tax for each taxable year on the North Carolina taxable income of every individual. The tax shall be levied, collected, and paid annually. The tax rate for the taxable year 2014 is five and eight-tenths percent (5.8%). This new section also provides that the Secretary may provide withholding tables to compute the amount of tax due. The tax rate for taxable years beginning on or after January 1, 2015 is five and seventy-five hundredths percent (5.75%).

(Effective for taxable years beginning on or after 2014; HB 998, s. 1.1.(d), S.L. 13-316.)

(Effective for taxable years beginning on or after January 1, 2015; HB 998, s. 1.2.(a), S.L. 13-316.)

G.S. 105-153.8 –Income Tax Returns: G.S. 105-152 was re-codified to this new section. The language in this new section was then amended to impose the requirement to file an income tax return and addresses information the Secretary may require with or subsequent to the filing of an income tax return.

(Effective for taxable years beginning on or after January 1, 2014; HB 998, ss. 1.1(a), 1.3.(d), S.L. 13-316.)

G.S. 105-153.9 –Tax Credits for Income Taxes Paid to Other States by Individuals: G.S. 105-151 was re-codified to this new section. The language in this new section changes references for modifications to adjusted gross income to G.S. 105-153.5 and G.S. 105-153.6.

(Effective for taxable years beginning on or after January 1, 2014; HB 998, ss. 1.1(a), 1.3.(d), S.L. 13-316.)

G.S. 105-153.10 – Credit for Children: G.S. 105-151.24 was re-codified to this new section. The language in subsection (a) was amended to provide that a taxpayer who is allowed a federal child tax credit under section 24 of the Code for the taxable year is allowed a North Carolina individual income tax credit for each dependent child for whom the taxpayer is allowed the federal credit. The amount of the credit is either \$125, \$100, or \$0 per child depending on the taxpayer's filing status and adjusted gross income.

(Effective for taxable years beginning on or after January 1, 2014; HB 998, ss. 1.1(a), 1.1.(e), S.L. 13-316.)

G.S. 105-154(d) – Payment of Tax on Behalf of Nonresident Owner or Partner: This subsection was amended to change the reference to the tax rate from G.S. 105-134.2(a)(3) to G.S. 105-153.7.

(Effective for taxable years beginning on or after January 1, 2014; HB 998, s. 1.3.(e), S.L. 13-316.)

G.S. 105-159 – Federal Corrections: This section was rewritten to change the reference from federal taxable income to adjusted gross income and to include corrections to a federal tax credit that affects the amount of State tax payable as a reason that a taxpayer must file a return reflecting the corrected or determined amounts with the Secretary within six months after being notified by the federal government.

(Effective August 23, 2013; HB 14, s. 38, S.L. 13-414.)

G.S. 105-159.1 – Designation of Tax by Individual to Political Party: Repealed.

(Effective July 1, 2013; HB 589, s. 38.1.(e), S.L. 13-381.)

G.S. 105-159.2 – Designation of Tax to North Carolina Public Campaign Fund: Repealed.

(Effective July 1, 2013; HB 589, s. 38.1.(f), S.L. 13-381.)

(Effective for taxable years beginning on or after January 1, 2013; SB 402, s. 21.1.(c), S.L. 13-360.)

INCOME TAX – ESTATES, TRUSTS, AND BENEFICIARIES

G.S. 105-160.1 – Definitions: This section was rewritten to add language clarifying that taxable income is defined in sections 641 through 692 of the Code.

(Effective for taxable years beginning on or after January 1, 2012; HB 14, s. 5.(f), S.L. 13-414.)

G. S. 105-160.2 – Imposition of Tax: This section was rewritten to change the reference from G.S. 105-134.7 to G.S. 105-134.6A.

(Effective for taxable years beginning on or after January 1, 2012; HB 14, s. 5.(g), S.L. 13-414.)

G. S. 105-160.3(b) Credits Not Allowed to an Estate or Trust: This subsection was rewritten to clarify that the tax credits allowed to individuals under G.S. 105-153.9 (tax credit for income taxes paid to other states by individuals) and G.S. 105-153.10 (credit for children) may not be claimed by an estate or trust. All other tax credits formerly listed under this subsection have been removed because they are no longer available for tax years beginning on or after January 1, 2014.

(Effective for taxable years beginning on or after January 1, 2014; HB 998, s. 1.3.(f), S.L. 13-316.)

G. S. 105-160.3(b)(11) – Education Expenses Credit: Repealed.

(Effective for taxable years beginning on or after January 1, 2014; HB 269, s. 3, S.L. 13-364.)

WITHHOLDING TAX

G. S. 105-163.1(8) – Definition of Nonresident Entity: Subparagraph (a) of this subdivision includes a foreign limited liability company in the definition of nonresident entity. The subparagraph was rewritten to make reference to Chapter 57D instead of Chapter 57C and to specifically reference G.S. 57D-1-03 instead of G.S. 57C-1-03. Chapter 57C was repealed effective January 1, 2014 by section 1 of S.L. 13-157.

(Effective January 1, 2014; SB 439, s. 29, S.L. 13-157)

G. S. 105-163.2B – North Carolina State Lottery Commission Must Withhold Taxes: This section was amended to change the required percentage of taxes that must be deducted and withheld from the payment of winnings from 7% to the individual income tax flat rate percentage in G.S. 105-153.7.

(Effective for taxable years beginning on or after January 1, 2014; HB 998, s. 1.3.(g), S.L. 13-316.)

G. S. 105-163.3(d) – Certain Payers Must Withhold Taxes: This subsection was rewritten to provide that the annual report and any other information required by the Secretary is provided in the manner required by the Secretary.

(Effective August 23, 2013; HB 14, s. 39.(a), S.L. 13-414.)

G. S. 105-163.6(a) – When Employer Must File Returns and Pay Withheld Taxes: This subsection was rewritten to provide that the quarterly or monthly return is filed in the manner required by the Secretary.

(Effective August 23, 2013; HB 14, s. 39.(b), S.L. 13-414.)

S CORPORATION INCOME TAX

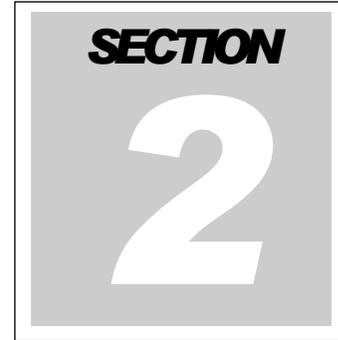
G.S. 105-131.2(a) – S Corporation Income Tax Adjustments: This subsection was rewritten to replace “G.S. 105-134.6” with “G.S. 105-153.5 and G.S. 105-153.6.” Each shareholder’s pro rata share of an S Corporation’s income is subject to the adjustments provided in G.S. 105-153.5 and G.S. 105.153.6. This change was needed because G.S. 105-134.6 was repealed.

(Effective for taxable years beginning on or after January 1, 2014; HB 998, s.1.3.(a), S.L. 13-316.)

G.S. 105-131.7(c) – Rate Change for Income Tax Paid on S Corporation Return: This subsection was rewritten to replace the phrase “rates levied in G.S. 105-134.2(a)(3)” with “rate levied in G.S. 105-153.7.” This change was needed because G.S. 105-134.2(a)(3) was repealed.

(Effective for taxable years beginning on or after January 1, 2014; HB 998, s.1.3.(b), S.L. 13-316.)

CORPORATE TAX



FRANCHISE TAX

G.S. 105-114.1(a)(4) – Definition of Governing Law: This subdivision was rewritten to make reference to Chapter 57D instead of Chapter 57C. The 2013 General Assembly repealed Chapter 57C effective January 1, 2014.

(Effective January 1, 2014, SB 439, s. 25, S.L. 13-157.)

G.S. 105-116(b) – Electric Power, Water, and Sewerage Company Tax Return: This subsection was amended to modernize the language of the statute and replace “report” with “return”. As amended, the language used in the catchline of the subdivision conforms to the language used elsewhere in the statute, as well as the language used by the Department of Revenue on franchise tax returns.

(Effective August 23, 2013, HB 14, s. 1(a), S.L. 13-414.)

G.S. 105-116 – Electric Power, Water, and Sewerage Companies Franchise Tax Repealed: This statute was repealed. The tax on electric power will be repealed effective July 1, 2014, and will be replaced with a new sales and use tax on electric power. The new sales and use tax is explained at G.S. 105-164.4(a)(9). In addition, effective July 1, 2014, the franchise tax on water and sewerage companies will be eliminated.

(Effective July 1, 2014, HB 998, s. 4.1(a), S.L. 13-316.)

G.S. 105-116.1 – Electric Power City Distribution Repealed: Effective July 1, 2014, this section of the law will be repealed because the franchise tax on gross receipts from electricity, set out in G.S. 105-116, will be repealed and replaced with a new sales and use tax on electricity. The new sales and use tax is explained at G.S. 105-164.4(a)(9). Since the franchise tax on electric power companies will be repealed, there will be no electric power gross receipts to distribute under the franchise tax. The cities’ share of the tax on electricity will be preserved by the new distribution to be made under G.S. 105-164.44K.

(Effective July 1, 2014, HB 998, s. 4.1(a), S.L. 13-316.)

G.S. 105-120.2(a)(1) – Franchise Tax Return - Holding Companies: This section was amended to modernize the language of the statute and replace “a report and statement” with “a return.” As amended, the language of the statute conforms to the language used by the Department of Revenue on franchise tax returns.

(Effective August 23, 2013, HB 14, s. 1(b), S.L. 13-414.)

G.S. 105-122(c1)(2) – 15 Year Alternative Apportionment Technical Change: This subdivision was amended to delete an obsolete reference to G.S. 105-122(c1)(3). As previously written, G.S. 105-122(c1)(3) permitted the Secretary to grant a qualifying corporation’s request for alternative apportionment for as many as fifteen years rather than the three years allowed under subsection (c1)(2). The 2011 General Assembly repealed G.S. 105-122(c1)(3) effective June 27, 2011 because the specific company the General Assembly hoped to entice to make a substantial investment in North Carolina did not invest in North Carolina, but instead made the investment in another state.

(Effective August 23, 2013, HB 14, s. 2(a), S.L. 13-414.)

G.S. 105-122(d) – Franchise Tax Return - Domestic and Foreign Corporations: This subsection was amended to modernize the language of the statute and to replace “the report and statement” with “the return.” As amended, the language of the statute conforms to the language used by the Department of Revenue on franchise tax returns.

(Effective August 23, 2013, HB 14, s. 1(c), S.L. 13-414.)

G.S. 105-122(f) – Requirement to File a Franchise Tax Return - Domestic and Foreign Corporations: This subsection was amended to modernize the language of the statute and to replace “the report” and “statement” with “the return.” As amended, the language of the statute conforms to the language used by the Department of Revenue on franchise tax returns.

(Effective August 23, 2013, HB 14, s. 1(c), S.L. 13-414.)

G.S. 105-122.1 – Credit for Additional Annual Report Fees Paid by LLC: This section was rewritten to make reference to G.S. 57D-1-22 instead of G.S. 57C-1-22(a). G.S. 57C-1-22(a) sets out the fees collected by the Secretary of State’s office when a limited liability company files certain documents with their office. Effective January 1, 2014, G.S. 57C-1-22(a) will be repealed and replaced with new G.S. 57D-1-22.

(Effective January 1, 2014, SB 439, s. 26, S.L. 13-157.)

G.S. 105-127(a) – Clarifying Change; Franchise Tax Return - Domestic and Foreign Corporations: This subsection was rewritten to clarify that a return (not a report) must be filed annually by every domestic and foreign corporation doing business in North Carolina pursuant to G.S. 105-114(a2). The changes simplify and modernize

the language of the statute and are consistent with the language used by the Department of Revenue on franchise tax returns.

(Effective August 23, 2013, HB 14, s. 1(d), S.L. 13-414.)

BUSINESS AND ENERGY TAX CREDITS

G.S. 105-129.16D(b) – Extend Sunset for Credit for Constructing Renewable Fuel Facilities: This subsection was amended to extend the sunset date for the credit for constructing renewable fuel facilities to January 1, 2017, only in the case of a taxpayer that meets **both** of the following conditions:

- (1) Signs a letter of commitment with the Department of Commerce on or before September 1, 2013, stating taxpayer's intent to construct and place into service in this State a commercial facility for processing renewable fuel.
- (2) Begins construction of the facility on or before December 31, 2013.

For all other taxpayers, the credit for constructing renewable fuel facilities expires for facilities placed in service on or after January 1, 2014.

(Effective July 29, 2013, HB 112, s. 11.3(a), S.L. 13-363.)

G.S. 105-129.16G – Percentage Change for Work Opportunity Tax Credit: This section has been rewritten to provide a taxpayer (who is allowed a federal work opportunity tax credit) with a State tax credit equal to 3% of the amount of credit allowed under the Code for wages paid during the taxable year for positions located in North Carolina against its 2013 franchise tax, corporate income tax, or individual income tax. For all other tax years, the credit equals 6% of the amount of credit allowed under the Code.

(Effective March 13, 2013, HB 82, s. 4, S.L. 13-10.)

G.S. 105-129.16H(d) –Sunset Added – Credit for Donating Funds to a Nonprofit Organization: This subsection was added to create a new sunset for the credit for donating funds to a nonprofit organization or unit of State government to enable the nonprofit or government unit to acquire renewable energy property. The sunset applies to donations made for renewable energy property placed in service on or after January 1, 2016.

(Effective August 23, 2013, HB 14, s. 32, S.L. 13-414.)

TAX INCENTIVES FOR RECYCLING FACILITIES

G.S. 105-129.26(c) – Technical Correction; Large Recycling Facility Credit: This subsection was amended to delete an obsolete reference to a “large” recycling facility because it is no longer needed. The 2010 General Assembly repealed the credit for a large recycling facility effective July 1, 2010.

(Effective August 23, 2013, HB 14, s. 33, S.L. 13-414.)

RESEARCH AND DEVELOPMENT

Title Change: The title of Article 3F, Technology Development, was rewritten to read “Research and Development” because the credit for interactive digital media is repealed effective January 1, 2014,

(Effective January 1, 2014, HB 998, s. 2.3(a), S.L. 13-316.)

G.S. 105-129.50(4a) – Definition of Participating Community College: This subdivision was deleted because the interactive digital media tax credit is repealed effective January 1, 2014.

(Effective January 1, 2014, HB 998, s. 2.3(b), S.L. 13-316.)

G.S. 105-129.51(b) – Article 3F Sunset: This subsection was amended to extend the sunset of Article 3F. As amended, Article 3F expires for taxable years beginning on or after January 1, 2016.

(Effective January 1, 2014, HB 998, s. 2.3(c), S.L. 13-316.)

G.S. 105-129.54(1) – Report: This subdivision was amended to delete the reporting requirement related to the interactive digital media tax credit because the interactive digital media credit is repealed effective January 1, 2014.

(Effective January 1, 2014, HB 998, s. 2.3(d), S.L. 13-316.)

G.S. 105-129.56 – Sunset for Interactive Digital Media Tax Credit: The interactive digital media tax credit is repealed for taxable years beginning on or after January 1, 2014.

(Effective January 1, 2014, HB 998, s. 2.3(b), S.L. 13-316.)

TAX CREDITS FOR GROWING BUSINESSES

G.S. 105-129.81 – Changes to Definitions: This section of the law sets out the definitions that apply to Article 3J. Under current law, Article 3J is repealed effective for business activities that occur on or after January 1, 2014. In preparation for the repeal of Article 3J, the definition of “air courier services,” “company headquarters,” “information technology and services,” “manufacturing,” “warehousing,” and “wholesale trade” was moved from G.S. 105-129.81 to G.S. 143B-437.01.

(Effective July 1, 2013, SB 402, s. 15.18(b), S.L. 13-360.)

G.S. 143B-437.012 – Port Enhancement Zone Designation: The 2011 General Assembly amended Chapter 143B of the General Statutes by adding a new section. The new section includes subsections (a) and (b) which define a port enhancement zone and the corresponding limitations and designation.

(Effective for taxable years beginning on or after January 1, 2013; HB 751, s. 6, S.L. 11-302.)

G.S. 105-129.81(20a) – Port Enhancement Zone Definition: The 2012 General Assembly passed a technical correction to clarify the definition of port enhancement zone in G.S. 143B-437.013(a). A port enhancement zone is an area that meets all of these conditions: (1) it is comprised of *part or all of* one or more contiguous census tracts, census block groups, or both, in the most recent federal decennial census, (2) all of the area is located within 25 miles of a State port and is capable of being used to enhance port operations, and (3) every census tract and census block group in the area has at least 11% of households with incomes of \$15,000 or less. The italicized text was added by this legislation.

(Effective for taxable years beginning on or after January 1, 2013 HB 1015, s. 6.(a), S.L. 12-74.)

G.S. 105-129.83 – Eligibility, Forfeiture: The 2011 General Assembly rewrote subsections (c) “wage standard”, and (l) “planned expansion” to add port enhancement zone in the same category as urban progress zone and agrarian growth zone.

(Effective for taxable years beginning on or after January 1, 2013; HB 751, s. 7, S.L. 11-302.)

G.S. 105-129.84(c) – Carry-forwards - Article 3J Tax Credits: This subsection was amended to replace a “five-year” carryforward period with the “standard” carryforward period. Subsection (c) provides that, as a general rule, the unused portion of the credit for creating jobs or the credit for investing in business property may be carried forward for five years and the unused portion of the credit for investing in real property may be carried forward for fifteen years. A twenty-year carryforward applies if the taxpayer obtains a written determination from the Department of Commerce that the taxpayer is

expected to purchase or lease, and place in service in connection with an eligible business within a two-year period, at least \$150,000,000 worth of business and real property. As amended, the statute makes clear that if the taxpayer does not make the required level of investment, the carryforward period is reduced from twenty years to five years.

(Effective August 23, 2013, HB 14, s. 4, S.L. 13-414.)

G.S. 105-129.87 – Credit for Creating Jobs: The 2011 General Assembly rewrote this section to include a port enhancement zone in the same category as an urban progress zone and agrarian growth zone in subsections (a), (b), (c), and (e).

(Effective for taxable years beginning on or after January 1, 2013; HB 751, s. 8, S.L. 11-302.)

G.S. 105-129.88 – Credit for Investing in Business Property, General Credit: The 2011 General Assembly rewrote this section to include a port enhancement zone in the same category as an urban progress zone and agrarian growth zone in subsections (a), (c), and (e).

(Effective for taxable years beginning on or after January 1, 2013; HB 751, s. 9, S.L. 11-302.)

CORPORATION INCOME TAX

G.S. 105-130.2(11) – Definition of Limited Liability Company: This subdivision was rewritten to make reference to Chapter 57D instead of Chapter 57C. The 2013 General Assembly repealed Chapter 57C effective January 1, 2014.

(Effective January 1, 2014, SB 439, s. 27, S.L. 13-157)

G.S. 105-130.3 and G.S. 105-130.3A – Corporation Income Tax Rate Reduction: G.S. 105-130.3 was amended as part of the changes made to corporate income tax to reform and simplify the State's tax laws. As rewritten, the corporate income tax will be reduced from 6.9% of the taxpayer's State net income to 6% beginning on or after January 1, 2014. For tax years beginning on or after January 1, 2015, the corporate income tax will be further reduced to a tax rate of 5%.

In addition, a new section was added to provide rate reduction triggers if the State meets certain revenue targets. For taxable year 2016, if general fund tax revenue for fiscal year ended 2015 equals or exceeds 20.2 billion dollars, the corporate income tax rate will decrease by one percent (1%) to a new tax rate of 4%. For taxable year 2017, if general fund tax revenue for fiscal year end 2016 equals or exceeds 20.975 billion dollars, the corporate income tax rate will decrease by an additional one percent (1%) to a new tax rate of 3%.

Note. If the State's rate reduction target is met in only one fiscal year, then the corporate income tax rate will be decreased by one percent (1%) to equal a tax rate of 4%. If the State's rate reduction targets are not met in either fiscal year, then the corporate income tax rate will remain at 5%.

(The corporate income tax rate reduction for taxable years 2014 and 2015 effective January 1, 2014, HB 998, s. 2.1(a), S.L. 13-316; the rate reduction triggers effective July 23, 2013, HB 998, s. 2.2(b), S.L. 13-316.)

G.S. 105-130.4(t1) – 15 Year Alternative Apportionment Technical Change: This subdivision was amended to delete an obsolete reference to G.S. 105-130.4(t2). As previously written, G.S. 105-130.4(t2) permitted the Secretary to grant a qualifying corporation's request for alternative apportionment for as many as fifteen years rather than the three years allowed under subsection (t1). The 2011 General Assembly repealed G.S. 105-130.4(t2) effective June 27, 2011 because the specific company the General Assembly hoped to entice to make a substantial investment in North Carolina did not invest in North Carolina, but instead made the investment in another state.

(Effective August 23, 2013, HB 14, s. 2(b), S.L. 13-414.)

G.S. 105-130.5(a)(15) – Bonus Depreciation Add-Back: This subdivision, which required a taxpayer for taxable years 2002 through 2005 to add to federal taxable income a percentage of the amount allowed as a bonus depreciation deduction under section 168(k) or section 1400L of the Code, was repealed. (See the summary for G.S. 105-130.5B.)

(Effective August 23, 2013, HB 14, s. 34(a), S.L. 13-414.)

G.S. 105-130.5(a)(15a) – Bonus Depreciation Add-Back: This subdivision, which required a taxpayer for taxable years 2008 and 2009 to add to federal taxable income 85% of the amount allowed as a bonus depreciation deduction under section 168(k) or section 168(n) of the Code, was repealed. (See the summary for G.S. 105-130.5B.)

(Effective August 23, 2013, HB 14, s. 34(a), S.L. 13-414.)

G.S. 105-130.5(a)(15b) – Bonus Depreciation Add-Back: Effective March 13, 2013, this subdivision was amended to add tax year 2013 to the taxable years for which a taxpayer is required to add to federal taxable income 85% of the amount allowed as a bonus depreciation deduction under section 168(k) or section 168(n) of the Code. The adjustment does not result in a difference in basis of the affected assets for State and federal income tax purposes.

In addition, effective August 23, 2013, G.S. 105-130.5(a)(15b) was repealed. (See the summary for G.S. 105-130.5B.)

(Effective March 13, 2013, HB 82, s. 2(a), S.L. 13-10.)

(Effective August 23, 2013, HB 14, s. 34(a), S.L. 13-414.)

G.S. 105-130.5(a)(23) – Section 179 Expense Add-Back: This subdivision, which required a taxpayer for taxable years 2010 and 2011 to add to federal taxable income 85% of the amount by which the expense deduction under section 179 of the Code for property placed in service during 2010 and 2011 exceeded the amount that would have been allowed as of May 1, 2010, was repealed. (See the summary for G.S. 105-130.5B.)

(Effective August 23, 2013, HB 14, s. 34(a), S.L. 13-414.)

G.S. 105-130.5(a)(23a) – Section 179 Expense Add-Back: Effective March 13, 2013, this subdivision was added to require a taxpayer for taxable years 2012 and 2013 to add to federal taxable income 85% of the amount by which the expense deduction under section 179 of the Code for property placed in service during 2012 and 2013 exceeds the amount that would have been allowed as of May 1, 2010. For purposes of this subdivision, the definition of section 179 property has the same meaning as under section 179 of the Code as of January 2, 2013. The adjustment does not result in a difference in basis of the affected assets for State and federal income tax purposes.

In addition, effective August 23, 2013, G.S. 105-130.5(a)(23a) was repealed. (See the summary for G.S. 105-130.5B.)

(Effective March 13, 2013, HB 82, s. 3(a), S.L. 13-10.)

(Effective August 23, 2013, HB 14, s. 34(a), S.L. 13-414.)

G.S. 105-130.5(a)(24) – New Add-back Provision when State Decouples from Bonus Depreciation and Section 179 Expense: This subdivision was added as part of the changes made to corporate income tax to reform and simplify the State's tax laws. Under previous law, a taxpayer was required to add-back to federal taxable income a percentage of bonus depreciation and section 179 expense required under G.S. 105-130.5(a)(15), (15a), (15b), (23), and (23a). Under current law, the separate add-back provisions have been repealed. G.S. 105-130.5(a)(24) was added to require a taxpayer to add back to federal taxable income the amount of bonus depreciation and section 179 expense required under new G.S. 105-130.5B when the State decouples from federal accelerated depreciation and expensing.

(Effective August 23, 2013, HB 14, ss. 34(a), 34(b), S.L. 13-414.)

G.S. 105-130.5(b)(21) – Bonus Depreciation Deduction: This subdivision, which provided a taxpayer with a 20% deduction of the total amount of bonus depreciation added to federal taxable income in tax years 2002-2005, was repealed. (See the summary for G.S. 105-130.5B.)

(Effective August 23, 2013, HB 14, s. 34(a), S.L. 13-414.)

G.S. 105-130.5(b)(21a) – Bonus Depreciation Deduction: This subdivision, which provided a taxpayer with a 20% deduction of the total amount of bonus depreciation

added to federal taxable income in tax years 2008 and 2009, was repealed. (See the summary for G.S. 105-130.5B.)

(Effective August 23, 2013, HB 14, s. 34(a), S.L. 13-414.)

G.S. 105-130.5(b)(21b) – Bonus Depreciation Deduction: Effective March 13, 2013, this subdivision was amended to provide a taxpayer with a 20% deduction of the total amount of bonus depreciation added to federal taxable income in tax year 2013. The deduction applies to the first five taxable years beginning on or after January 1, 2014.

In addition, effective August 23, 2013, G.S. 105-130.5(b)(21b) was repealed. (See the summary for G.S. 105-130.5B.)

(Effective March 13, 2013, HB 82, s. 2(b), S.L. 13-10.)

(Effective August 23, 2013, HB 14, s. 34(a), S.L. 13-414.)

G.S. 105-130.5(b)(26) – Section 179 Expense Deduction: This subdivision, which provided a taxpayer with a 20% deduction of the total amount of section 179 expense added to federal taxable income in tax years 2010 and 2011, was repealed. (See the summary for G.S. 105-130.5B.)

(Effective August 23, 2013, HB 14, s. 34(a), S.L. 13-414.)

G.S. 105-130.5(b)(26a) – Section 179 Expense Deduction: Effective March 13, 2013, this subdivision was added to provide a deduction from federal taxable income for an amount equal to 20% of the amount added to federal taxable income for section 179 expense in tax years 2012 and 2013. A taxpayer that added an amount under G.S. 105-130.5(a)(23a) in the 2012 taxable year is allowed a deduction in the first five taxable years beginning on or after January 1, 2013. A taxpayer that added an amount under G.S. 105-130.5(a)(23a) in the 2013 taxable year is allowed a deduction in the first five taxable years beginning on or after January 1, 2014.

In addition, effective August 23, 2013, G.S. 105-130.5(b)(26a) was repealed. (See the summary for G.S. 105-130.5B.)

(Effective March 13, 2013, HB 82, s. 3(b), S.L. 13-10.)

(Effective August 23, 2013, HB 14, s. 34(a), S.L. 13-414.)

G.S. 105-130.5(b)(27) – New Deduction Provision when State Decouples from Bonus Depreciation and Section 179 Expense: This subdivision was added as part of the changes made to corporate income tax to reform and simplify the State's tax laws. Under previous law, a taxpayer was allowed a deduction from federal taxable income equal to 20% of the amount of bonus depreciation and section 179 expense added under G.S. 105-130.5(b)(21), (21a), (21b), (26) and (26a). Under current law, these separate deductions have been repealed. G.S. 105-130.5(b)(27) was added to provide a taxpayer with a deduction from federal taxable income equal to the amount

allowed under new G.S. 105-130.5B when the State decouples from federal accelerated depreciation and expensing.

(Effective August 23, 2013, HB 14, ss. 34(a), 34(b), S.L. 13-414.)

G.S. 105-130.5B – Adjustments When State Decouples From Bonus Depreciation and Section 179 Expensing: This section was added to provide additions and deductions to federal taxable income when the State decouples from federal accelerated depreciation and section 179 expensing. This section also provides a potential adjustment in an asset’s basis when there is an actual or deemed transfer of assets.

Subsection (a) was added to require a taxpayer to add to federal taxable income 85% of the amount of bonus depreciation taken for federal income tax purposes under section 168(k) or 168(n) of the Code. Subsection (a) also provides a deduction from federal taxable income for the 85% bonus depreciation required to be added to federal taxable income. A taxpayer may deduct 20% of the total amount of the bonus depreciation added to federal taxable income in each of the first five taxable years following the year the taxpayer is required to include the add-back in income.

Subsection (b) was added to provide a depreciation exception for a taxpayer who placed property in service during the 2009 taxable year and whose North Carolina taxable income for the 2009 taxable year reflected a special accelerated depreciation deduction allowed for the property under section 168(k) of the Code. In this situation, the taxpayer must add eighty-five percent (85%) of the amount of the special accelerated depreciation deduction to its federal taxable income for the 2010 taxable year. A taxpayer is allowed to deduct this add-back under subsection (a) of this section as if it were for property placed in service in 2010.

Subsection (c) was added to require a taxpayer to add to federal taxable income 85% of the amount by which the taxpayer’s expense deduction under section 179 of the Code exceeds the dollar and investment limitation listed in the table below for the taxable year. However, for purposes of this subdivision, the definition of section 179 property has the same meaning as under section 179 of the Code as of January 2, 2013.

<u>Taxable Year of 85% Add-Back</u>	<u>Dollar Limitation</u>	<u>Investment Limitation</u>
2010	\$250,000	\$800,000
2011	\$250,000	\$800,000
2012	\$250,000	\$800,000
2013	\$ 25,000	\$125,000**

****The Department has been advised by the staff of the General Assembly that there was a drafting error in HB 14. According to staff, the General Assembly intended the North Carolina section 179 investment limitation for tax year 2013 to be set at \$200,000. The Department expects the General Assembly to make a technical change to N.C. Gen. Stat. § 105-130.5(B)(c) during the 2014 legislative**

session. Taxpayers affected by this legislation may consider filing their 2013 tax return under extension.

Subsection (c) also provides a deduction from federal taxable income for Code section 179 expense required to be added to federal taxable income for the taxable year. A taxpayer may deduct 20% of the total amount of Code section 179 expense added to federal taxable income in each of the first five taxable years following the year the taxpayer is required to include the add-back in income.

Subsection (d) was added to clarify that with the exception of subsection (e), the adjustments made for bonus depreciation and the expense deduction under section 179 of the Code do not result in a difference in basis of the affected assets for State and federal income tax purposes.

Subsection (e) was added to require a taxpayer to make an asset basis adjustment when there is an actual or deemed transfer of an asset occurring on or after January 1, 2013, and where the tax basis of the transferred asset carries over from the transferor to the transferee (i.e. the taxpayer) for federal income tax purposes. To make an asset basis adjustment, the taxpayer must add any remaining deductions allowed under subsection (a) of this section to the basis of the transferred asset and depreciate the adjusted basis over any remaining life of the asset. **The amount of the basis adjustment is limited to the total remaining future bonus depreciation deductions forfeited by the transferor at the time of the transfer.** The transferee may elect the depreciation method by which to spread the deduction (e.g. MACRS or straight-line), but the depreciation method must be consistent throughout the remaining life of the asset. In addition, notwithstanding the provisions of subsection (a) of this section, the transferor is not allowed any remaining future bonus depreciation deductions associated with the transferred asset.

A taxpayer that acquires an asset that meets the statutory provisions of this subsection but the asset has no remaining life (because the asset has been fully depreciated for federal income tax purposes) must add any remaining deductions allowed under subsection (a) of this section to the basis of the transferred asset and may deduct the entire amount of depreciation added to the basis of the transferred asset in the year the transfer is made.

Subsection (f) was added to provide a taxpayer with an asset basis adjustment allowed under subsection (e) for transfers occurring prior to January 1, 2013. The transferor and transferee can make an election to make an asset basis adjustment on the transferee's 2013 tax return, only if all of the following conditions are met: (1) the transferor has not taken the bonus depreciation deduction allowed under subsection (a) on a prior return and (2) the transferor certifies in writing to the transferee that the transferor will not take any remaining deductions allowed under subsection (a) of this section for tax years beginning on or after January 1, 2013, for depreciation associated with the transferred asset. The transferee may elect the depreciation method by which to spread the deduction (e.g. MACRS or straight-line), but the depreciation method must be consistent throughout the remaining life of the asset.

A taxpayer that makes a successful election under subsection (f) and that acquires an asset that meets the statutory provisions of subsection (e), but the asset has no remaining life (because the asset has been fully depreciated for federal income tax purposes), is permitted to deduct the entire amount of depreciation added to the basis of the transferred asset on its 2013 tax return.

The provision of subsection (f) of this legislation is not available to a taxpayer that disposed of a transferred asset prior to January 1, 2013 because there is no asset on the taxpayer's books and records to which to add the remaining deductions. Therefore, there is no adjustment to the basis of the transferred asset and the transferee may not take any remaining deductions.

(Effective August 23, 2013, HB 14, s. 34(b), S.L. 13-414.)

G.S. 105-130.6A(a) – Definitions: This subsection was rewritten to replace the phrase “provisions of G.S. 105-130.6” with the phrase “definitions in G.S. 105-130.2.” With this change, definitions in G.S. 105-130.2 govern the determination of whether a corporation is a subsidiary or an affiliate of another corporation. This change was made because G.S. 105-130.6 was repealed by S.L. 11-390.

(Effective August 23, 2013, HB 14, s. 36, S.L. 13-414.)

G.S. 105-130.6A(a)(4) – Definitions: This subdivision was rewritten to define an “electric power holding company” as “a holding company with an affiliate or a subsidiary that is *engaged in the business of producing electric power*”. The italicized language replaces a reference to G.S. 105-116 that was repealed by S.L. 13-316.

(Effective July 1, 2014, HB 998, s. 4.1(b), S.L. 13-316.)

G.S. 105-130.22 – Credit for Construction of Dwelling Units for Handicapped Persons Repealed: This section was repealed as part of the changes made to corporate income tax to reform and simplify the State's tax laws.

(Effective January 1, 2014, HB 998, s. 2.1(b), S.L. 13-316.)

G.S. 105-130.34 – Credit for Certain Real Property Donations Repealed: This section was repealed as part of the changes made to corporate income tax to reform and simplify the State's tax laws.

(Effective January 1, 2014, HB 998, s. 2.1(b), S.L. 13-316.)

G.S. 105-130.36 – Credit for Conservation Tillage Equipment Repealed: This section was repealed as part of the changes made to corporate income tax to reform and simplify the State's tax laws.

(Effective January 1, 2014, HB 998, s. 2.1(b), S.L. 13-316.)

G.S. 105-130.37 – Credit for Gleaned Crop Repealed: This section was repealed as part of the changes made to corporate income tax to reform and simplify the State’s tax laws.

(Effective January 1, 2014, HB 998, s. 2.1(b), S.L. 13-316.)

G.S. 105-130.39 – Credit for Certain Telephone Subscriber Line Charges Repealed: This section was repealed as part of the changes made to corporate income tax to reform and simplify the State’s tax laws.

(Effective January 1, 2014, HB 998, s. 2.1(b), S.L. 13-316.)

G.S. 105-130.43 – Credit for Savings and Loan Supervisory Fees Repealed: This section was repealed as part of the changes made to corporate income tax to reform and simplify the State’s tax laws.

(Effective January 1, 2014, HB 998, s. 2.1(b), S.L. 13-316.)

G.S. 105-130.44 – Credit for Construction of Poultry Composting Facility Repealed: This section was repealed as part of the changes made to corporate income tax to reform and simplify the State’s tax laws.

(Effective January 1, 2014, HB 998, s. 2.1(b), S.L. 13-316.)

G.S. 105-163.41(c)(1) – Technical Change; Underpayment of Estimated Income Tax: This subdivision was rewritten to correct an error. The 2007 General Assembly changed the due date of the corporate income tax return to the 15th day of the fourth month following the end of the corporation’s income year. This subdivision did not get updated as part of that change. As amended, the subdivision reflects the correct due date of the corporate income tax return.

(Effective August 23, 2013, HB 14, s. 3, S.L. 13-414.)

INSURANCE GROSS PREMIUMS TAX

G.S. 58-6-25 – Insurance Regulatory Charge: The percentage rate to be used in calculating the insurance regulatory charge under this statute is 6% for the 2013 and 2014 calendar years. This charge is a percentage of gross premiums tax liability.

(Effective July 23, 2013, SB 402, s. 20.3(a), S.L. 13-360.)

G.S. 105-228.3(1a) – Definitions: The subdivision added the definition of a “Captive Insurance Company. It is defined in G.S. 58-10-340.

(Effective date contingent upon appropriations, HB 473, s. 6(a), S.L. 13-116.)

G.S. 105-228.4A – Tax on Captive Insurance Companies: The section was added to provide taxation of a Captive Insurance Company.

(Effective date contingent upon appropriations, HB 473, s. 6(b), S.L. 13-116.)

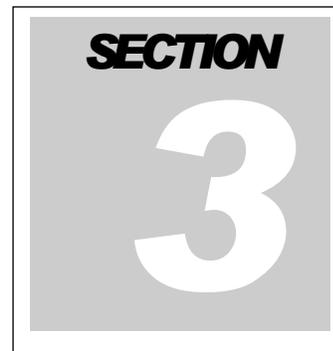
G.S. 105-228.5(d)(3) – Additional Rate on Property Coverage Contracts: The subdivision was amended to change the amount of the net proceeds of this additional tax must be credited to Volunteer Fire Department Fund established in Article 87 of Chapter 58 of the General Statutes from 30% to 25% and the amount of the net proceeds of this additional tax must be credited to Department of Insurance for disbursement pursuant to G.S. 58-84-25 from 25% to 20%. It also added that up to twenty percent (20%), as determined in accordance with G.S. 58-87-10(f), must be credited to the Workers' Compensation Fund. The remaining net proceeds must be credited to the General Fund.

(Effective July 1, 2013, SB 402, s. 20.2(a), S.L. 13-360.)

G.S. 105-228.5(g) – Exemptions: The subsection was amended to state that this section does not apply to a captive insurance company taxed under G.S. 105-228.4A.

(Effective date contingent upon appropriations, HB 473, s. 6(c), S.L. 13-116.)

EXCISE TAX



PRIVILEGE TAXES

G.S. 105-37.1 – Live entertainment and ticket resales: Privilege taxes imposed on gross admission receipts for live entertainment or ticket resales are repealed effective on or after January 1, 2014. These privilege taxes are being moved to Sales and Use Tax privilege tax imposed on retailers.

(Effective January 1, 2014; HB 998, s. 5.(a), S.L. 2013-316.)

G.S. 105-38.1 – Motion picture shows: Privilege tax imposed on gross admission receipts for motion picture shows are repealed effective on or after January 1, 2014. These privilege taxes are being moved to Sales and Use Tax privilege tax imposed on retailers.

(Effective January 1, 2014; HB 998, s. 5.(a), S.L. 2013-316.)

G.S. 105-40 – Amusements: Exemptions for certain forms of amusement are repealed for amusements held on or after January 1, 2014.

(Effective January 1, 2014; HB 998, s. 5.(a), S.L. 2013-316.)

TOBACCO PRODUCTS TAX

G.S. 105-113.4A – Licenses: This statute was amended to obtain conformity of the license application process for the tobacco products excise tax with the license application process used for the motor fuels excise tax.

(Effective September 1, 2013; HB 14, s. 22.(a), S.L. 2013-414.)

G.S. 105-113.4B – Reasons why the Secretary can cancel a license: This statute was amended to obtain conformity of the license cancellation process for the tobacco products excise tax with the license application process used for the motor fuels excise tax and to provide additional reasons for cancelling a license.

(Effective September 1, 2013; HB 14, s. 22.(b), S.L. 2013-414.)

G.S. 105-113.13 – Secretary may require a bond or irrevocable letter of credit:

This statute was amended to obtain conformity of the bond process for the tobacco products excise tax with the bond process used for the motor fuels excise tax, to clarify that a bond may also include an irrevocable letter of credit, and to remove the subsection concerning investigating an applicant.

(Effective September 1, 2013; HB 14, s. 22.(c), S.L. 2013-414.)

PIPED NATURAL GAS TAX

G.S. 105-187.40 through G.S. 105-187.49 – Article 5E. Piped Natural Gas Tax: This Article is repealed effective July 1, 2014. These privilege taxes are being moved to Sales and Use Tax privilege tax imposed on retailers for gross receipts derived from sales of piped natural gas billed on or after July 1, 2014.

(Effective July 1, 2014; HB 998, s. 4.1.(d), S.L. 2013-316.)

MOTOR FUELS TAX

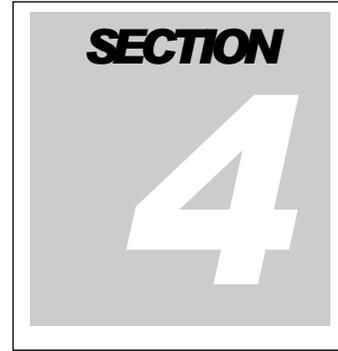
G.S. 105-449.80(a) – Cap Excise Tax on Motor Fuel: This statute was amended to cap the motor fuel excise tax so it may not exceed thirty-seven and one-half cents (37 ½¢) per gallon for the period October 1, 2013 through June 30, 2015.

(Effective for the period of October 1, 2013 – June 30, 2015; HB 998, s. 8.(a), S.L. 2013-316.)

G.S. 105-449.126 – Distribution of Part of Highway Fund Allocation: This statute was amended to add a distribution to the Shallow Draft Navigation Channel and Lake Dredging Fund in the form of a credit of one-sixth of one percent (1/6 of 1%) of the amount allocated to the Highway Fund under G.S. 105-449.125, which is from the excise tax on motor fuel.

(Effective October 1, 2013; SB 402, s. 14.22(g), S.L. 2013-360.)

SALES AND USE TAX



SALES AND USE TAX

G.S. 105-164.3 – Definitions: The 2013 General Assembly added, amended, and recodified multiple definitions. The changes and their effective dates are as follows:

Advertising and promotional direct mail – (1). This definition is added and defines “advertising and promotional direct mail” as “[p]rinted material that meets the definition of ‘direct mail’ and the primary purpose of which is to attract public attention to a product, person, business, or organization, or to attempt to sell, popularize, or secure financial support for a product, person, business, or organization. As used in this subdivision, ‘product’ means tangible personal property, digital property, or a service.”

(Effective August 23, 2013; HB 14, s. 23.(a), S.L. 13-414.)

Analytical services – (1a). This definition was previously codified as (1).

(Effective August 23, 2013; HB 14, s. 23.(a), S.L. 13-414.)

Ancillary service – (1b). This definition was previously codified as (1a).

(Effective August 23, 2013; HB 14, s. 23.(a), S.L. 13-414.)

Reserved for future codification purposes – (1c) through (1e). Previously codified as (1b) through (1d).

(Effective August 23, 2013; HB 14, s. 23.(a), S.L. 13-414.)

Audio work – (1f). This definition was previously codified as (1e).

(Effective August 23, 2013; HB 14, s. 23.(a), S.L. 13-414.)

Reserved for future codification purposes – (1g). Previously codified as (1f).

(Effective August 23, 2013; HB 14, s. 23.(a), S.L. 13-414.)

Audiovisual work – (1h). This definition was previously codified as (1g).

(Effective August 23, 2013; HB 14, s. 23.(a), S.L. 13-414.)

Reserved for future codification purposes – (1i). Previously codified as (1h).

(Effective August 23, 2013; HB 14, s. 23.(a), S.L. 13-414.)

Bundled transaction – (1j). This definition was previously codified as (1i).

(Effective August 23, 2013; HB 14, s. 23.(a), S.L. 13-414.)

Reserved for future codification purposes – (1k). Previously codified as (1j).

(Effective August 23, 2013; HB 14, s. 23.(a), S.L. 13-414.)

Business – (1l). This definition was previously codified as (1k).

(Effective August 23, 2013; HB 14, s. 23.(a), S.L. 13-414.)

Reserved for future codification purposes – (1m). Previously codified as (1l).

(Effective August 23, 2013; HB 14, s. 23.(a), S.L. 13-414.)

Cable service – (1n). This definition was previously codified as (1m).

(Effective August 23, 2013; HB 14, s. 23.(a), S.L. 13-414.)

Other direct mail – (25a). This definition is added and defines “other direct mail” as “[a]ny direct mail that is not advertising and promotional mail regardless of whether advertising and promotional direct mail is included in the same mailing.”

(Effective August 23, 2013; HB 14, s. 23.(a), S.L. 13-414.)

Over-the-counter drug – (25b). This definition was previously codified as (25a).

(Effective August 23, 2013; HB 14, s. 23.(a), S.L. 13-414.)

School instructional material – (37b). This definition is amended in order to include the specific definition per the Streamlined Sales and Use Tax Agreement.

(Effective August 23, 2013; HB 14, s. 8, S.L. 13-414.)

Service contract – (38b). This definition is added and defines “service contract” as “[a] warranty agreement, a maintenance agreement, a repair contract, or a similar

agreement or contract by which the seller agrees to maintain or repair tangible personal property.”

(Effective January 1, 2014 and applies to sales on or after that date; HB 998, s. 6.(a), S.L. 13-316.)

Storage – (44). This definition is amended to clarify that the term “storage” does not include the circumstance where the purchaser is able to document that at the time the purchaser acquires the property the property is designated for the purchaser’s use outside the State and the purchaser subsequently takes it outside the State and uses it solely outside the State. Items that are purchased for storage in the State which may at some point in the future be taken outside the State meet the definition of “storage” if the purchaser does not know at the time of purchase that the item will be used outside the State for certain by the purchaser.

(Effective August 23, 2013; HB 14, s. 8, S.L. 13-414.)

Streamlined Agreement – (45a). This definition is amended to read “[t]he Streamlined Sales and Use Tax Agreement as amended May 24, 2012.”

(Effective August 23, 2013; HB 14, s. 8, S.L. 13-414.)

G.S. 105-164.4(a) – Section 27A.2(f) of Session Laws 2009-451: This was amended to add “[t]he general State rate of tax in effect on or after July 1, 2011, applies to gross receipts received on or after July 1, 2011, pursuant to a lease or rental agreement entered into during the period September 1, 2009, through June 30, 2011, for a definite, stipulated period of time.”

The purpose of this legislation is to allow the reduction of the general State rate of tax from 5.75% to 4.75%, effective July 1, 2011, to apply to gross lease or rental receipts billed on or after July 1, 2011, pursuant to a lease or rental agreement entered into during the period September 1, 2009, through June 30, 2011, for a definite, stipulated period of time.

(Effective August 23, 2013; HB 14, s. 51, S.L. 13-414.)

G.S. 105-164.4(a)(1a) – Manufactured Home: This subdivision is amended to increase the 2.00% State rate of tax to the 4.75% general State rate of tax. The general State rate of tax applies to the sales price of each manufactured home sold at retail, including all accessories attached to the manufactured home when it is delivered to the purchaser. Manufactured homes no longer have a maximum tax.

(Effective January 1, 2014 and applies to sales made on or after that date; HB 998, s. 3.1.(a), S.L. 13-316.)

G.S. 105-164.4(a)(1f) – Electricity Sold to a Commercial Laundry: The 2.83% State rate of tax, applicable to the sales price of electricity that is measured by a separate meter or another separate device and sold to a commercial laundry or to a pressing and dry-cleaning establishment for use in machinery used in the direct performance of the laundering or the pressing and cleaning service, is repealed. See G.S. 105-164.4(a)(9) for the rate of tax applicable to the gross receipts derived from electricity billed to a commercial laundry on or after July 1, 2014.

(Effective July 1, 2014 and applies to gross receipts billed on or after that date; HB 998, s. 4.1.(c), S.L. 13-316.)

G.S. 105-164.4(a)(3) – Accommodations: This subdivision as amended provides the facilitator must send the retailer the portion of the sales price the facilitator owes the retailer and the tax due on the sales price no later than ten days after the end of each calendar month. The statute previously set the number of days to three. This amendment was requested to acknowledge various business models in the industry.

(Effective August 23, 2013; HB 14, s. 9, S.L. 13-414.)

G.S. 105-164.4(a)(4a) – Sales of Electricity: The 3.00% State rate of tax, applicable to the gross receipts derived from sales of electricity, other than sales of electricity subject to tax under another subdivision in this section, is repealed. See G.S. 105-164.4(a)(9) for the rate of tax applicable to the gross receipts derived from electricity billed on or after July 1, 2014.

(Effective July 1, 2014 and applies to gross receipts billed on or after that date; HB 998, s. 4.1.(c), S.L. 13-316.)

G.S. 105-164.4(a)(6b) – Sales of Certain Digital Property: This subdivision is amended to add the phrases “sales price of” and “that is sold at retail and” in order to harmonize the language and to clarify that the lease of digital property is included in the imposition statute.

(Effective August 23, 2013; HB 14, s. 40, S.L. 13-414.)

G.S. 105-164.4(a)(8) – Modular Home: This subdivision is amended to increase the 2.50% State rate of tax to the 4.75% general State rate of tax. The general State rate of tax applies to the sales price of each modular home sold at retail, including all accessories attached to the modular home when it is delivered to the purchaser. The sale of a modular home to a modular homebuilder is considered a retail sale. A person who sells a modular home at retail is allowed a credit against the tax imposed by this subdivision for sales or use tax paid to another state on tangible personal property incorporated in the modular home. The retail sale of a modular home occurs when a modular home manufacturer sells a modular home to a modular homebuilder or directly to the end user of the modular home.

(Effective January 1, 2014 and applies to sales made on or after that date; HB 998, s. 3.1.(a), S.L. 13-316.)

G.S. 105-164.4(a)(9) – Sales of Electricity and Piped Natural Gas: This is a new subdivision. The combined general rate of tax of 7.00% applies to the gross receipts derived from sales of electricity and piped natural gas. The combined general rate of tax of 7.00% also applies to receipts from sales of electricity by the Cape Hatteras Membership Corporation.

(Effective July 1, 2014 and applies to gross receipts billed on or after that date; HB 998, s. 4.1.(e), S.L. 13-316.)

G.S. 105-164.4(a)(10) – Tax Imposed on Admission Charges to an Entertainment Activity: This is a new subdivision. The general State rate of tax of 4.75% and applicable local and transit rates of tax apply to:

“admission charges to an entertainment activity listed in this subdivision. Offering any of these listed activities is a service. An admission charge includes a charge for a single ticket, a multioccasion ticket, a seasonal pass, an annual pass, and a cover charge.

An admission charge does not include a charge for amenities. If charges for amenities are not separately stated on the face of an admission ticket, then the charge for admission is considered to be equal to the admission charge for a ticket to the same event that does not include amenities and is for a seat located directly in front of or closest to a seat that includes amenities.

When an admission ticket is resold and the price of the admission ticket is printed on the face of the ticket, the tax does not apply to the face price. When an admission ticket is resold and the price of the admission ticket is not printed on the face of the ticket, the tax applies to the difference between the amount the reseller paid for the ticket and the amount the reseller charges for the ticket.

Admission charges to the following entertainment activities are subject to tax:

- a. A live performance or other live event of any kind.
- b. A motion picture or film.
- c. A museum, a cultural site, a garden, an exhibit, a show, or a similar attraction or a guided tour at any of these attractions.”

(Effective January 1, 2014 and applies to admissions purchased on or after that date. For admissions to a live event, the tax applies to the initial sale or resale of tickets occurring on or after that date; gross receipts received on or after January 1, 2014 for admission to a live event, for which the initial sale of tickets occurred before that date, other than gross receipts received by a ticket reseller, are taxable under G.S. 105-37.1; HB 998, s. 5(b), S.L. 13-316.)

G.S. 105-164.4(a)(11) – Tax Imposed on the Sales Price of Service Contracts: This is a new subdivision. The general State rate of 4.75% and any applicable local and transit rates of tax apply to the sales price of a service contract.

(Effective January 1, 2014 and applies to sales made on or after that date; HB 998, s. 6.(b), S.L. 13-316.)

G.S. 105-164.4B(d) – Sourcing Principles Exceptions: This subsection is amended to reflect the addition of the new section G.S. 105-164.4E. The changes reference the new statute, G.S. 105-164.4E.

(Effective August 23, 2013; HB 14, s. 23.(b), S.L. 13-414.)

G.S. 105-164.4C(a2)(1) – Telecommunications Service and Ancillary Service Sourcing Exceptions: This subdivision is amended to add the phrase “or product” in order to harmonize the language with G.S. 105-164.4C(a2) title sentence.

(Effective August 23, 2013; HB 14, s. 41, S.L. 13-414.)

G.S. 105-164.4E – Direct Mail: This new section is added to conform the sourcing of direct mail to the Streamlined Sales and Use Tax Agreement requirements and reads as follows:

- “(a) Advertising and Promotional Direct Mail. – The following sourcing principles apply to advertising and promotional direct mail.
- (1) To the location where the direct mail is delivered if it is purchased pursuant to a direct pay permit issued under G.S. 105-164.27A(a1), or if it is purchased with an exemption certificate claiming direct mail and bearing the direct mail permit number issued under G.S. 105-164.27A(a1).
 - (2) To the location where the direct mail is delivered if the purchaser provides the seller with information to show the jurisdictions to which the direct mail is to be delivered.
 - (3) To the location from which the direct mail was shipped if subdivision (1) or (2) of this subsection does not apply.
- (b) Other Direct Mail. – The following sourcing principles apply to other direct mail:
- (1) To the location indicated by an address for the purchaser that is available from the business records of the seller that are maintained in the ordinary course of the seller's business when use of this address does not constitute bad faith.
 - (2) To the jurisdictions where the direct mail is delivered if it is purchased pursuant to a direct pay permit issued under G.S. 105-164.27A(a1), or if it is purchased with an exemption certificate claiming direct mail and bearing the direct mail permit number issued under G.S. 105-164.27A(a1).

(c) Relief from Liability. – In the absence of bad faith, a seller is relieved of:

- (1) All obligations to collect, pay, or remit any tax on any direct mail transaction where the purchaser issues a direct pay permit issued under G.S. 105-164.27A(a1), or if it is purchased with an exemption certificate claiming direct mail and bearing the direct mail permit number issued under G.S. 105-164.27A(a1).
- (2) Further obligation to collect any additional tax on the sale of advertising and promotional direct mail where the seller sourced the sale according to delivery information provided by the purchaser. ”

(Effective August 23, 2013; HB 14, s. 23.(c), S.L. 13-414.)

G.S. 105-164.6(c)(1) – Complementary Use Tax - Credit: This subdivision is amended to clarify when a credit can be allowed for the amount of sales or use tax paid on an item to this State.

(Effective August 23, 2013; HB 14, s. 10, S.L. 13-414.)

G.S. 105-164.10 – Retail Tax Calculation: This subdivision is renamed from “Retail bracket system” to “Retail tax calculation” and is amended to read “[f]or the convenience of the retailer in collecting the tax due under this Article, the Secretary must prescribe tables that compute the tax due on sales by rounding off the amount of tax due to the nearest whole cent. The Secretary must issue a separate table for each rate of tax that may apply to a sale.”

(Effective January 1, 2014; HB 998, s. 5.(e), S.L. 13-316.)

G.S. 105-164.13 – Exemptions and Exclusions: The 2013 General Assembly repealed some exemptions and enacted clarifying changes to other exemptions. The changes and their effective dates are as follows:

Items sold to a farmer – (1). This exemption is repealed. However, this exemption is incorporated into a new section, G.S. 105-164.13E, with the exception of a horse or a mule.

(Effective July 1, 2014 and applies to sales made on or after that date; HB 998, s. 3.3.(b), S.L. 13-316.)

Sales of the following to a farmer . . . – (1a). This exemption is repealed. However, this exemption is incorporated into a new section, G.S. 105-164.13E.

(Effective July 1, 2014 and applies to sales made on or after that date; HB 998, s. 3.3.(b), S.L. 13-316.)

Electricity sold to a farmer . . . – (1b). This exemption is repealed. However, this exemption is incorporated into a new section, G.S. 105-164.13E.

(Effective July 1, 2014 and applies to sales made on or after that date; HB 998, s. 3.3.(b), S.L. 13-316.)

Substances used on animals or plants – (2a). This exemption is repealed. However, this exemption is incorporated into a new section, G.S. 105-164.13E.

(Effective July 1, 2014 and applies to sales made on or after that date; HB 998, s. 3.3.(b), S.L. 13-316.)

Baby chicks and poults . . . – (4a). This exemption is repealed. However, this exemption is incorporated into a new section, G.S. 105-164.13E.

(Effective July 1, 2014 and applies to sales made on or after that date; HB 998, s. 3.3.(b), S.L. 13-316.)

Items concerning the housing, raising, or feeding of animals – (4c). This exemption is repealed. However, this exemption is incorporated into a new section, G.S. 105-164.13E.

(Effective July 1, 2014 and applies to sales made on or after that date; HB 998, s. 3.3.(b), S.L. 13-316.)

Any of the following tobacco items . . . – (4d). This exemption is repealed. However, this exemption is incorporated into a new section, G.S. 105-164.13E.

(Effective July 1, 2014 and applies to sales made on or after that date; HB 998, s. 3.3.(b), S.L. 13-316.)

Nutritional supplements . . . – (13c). This exemption for “[n]utritional supplements sold by a chiropractic physician at a chiropractic office to a patient as part of the patient's plan of treatment, as authorized by G.S. 90-151.1,” is repealed. Effective January 1, 2014, sales of nutritional supplements sold by a chiropractic office to a patient as part of the patient’s plan of treatment are subject to the general State rate of tax of 4.75% and applicable local and transit rates of tax.

(Effective January 1, 2014 and applies to sales made on or after that date; HB 998, s. 3.2.(a), S.L. 13-316.)

Food sold . . . – (26). This exemption is amended to add “and prepared food,” which is defined in G.S. 105-164.3.

(Effective August 23, 2013; HB 14, s. 11.(a), S.L. 13-414.)

Food sold . . . – (26). This exemption is amended to replace “public or private school cafeteria” with “a nonpublic or public school, including a charter school and a regional school.”

(Effective January 1, 2014 and applies to sales made on or after that date; HB 998, s. 3.2.(b), S.L. 13-316.)

Food sold . . . – (26a). This exemption is amended to add “and prepared food,” which is defined in G.S. 105-164.3.

(Effective August 23, 2013; HB 14, s. 11.(a), S.L. 13-414.)

Meals and food products . . . – (27). This exemption is amended to replace “meals and food products” with “prepared food and food,” both of which are defined terms in G.S. 105-164.3.

(Effective August 23, 2013; HB 14, s. 11.(a), S.L. 13-414.)

Prepared food and food . . . – (27). This exemption for “[p]repared food and food served to students in dining rooms regularly operated by State or private educational institutions or student organizations thereof” is repealed. Effective January 1, 2014, prepared food and food served to students in dining rooms regularly operated by State or private educational institutions or student organizations are subject to the general State rate of tax of 4.75% and applicable local rates of tax.

(Effective January 1, 2014 and applies to sales made on or after that date; HB 998, s. 3.2.(a), S.L. 13-316.)

Bread, rolls, and buns sold at a bakery thrift store . . . – (27a). This exemption is repealed. Effective July 1, 2014, sales of bread, rolls, and buns by a retail outlet of a bakery are subject to the general State rate of tax of 4.75% and applicable local and transit rates of tax.

(Effective July 1, 2014 and applies to purchases made on or after that date; HB 998, s. 3.4.(a), S.L. 13-316.)

Sales of newspapers . . . – (28). This exemption for “[s]ales of newspapers by newspaper street vendors, by newspaper carriers making door-to-door deliveries, and by means of vending machines” is repealed. Effective January 1, 2014, sales of newspapers by street vendors and newspaper carriers are subject to the general State rate of tax of 4.75% and applicable local and transit rates of tax. Effective January 1, 2014, sales of newspapers through coin operated vending machines are subject to tax on 50% of the sales price at the general State rate of tax of 4.75% and applicable local and transit rates of tax.

(Effective January 1, 2014 and applies to sales made on or after that date; HB 998, s. 3.2.(a), S.L. 13-316.)

Food sold by a church . . . – (31a). This exemption is amended to add “and prepared food,” which is defined in G.S. 105-164.3.

(Effective August 23, 2013; HB 14, s. 11.(a), S.L. 13-414.)

Tangible personal property sold . . . – (33a). This exemption is amended to replace “within or without” with “inside or outside.” In addition, the following was added to be consistent with the language of Sales and Use Tax Technical Bulletin 7 and to codify the exemption:

“This exemption includes printed material sold by a retailer to a purchaser inside or outside this State when the printed material is delivered directly to a mailing house, to a common carrier, or to the United States Postal Service for delivery to a mailing house in this State that will preaddress and presort the material and deliver it to a common carrier or to the United States Postal Service for delivery to recipients outside this State designated by the purchaser.”

(Effective August 23, 2013; HB 14, s. 11.(a), S.L. 13-414.)

Computer software . . . – (43a). This exemption is amended as follows and replaces the word “designed” with the word “purchased”:

“Computer software that meets any of the following descriptions:

- a. It is purchased to run on an enterprise server operating system. The exemption includes a purchase or license of computer software for high-volume, simultaneous use on multiple computers that is housed or maintained on an enterprise server or end users' computers. The exemption includes software designed to run a computer system, an operating program, or application software.
- b. It is sold to a person who operates a datacenter and is used within the datacenter.
- c. It is sold to a person who provides cable service, telecommunications service, or video programming and is used to provide ancillary service, cable service, Internet access service, telecommunications service, or video programming.”

A purchaser must issue Form E-595E, Streamlined Sales and Use Tax Agreement Certificate of Exemption, to claim a qualifying exemption for computer software purchased to run on an enterprise server operating system.

(Effective August 23, 2013; HB 14, s. 11.(a), S.L. 13-414.)

Piped natural gas – (44). This exemption is repealed.

(Effective July 1, 2014 and applies to gross receipts billed on or after that date; HB 998, s. 4.1.(d), S.L. 13-316.)

Telecommunications purchased by a State agency . . . – (54)e. This exemption is amended to clarify that “[t]elecommunications service purchased or provided by a State agency or a unit of local government for the State Network or another data network owned or leased by the State or unit of local government,” is exempt from sales and use tax.

(Effective July 1, 2013; SB 402, s. 7.4(e), S.L. 13-360.)

Fuel and electricity sold to a manufacturer . . . – (57). This exemption is amended to clarify “[t]he exemption does not apply to electricity used at a facility at which the primary activity is not manufacturing.”

(Effective August 23, 2013; HB 14, s. 11.(a), S.L. 13-414.)

Admission charges to . . . – (60). This exemption is added and reads:

“Admission charges to any of the following entertainment activities:

- a. An event that is held at an elementary or secondary school and is sponsored by the school.
- b. A commercial agricultural fair that meets the requirements of G.S. 106-520.1, as determined by the Commissioner of Agriculture.
- c. A festival or other recreational or entertainment activity that lasts no more than seven consecutive days and is sponsored by a nonprofit entity that is exempt from tax under Article 4 of this Chapter and uses the entire proceeds of the activity exclusively for the entity's nonprofit purposes. This exemption applies to the first two activities sponsored by the entity during a calendar year.
- d. A youth athletic contest sponsored by a nonprofit entity that is exempt from tax under Article 4 of this Chapter. For the purpose of this subdivision, a youth athletic contest is a contest in which each participating athlete is less than 20 years of age at the time of enrollment.
- e. A State attraction. A State attraction is a physical place supported with State funds that offers cultural, educational, historical, or recreational opportunities. The term ‘State funds’ has the same meaning as defined in G.S. 143C-1-1.”

(Effective January 1, 2014 and applies to admissions purchased on or after that date. For admissions to a live event, the tax applies to the initial sale or resale of tickets occurring on or after that date; gross receipts received on or after January 1, 2014 for admission to a live event, for which the initial sale of tickets occurred before that date, other than gross receipts received by a ticket reseller, are taxable under G.S. 105-37.1; HB 998, s. 5.(c), S.L. 13-3167; HB 14, s. 58.(e), S.L. 13-414.)

A service contract for tangible personal property . . . – (61). This exemption is added and reads:

“A service contract for tangible personal property that is provided for any of the following:

- a. An item exempt from tax under this Article, other than an item exempt from tax under G.S. 105-164.13(32).
- b. A transmission, distribution, or other network asset contained on utility-owned land, right-of-way, or easement.
- c. An item purchased by a professional motorsports racing team for which the team may receive a sales tax refund under G.S. 105-164.14A(5).”

(Effective January 1, 2014 and applies to sales on or after that date; HB 998, s. 6.(c), S.L. 13-316; HB 14, s. 58.(e), S.L. 13-414.)

An item to maintain or repair tangible personal property pursuant to a service contract . . . – (62). This adds an exemption for “[a]n item used to maintain or repair tangible personal property pursuant to a service contract if the purchaser of the contract is not charged for the item.” The intent of the exemption is to provide that sales and use tax is not due on an item that is transferred to a customer and included in the sales price of a service contract.

(Effective January 1, 2014 and applies to sales on or after that date; HB 998, s. 6.(c), S.L. 13-316.)

G.S. 105-164.13A – Service Charges on Food, Beverages, or Meals: This subdivision is amended to replace “meals” with “prepared food” to modernize the language. “Prepared food” is defined in G.S. 105-164.3.

(Effective August 23, 2013; HB 14, s. 11.(b), S.L. 13-414.)

G.S. 105-164.13C – Sales and Use Tax Holiday: This section is repealed.

(Effective July 1, 2014 and applies to purchases made on or after that date; HB 998, s. 3.4.(a), S.L. 13-316.)

G.S. 105-164.13D – Sales and Use Tax Holiday for Energy Star Qualified Products: This section is repealed.

(Effective July 1, 2014 and applies to purchases made on or after that date; HB 998, s. 3.4.(a), S.L. 13-316.)

G.S. 105-164.13E – Exemption for Farmers: This is a new section that codifies a number of exemptions from G.S. 105-164.13 in effect for sales prior to July 1, 2014, and

the new statute simultaneously defines a “qualifying farmer” who can purchase a qualifying item without payment of sales and use tax.

“The following tangible personal property, digital property, and services are exempt from sales and use tax if purchased by a qualifying farmer and for use by the farmer in the planting, cultivating, harvesting, or curing of farm crops or in the production of dairy products, eggs, or animals. A qualifying farmer is a farmer who has an annual gross income of ten thousand dollars (\$10,000) or more from farming operations for the preceding calendar year and includes a dairy operator, a poultry farmer, an egg producer, a livestock farmer, a farmer of crops, and a farmer of an aquatic species, as defined in G.S. 106-758.

- (1) Fuel and electricity that is measured by a separate meter or another separate device and used for a purpose other than preparing food, heating dwellings, and other household purposes.
- (2) Commercial fertilizer, lime, land plaster, plastic mulch, plant bed covers, potting soil, baler twine, and seeds.
- (3) Farm machinery, attachment and repair parts for farm machinery, and lubricants applied to farm machinery. The term ‘machinery’ includes implements that have moving parts or are operated or drawn by an animal. The term does not include implements operated wholly by hand or motor vehicles required to be registered under Chapter 20 of the General Statutes.
- (4) A container used in the planting, cultivating, harvesting, or curing of farm crops or in the production of dairy products, eggs, or animals or used in packaging and transporting the farmer's product for sale.
- (5) A grain, feed, or soybean storage facility and parts and accessories attached to the facility.
- (6) Any of the following substances when purchased for use on animals or plants, as appropriate, held or produced for commercial purposes. This exemption does not apply to any equipment or devices used to administer, release, apply, or otherwise dispense these substances:
 - a. Remedies, vaccines, medications, litter materials, and feeds for animals.
 - b. Rodenticides, insecticides, herbicides, fungicides, and pesticides.
 - c. Defoliant for use on cotton or other crops.
 - d. Plant growth inhibitors, regulators, or stimulators, including systemic and contact or other sucker control agents for tobacco and other crops.
 - e. Semen.
- (7) Baby chicks and poults sold for commercial poultry or egg production.
- (8) Any of the following items concerning the housing, raising, or feeding of animals:

- a. A commercially manufactured facility to be used for commercial purposes for housing, raising, or feeding animals or for housing equipment necessary for these commercial activities. The exemption also applies to commercially manufactured equipment, and parts and accessories for the equipment, used in the facility.
 - b. Building materials, supplies, fixtures, and equipment that become a part of and are used in the construction, repair, or improvement of an enclosure or a structure specifically designed, constructed, and used for housing, raising, or feeding animals or for housing equipment necessary for one of these commercial activities. The exemption also applies to commercially manufactured equipment, and parts and accessories for the equipment, used in the enclosure or a structure.
- (9) A bulk tobacco barn or rack, parts and accessories attached to the tobacco barn or rack, and any similar apparatus, part, or accessory used to cure or dry tobacco or another crop."

(Effective July 1, 2014 and applies to sales made on or after that date; HB 998, s. 3.3.(a), S.L. 13-316.)

G.S. 105-164.14(b) – Nonprofit Entities and Hospital Drugs: This subdivision is amended to add “[s]ales and use tax liability indirectly incurred by a nonprofit entity through reimbursement to an authorized person of the entity for the purchase of tangible personal property and services, other than electricity, telecommunications service, and ancillary service, for use in carrying on the work of the nonprofit entity is considered a direct purchase by the entity.” The amendment does not provide for any reimbursement for sales taxes incurred on purchases of food, lodging, or other taxable travel expenses paid by employees and reimbursed by a nonprofit entity.

This subdivision is also amended to replace “medicines and drugs” with “over-the-counter drugs,” which is a defined term in G.S. 105-164.3, to modernize the language.

Furthermore, this subdivision is amended to add G.S. 105-164.14(b)(2b) which provides that an organization that meets the following requirements qualifies for a refund under G.S. 105-164.14(b):

- “An organization that is a single member LLC that is disregarded for income tax purposes and satisfies all of the following conditions:
- a. The owner of the LLC is an organization that is exempt from income tax under section 501(c)(3) of the Code.
 - b. The LLC is a nonprofit entity that would be eligible for an exemption under 501(c)(3) of the Code if it were not disregarded for income tax purposes.

- c. The LLC is not an organization that would be properly classified in any of the major group areas of the National Taxonomy of Exempt Entities listed in subdivision (2) of this subsection.”

(Effective August 23, 2013; HB 14, s. 12, S.L. 13-414.)

G.S. 105-164.14(b) – Cap on Refunds for Nonprofit Entities and Hospital Drugs:

This subdivision is amended to add “[t]he aggregate annual refund amount allowed an entity under this subsection for a fiscal year may not exceed thirty-one million seven hundred thousand dollars (\$31,700,000).” The amount applies to refunds of State tax only. A local aggregate annual cap is added in G.S. 105-467(b) in the amount of thirteen million three hundred thousand dollars (\$13,300,000).

(Effective July 1, 2014 and applies to purchases made on or after that date; HB 998, s. 3.4.(b), S.L. 13-316.)

G.S. 105-164.14(b)(2a) – Volunteer Fire Departments and Volunteer Emergency Medical Services Squads:

This subdivision is amended to expand the refund provision to include volunteer fire departments and volunteer emergency medical services squads financially accountable to a city as defined in G.S. 105-160A-1, a county, or a group of cities and counties.

(Effective July 1, 2013 and applies to purchases occurring on or after that date; HB 14, s. 54.(a), S.L. 13-414.)

G.S. 105-164.14(c)(24) – Certain Governmental Entity Refund for Public Library:

This subdivision is amended to allow a joint public library system established by multiple counties pursuant to G.S. 153A-270 to receive a refund.

(Effective January 1, 2013 and applies to purchases occurring on or after that date; HB 14, s. 42.(a), S.L. 13-414.)

Section 3(b) of S.L. 2012-74 – This section is amended to read “[a]n interstate passenger air carrier is allowed a refund of the sales and use tax paid by it on fuel in excess of one million two hundred fifty thousand dollars (\$1,250,000) for the period January 1, 2011, through June 30, 2011. The State portion of the refund is payable in two installments. The first installment, payable in fiscal year 2012-2013, may not exceed three million one hundred fifty thousand dollars (\$3,150,000). The remainder of the refund is payable in fiscal year 2013-2014. The amount of sales and use tax paid does not include a refund allowed to the interstate passenger air carrier under G.S. 105-164.14(a). A request for a refund must be in writing and must include any information and documentation required by the Secretary. The request for a refund is due before October 1, 2012. A refund applied for after the due date is barred.”

(Effective July 1, 2013; SB 402, s.6.16, S.L. 13-360.)

G.S. 105-164.14A(a)(1) – Refund for Passenger Air Carrier: This subsection is amended to extend the repeal date for purchases made on or after January 1, 2014 to January 1, 2016.

(Effective July 23, 2013; HB 998, s. 3.5.(a), S.L. 13-316.)

G.S. 105-164.14A(a)(4) – Refund for Motorsports Team or Sanctioning Body: This subsection is amended to extend the repeal date for purchases made on or after January 1, 2014 to January 1, 2016.

(Effective July 23, 2013; HB 998, s. 3.5.(a), S.L. 13-316.)

G.S. 105-164.14A(a)(5) – Refund for Professional Motorsports Team: This subsection is amended to extend the repeal date for purchases made on or after January 1, 2014 to January 1, 2016.

(Effective July 23, 2013; HB 998, s. 3.5.(a), S.L. 13-316.)

One-Year Sales Tax Refund for Purchases of Specialized Equipment Used at State Ports: See Certain Machinery and Equipment – Article 5F for information regarding a refund of sales and use taxes for purchases made on or after July 1, 2012, but before July 1, 2013.

(Effective June 26, 2012 and applies to purchases of eligible property made on or after July 1, 2012, but before July 1, 2013; HB 1015, s. 7, S.L. 12-74.)

G.S. 105-164.15A(a) – Effective Date of Rate Changes: This section is amended to replace “Services” with “General Rate Items.” The purpose of the amendment is to establish when a rate change becomes effective for tangible personal property, digital property, and services regardless if a taxable item is provided and billed on a monthly or other periodic basis or if a taxable item is provided and not billed on a monthly or other periodic basis.

(Effective January 1, 2014 and applies to sales made on or after that date; HB 998, s. 3.2.(c), S.L. 13-316.)

One-Year Sales Tax Refund for Specified Purchases by a Large Manufacturing and Distribution Facility: See Certain Machinery and Equipment – Article 5F for information regarding a refund of sales and use taxes for purchases made on or after July 1, 2012, but before July 1, 2013.

(Effective June 24, 2011 and applies to purchases of eligible property made on or after July 1, 2012, but before July 1, 2013; HB 751, s. 3.(b), S.L. 11-302.)

G.S. 105-164.19 – Extension of Time for Making Returns and Payment: This section is amended to modernize the language.

(Effective August 23, 2013; HB 14, s. 1.(f), S.L. 13-414.)

G.S. 105-164.27A(a) – Direct Pay Permit: This subsection is amended to clarify that a direct pay permit issued under this section does not apply to taxes imposed under G.S. 105-164.4 on sales of electricity or the gross receipts derived from rentals of accommodations.

(Effective August 23, 2013; HB 14, s. 13, S.L. 13-414.)

G.S. 105-164.27A(a1) – Direct Pay Permit: This subsection is amended to clarify that a person who purchases direct mail under a direct pay permit must file a return and pay the tax due monthly or quarterly to the Secretary.

(Effective August 23, 2013; HB 14, s. 13, S.L. 13-414.)

G.S. 105-164.28 – Certificate of Exemption: This section is rewritten to harmonize the language with the Streamlined Sales and Use Tax Agreement requirements. The section as rewritten states:

“(a) Relief From Liability. – Except as provided in subsection (b) of this section, a seller is not liable for the tax otherwise applicable if the Secretary determines that a purchaser improperly claimed an exemption, or if the seller within 90 days of the sale meets the following requirements:

- (1) For a sale made in person, the seller obtains a certificate of exemption or a blanket certificate of exemption from a purchaser with which the seller has a recurring business relationship. If the purchaser provides a paper certificate, the certificate must be signed by the purchaser and state the purchaser's name, address, certificate of registration number, reason for exemption, and type of business. For purposes of this subdivision, a certificate received by fax is a paper certificate. If the purchaser does not provide a paper certificate, the seller must obtain and maintain the same information required had a certificate been provided by the purchaser.
- (2) Repealed.
- (3) For a sale made over the Internet or by other remote means, the seller obtains the purchaser's name, address, certificate of registration number, reason for exemption, and type of business and maintains this information in a retrievable format in its records. If a certificate of exemption is provided electronically for a remote sale, the requirements of subdivision (1) of this subsection apply except the electronic certificate is not required to be signed by the purchaser.

- (4) In the case of drop shipment sales, a third-party vendor obtains a certificate of exemption provided by its customer or any other acceptable information evidencing qualification for a resale exemption, regardless of whether the customer is registered to collect and remit sales and use tax in the State.
- (b) Substantiation Request. – If the Secretary determines that a certificate of exemption or the required data elements obtained by the seller are incomplete, the Secretary may request substantiation from the seller. A seller is not required to verify that a certificate of registration number provided by a purchaser is correct. If a seller does one of the following within 120 days after a request for substantiation by the Secretary, the seller is not liable for the tax otherwise applicable:
 - (1) Obtains a fully completed certificate of exemption from the purchaser provided in good faith. The certificate is provided in good faith if it claims an exemption that meets all of the following conditions:
 - a. It was statutorily available in this State on the date of the transaction.
 - b. It could be applicable to the item being purchased.
 - c. It is reasonable for the purchaser's type of business.
 - (2) Obtains other information to establish the transaction was not subject to tax.
- (c) Fraud. – The relief from liability under this section does not apply to a seller who does any of the following:
 - (1) Fraudulently fails to collect tax.
 - (2) Solicits purchasers to participate in the unlawful claim of an exemption.
 - (3) Accepts an exemption certificate when the purchaser claims an entity-based exemption when the subject of the transaction sought to be covered by the exemption certificate is received by the purchaser at a location operated by the seller, and the claimed exemption is not available in this State.
 - (4) Had knowledge or had reason to know at the time information was provided relating to the exemption claimed that the information was materially false.
 - (5) Knowingly participated in activity intended to purposefully evade tax properly due on the transaction.
- (d) Purchaser's Liability. – A purchaser who does not resell an item purchased under a certificate of exemption is liable for any tax subsequently determined to be due on the sale.
- (e) Renewal of Information. – The Secretary may not require a seller to renew a blanket certificate of exemption or to update exemption certificate information or data elements when there is a recurring business relationship between the buyer and seller. For purposes of this section, a recurring business relationship exists when a period of no more than 12 months elapse between sales transactions."

A seller that fails to obtain a certificate of exemption at the time of the sale, within 90 days of the sale, or within 120 days after a request for substantiation during an examination will be liable for the tax due on the sales. A seller that fails to obtain the required information within the specified time periods is liable for the tax.

(Effective August 23, 2013; HB 14, s. 43.(a), S.L. 13-414.)

G.S. 105-164.28A – Other Exemption Certificates: This subsection is amended to harmonize the language used with the Streamlined Sales and Use Tax Agreement requirements. The amendment specifically adds relief of liability when the seller obtains the purchaser's name, address, type of business, reason for exemption, and exemption number in lieu of obtaining an exemption certificate. This section as amended provides that it will be administered in accordance with G.S. 105-164.28.

(Effective August 23, 2013; HB 14, s. 43.(b), S.L. 13-414.)

G.S. 105-164.30 – Secretary or Agent May Examine Books, etc.: This section is amended to modernize the language.

(Effective August 23, 2013; HB 14, s. 1.(g), S.L. 13-414.)

G.S. 105-164.35 – Excessive Payments; Recomputing Tax: This subdivision is repealed. This statute was unnecessary because G.S. 105-241.7 gives the Secretary the same authority.

(Effective August 23, 2013; HB 14, s. 14, S.L. 13-414.)

G.S. 105-164.42I(b) – Contract with Certified Service Provider: This subdivision is amended to allow the Secretary to contract or authorize in writing the Streamlined Sales Tax Governing Board to contract on behalf of the Secretary with a certified service provider for the collection and remittance of sales and use taxes. In addition, a bond or irrevocable letter of credit may be payable to the State or the Streamlined Sales Tax Governing Board and be in the form required by the Secretary.

(Effective August 23, 2013; HB 14, s. 44, S.L. 13-414.)

G.S. 105-164.42L – Liability Relief for Erroneous Information or Insufficient Notice by Department: This section's title is amended to reflect its increased scope. Subsection (b) is added to allow liability relief when a person relies on erroneous information provided in the taxability matrix provided by the Secretary. Subsection (c) is added as follows:

“A retailer is not liable for an underpayment of tax attributable to a rate change when the State fails to provide for at least 30 days between the enactment of the rate change and the effective date of the rate change if the conditions of this subsection are satisfied. However, if the State establishes the retailer fraudulently failed to collect tax at the new rate or

solicited customers based on the immediately preceding effective rate, this liability relief does not apply. Both of the following conditions must be satisfied for liability relief:

- (1) The retailer collected tax at the immediately preceding rate.
- (2) The retailer's failure to collect at the newly effective rate does not extend beyond 30 days after the date of enactment of the new rate or the effective date applicable under G.S. 105-164.15A."

(Effective August 23, 2013; HB 14, s. 15, S.L. 13-414.)

LOCAL SALES AND USE TAX

Pertains to All Distributions: This is added and states as follows: “[t]he Department of Revenue allocates and distributes to cities and counties the local sales and use taxes under Subchapter VIII of Chapter 105 of the General Statutes and a portion of various State taxes under Chapter 105 of the General Statutes, such as the excise tax on beer and wine, the franchise tax on electric power companies, the sales tax on video programming and telecommunications, and the excise tax on piped natural gas. If the Department is unable to accurately identify and calculate the amount of tax proceeds allocable and distributable to a county or city for any one or more of these taxes for one or more of the distributional periods because of implementation issues with the Tax Information Management System (TIMS), the Department must allocate and distribute to a county and city an amount for that period that is equal to the average of the applicable tax proceeds allocated and distributed to it for the same distributional period in the preceding three fiscal years.”

(Effective August 23, 2013; HB 14, s. 53.(a), S.L. 13-414.)

G.S. 105-164.44G – Distribution of Part of Tax on Modular Homes: This section is repealed.

(Effective January 1, 2014 and applies to sales made on or after that date; HB 998, s. 3.1.(b), S.L. 13-316.)

G.S. 105-164.44I(a) – Distribution of Part of Tax on Video Programming and Telecommunications Service to Counties and Cities: This subsection is amended to clarify that the Secretary must first make the distribution required by subsection (b) of this section and then distribute the remainder in accordance with subsections (c) and (d) of this section.

(Effective August 23, 2013; HB 14, s. 45, S.L. 13-414.)

G.S. 105-164.44K – Distribution of Part of Tax on Electricity to Cities: This is a new section and states as follows:

“(a) Distribution. – The Secretary must distribute to cities forty-four percent (44%) of the net proceeds of the tax collected under G.S. 105-164.4 on electricity, less the cost to the Department of administering the distribution. Each city's share of the amount to be distributed is its franchise tax share calculated under subsection (b) of this section plus its ad valorem share calculated under subsection (c) of this section. If the net proceeds of the tax allocated under this section are not sufficient to distribute the franchise tax share of each city under subsection (b) of this section, the proceeds shall be distributed to each city on a pro rata basis. The Secretary must make the distribution within 75 days after the end of each quarter.

(b) Franchise Tax Share. – The quarterly franchise tax share of a city is the total amount of electricity gross receipts franchise tax distributed to the city under repealed G.S. 105-116.1 for the same related quarter that was the last quarter in which taxes were imposed on electric power companies under repealed G.S. 105-116. The quarterly franchise tax share of a city includes adjustments made for the hold-harmless amounts under repealed G.S. 105-116. If the franchise tax share of a city, including the hold-harmless adjustments, is less than zero, then the amount is zero. The determination made by the Department with respect to a city's franchise tax share is final and is not subject to administrative or judicial review.

The franchise tax share of a city that has dissolved, merged with another city, or divided into two or more cities since it received a distribution under repealed G.S. 105-116.1 is adjusted as follows:

(1) If a city dissolves and is no longer incorporated, the franchise tax share of the city is added to the amount distributed under subsection (c) of this section.

(2) If two or more cities merge or otherwise consolidate, their franchise tax shares are combined.

(3) If a city divides into two or more cities, the franchise tax share of the city that divides is allocated among the new cities in proportion to the total amount of ad valorem taxes levied by each on property having a tax situs in the city.

(c) Ad Valorem Share. – The ad valorem share of a city is its proportionate share of the amount that remains for distribution after determining each city's franchise tax share under subsection (b) of this section. The prohibitions in G.S. 105-472(d) on the receipt of funds by a city apply to the distribution under this subsection.

A city's proportionate share is the amount of ad valorem taxes it levies on property having a tax situs in the city compared to the ad valorem taxes levied by all cities on property having a tax situs in the cities. The ad valorem method set out in G.S. 105-472(b)(2) applies in determining the share of a city under this subsection based on ad valorem taxes, except that the amount of ad valorem taxes levied by a

city does not include ad valorem taxes levied on behalf of a taxing district and collected by the city.

- (d) Nature. – The General Assembly finds that the revenue distributed under this section is local revenue, not a State expenditure, for the purpose of Section 5(3) of Article III of the North Carolina Constitution. The Governor may not reduce or withhold the distribution. “

(Effective for quarters beginning on or after July 1, 2014; HB 998, s. 4.3.(a), S.L. 13-316.)

G.S. 105-164.44K(b) – Distribution of Part of Tax on Electricity to Cities: This subdivision is amended to include references to the repealed provisions of G.S. 159B-27. G.S. 159B-27 relates to taxes and payments in lieu of taxes for projects jointly owned by municipalities or owned by a joint agency.

(Effective July 1, 2014, G.S. 105-164.44K(b), as enacted by Section 4.3(a) of S.L. 2013-316; HB 112, s. 11.2, S.L. 13-363.)

Section 3 of Chapter 347 of the 1965 Session Laws: This is amended and reads "Sec. 3. All property owned by Cape Hatteras Electric Membership Corporation is exempt from property taxes to the same extent as property owned by any county or municipality of the State so long as the property is owned by Cape Hatteras Electric Membership Corporation and is held and used by it solely for the furnishing of electric energy to consumers on Hatteras Island and Ocracoke Island. Cape Hatteras Electric Membership Corporation is subject to any other taxes to the same extent as other electric membership corporations established under Chapter 117 of the General Statutes."

(Effective July 1, 2014; HB 998, s. 4.5.(a), S.L. 13-316.)

G.S. 105-164.44L – Distribution of Part of Tax on Piped Natural Gas to Cities: This is a new section and states as follows:

- “(a) Distribution. – The Secretary must distribute to cities twenty percent (20%) of the net proceeds of the tax collected under G.S. 105-164.4 on piped natural gas, less the cost to the Department of administering the distribution. Each city's share of the amount to be distributed is its excise tax share calculated under subsection (b) of this section plus its ad valorem share calculated under subsection (c) of this section. If the net proceeds of the tax allocated under this section are not sufficient to distribute the excise tax share of each city under subsection (b) of this section, the proceeds shall be distributed to each city on a pro rata basis. The Secretary must make the distribution within 75 days after the end of each quarter.
- (b) Excise Tax Share. – The quarterly excise tax share of a city that is not a gas city is the amount of piped natural gas excise tax distributed to the city under repealed G.S. 105-187.44 for the same related quarter that was the last quarter in which taxes were imposed on piped natural gas under

repealed Article 5E of this Chapter. The Secretary must determine the excise tax share of a gas city and divide that amount by four to calculate the quarterly distribution amount for a gas city. The excise tax share of a gas city is the amount the gas city would have received under repealed G.S. 105-187.44 for the last year in which taxes were imposed under repealed Article 5E of this Chapter if piped natural gas consumed by the city or delivered by the city to a customer had not been exempt from tax under repealed G.S. 105-187.41(c)(1) and (c)(2). A gas city must report the information required by the Secretary to make the distribution under this section in the form, manner, and time required by the Secretary. For purposes of this subsection, the term "gas city" has the same meaning as defined in repealed G.S. 105-187.40. The determination made by the Department with respect to a city's excise tax share is final and is not subject to administrative or judicial review.

The excise tax share of a city that has dissolved, merged with another city, or divided into two or more cities since it received a distribution under repealed G.S. 105-187.44 is adjusted as follows:

- (1) If a city dissolves and is no longer incorporated, the excise tax share of the city is added to the amount distributed under subsection (c) of this section.
- (2) If two or more cities merge or otherwise consolidate, their excise tax shares are combined.
- (3) If a city divides into two or more cities, the excise tax share of the city that divides is allocated among the new cities in proportion to the total amount of ad valorem taxes levied by each on property having a tax situs in the city.

- (c) Ad Valorem Share. – The ad valorem share of a city is its proportionate share of the amount that remains for distribution after determining each city's excise tax share under subsection (b) of this section. The prohibitions in G.S. 105-472(d) on the receipt of funds by a city apply to the distribution under this subsection.

A city's proportionate share is the amount of ad valorem taxes it levies on property having a tax situs in the city compared to the ad valorem taxes levied by all cities on property having a tax situs in the cities. The ad valorem method set out in G.S. 105-472(b)(2) applies in determining the share of a city under this section based on ad valorem taxes, except that the amount of ad valorem taxes levied by a city does not include ad valorem taxes levied on behalf of a taxing district and collected by the city.

- (d) Nature. – The General Assembly finds that the revenue distributed under this section is local revenue, not a State expenditure, for the purpose of Section 5(3) of Article III of the North Carolina Constitution. The Governor may not reduce or withhold the distribution."

(Effective for quarters beginning on or after July 1, 2014; HB 998, s. 4.3.(a), S.L. 13-316.)

G.S. 105-467(a) – Scope of Sales Tax: This section is amended to establish that sales of manufactured homes and modular homes are not subject to the local and transit sales and use rates of tax, even though these items are subject to the general State sales and use rate of tax under G.S. 105-164.4.

(Effective January 1, 2014 and applies to sales made on or after that date; HB 998, s. 3.1.(c), S.L. 13-316.)

G.S. 105-467(a)(5b) – Scope of Sales Tax: This subdivision is repealed in conjunction with the repeal of G.S. 105-164.13(27a) and removes the local sales and use tax exemption for bread, rolls, and buns that are sold at a bakery thrift store.

(Effective July 1, 2014 and applies to purchases made on or after that date; HB 998, s. 3.4.(d), S.L. 13-316.)

G.S. 105-467(b) – Exemptions and Refunds: This subdivision is amended to repeal the local sales and use tax exemptions applicable to “the State sales and use tax holidays contained in G.S. 105-164.13C and G.S. 105-164.13D” as a result of the repeal of both State sales and use tax holidays.

The statute as amended also provides the State refund provisions contained in G.S. 105-164.14 through G.S. 105-164.14B apply to the local sales and use tax authorized to be levied and imposed under Article 39 of Chapter 105.

In addition, the statute is amended and provides “[t]he aggregate annual local refund amount allowed an entity under G.S. 105-164.14(b) for a fiscal year may not exceed thirteen million three hundred thousand dollars (\$13,300,000).”

As amended the refunds are due either semi-annually (G.S. 105-164.14) or six months after the end of the State’s fiscal year (G.S. 105-164.14A).

(Effective July 1, 2014 and applies to purchases made on or after that date; HB 998, s. 3.4.(c), S.L. 13-316.)

G.S. 105-467(c) – Sourcing: This subsection is amended to clarify that it is the intent of the General Assembly to harmonize the language of the local statutes to be consistent with the State sales and use tax statutes. The amendments to this statute clarify that the local statutes are intended to be consistent with G.S. 105-164.8(c) relative to imposition of tax and destination sourcing requirements.

(Effective August 23, 2013; HB 14, s. 49.(b), S.L. 13-414.)

G.S. 105-468 – Scope of Use Tax: This subsection is amended to clarify that it is the intent of the General Assembly to harmonize the language of the local statutes to be consistent with the State sales and use tax statutes. The amendments to this statute

clarify that the local statutes are to be consistent with Article 5 of Chapter 105 of the General Statutes in the collection and administration of use tax.

(Effective August 23, 2013; HB 14, s. 49.(a), S.L. 13-414.)

G.S. 105-521 – Transitional Local Government Hold Harmless for Repealed

Reimbursements: This distribution set to expire August 2013 is extended one additional year. The new calculation is to multiply each local government's local sales tax share by the estimated amount of replacement revenue that all local governments are expected to receive during the current fiscal year. If the resulting amount is less than one hundred percent (100%) of the local government's repealed reimbursement amount, the Secretary must pay the local government fifty percent (50%) of the difference, but not less than fifty dollars (\$50.00). In addition, the Secretary must report to the Revenue Laws Study Committee by January 31, 2014, the amount distributed under this section for the current fiscal year.

(Effective July 1, 2013; SB 402, s. 6.17, S.L. 13-360.)

HIGHWAY USE TAX – ARTICLE 5A

G.S. 105-187.3(a) – Rate of Tax: This subsection is amended and provides any fee regulated by G.S. 20-101.1, in addition to the retail value of a motor vehicle for which a certificate of title is issued, constitutes part of the sales price on which the rate of highway use tax is due.

(Effective January 1, 2014; SB 402, s. 34.29(a), S.L. 13-360.)

G.S. 105-187.9(c) – Use of Tax Proceeds: This subsection is amended to increase the amount of Prioritization Reserve Transfer from forty-five million dollars (\$45,000,000) to fifty-eight million dollars (\$58,000,000).

(Effective July 1, 2013; HB 200, s. 28.33.(d), S.L. 11-145.)

SCRAP TIRE DISPOSAL TAX – ARTICLE 5B

G.S. 105-187.19(b) – Use of Tax Proceeds: This subsection is amended to delete the Secretary's requirement to credit eight percent (8%) of the net tax proceeds to the Solid Waste Management Trust Fund, seventeen percent (17%) of the net tax proceeds to the Scrap Tire Disposal Account, two and one-half percent (2.5%) of the net tax proceeds to the Inactive Hazardous Sites Cleanup Fund, and two and one-half percent (2.5%) of the net tax proceeds to the Bernard Allen Memorial Emergency Drinking Water Fund. In exchange, thirty percent (30%) of the net tax proceeds from the Scrap Tire Disposal Tax is to remain in the General Fund.

(Effective July 1, 2013; SB 402, s. 14.16.(a), S.L. 13-360.)

WHITE GOODS DISPOSAL TAX – ARTICLE 5C

G.S. 105-187.24 – Use of Tax Proceeds: This subsection is amended to delete the Secretary's requirement to credit eight percent (8%) of the net tax proceeds to the Solid Waste Management Trust Fund and twenty percent (20%) of the net tax proceeds to the White Goods Management Account. In exchange, twenty-eight percent (28%) of the net tax proceeds from the Scrap Tire Disposal Tax is to remain in the General Fund.

(Effective August 1, 2013; SB 402, s. 14.17.(a), S.L. 13-360.)

PIPED NATURAL GAS TAX – ARTICLE 5E

Article 5E – Piped Natural Gas Tax: This section is repealed. Gross receipts derived from sales of piped natural gas billed on or after July 1, 2014 are subject to the combined general rate of tax of 7.00% under G.S. 105-164.4(a)(9).

(Effective July 1, 2014 and applies to gross receipts billed on or after that date; HB 998, s. 4.1.(d), S.L. 13-316.)

CERTAIN MACHINERY AND EQUIPMENT – ARTICLE 5F

G.S. 105-187.51B(a)(2) – Tax Imposed on Research and Development Companies: This subsection is amended to clarify that a company must be primarily engaged at the establishment in qualifying research and development activities and meet all other statutory requirements to qualify for the State 1.00% privilege tax with a maximum tax of eighty dollars (\$80) per article for qualifying purchases.

(Effective August 23, 2013; HB 14, s. 46, S.L. 13-414.)

G.S. 105-187.51B(a)(3) – Tax Imposed on Software Publishing Companies: This subsection is amended to clarify that a company must be primarily engaged at the establishment in qualifying software publishing activities and meet all other statutory requirements to qualify for the State 1.00% privilege tax with a maximum tax of eighty dollars (\$80) per article for qualifying purchases.

(Effective August 23, 2013; HB 14, s. 46, S.L. 13-414.)

G.S. 105-187.51B(a)(4) – Tax Imposed on Industrial Machinery Refurbishing Companies: This subsection is amended to clarify that a company must be primarily engaged at the establishment in qualifying industrial machinery refurbishing activities and meet all other statutory requirements to qualify for the State 1.00% privilege tax with a maximum tax of eighty dollars (\$80) per article for qualifying purchases.

(Effective August 23, 2013; HB 14, s. 46, S.L. 13-414.)

One-Year Sales Tax Refund for Purchases of Specialized Equipment Used at State Ports:

“For purchases made on or after July 1, 2012, but before July 1, 2013, a company located at a ports facility for waterborne commerce that purchases specialized equipment to be used at the facility to unload or process bulk cargo to make it suitable for delivery to and use by manufacturing facilities is allowed a refund of all local sales and use taxes paid and a portion of State sales and use taxes paid on the purchases as provided in this section. The portion of the State sales and use taxes that may be refunded is equal to the excess of the State sales and use taxes paid over the amount that would have been due had the taxpayer been subject to tax on the eligible property as if it were mill machinery under Article 5F of Chapter 105 of the General Statutes. A request for a refund under this section must be in writing and must include any information and documentation required by the Secretary. A request for a refund under this section must be made on or after July 1, 2013, and is due before January 1, 2014. Refunds applied for after the due date are barred. Taxes for which a refund is allowed under this section are not an overpayment of tax and do not accrue interest as provided in G.S. 105-241.21.”

(Effective June 26, 2012; HB 1015, s. 7, S.L. 12-74.)

G.S. 105-187.51B(a)(5) – Tax Imposed on Companies Located at Ports Facilities:

This subdivision imposes the State 1.00% privilege tax with a maximum tax of eighty dollars (\$80.00) per article on a company located at a ports facility for waterborne commerce that purchases specialized equipment to be used at the facility to unload or process bulk cargo to make it suitable for delivery to and use by manufacturing facilities.

(Effective July 1, 2013 and applies to purchases made on or after that date; HB 751, s. 1, S.L. 11-302.)

One-Year Sales Tax Refund for Specified Purchases by a Large Manufacturing and Distribution Facility:

“For purchases of eligible property made on or after July 1, 2012, but before July 1, 2013, a large manufacturing and distribution facility is allowed a refund of all local sales and use taxes paid and a portion of State sales and use taxes paid on the purchases as provided in this section. The portion of the State sales and use taxes that may be refunded is equal to the excess of the State sales and use taxes paid over the amount that would have been due had the taxpayer been subject to tax on the eligible property if it were mill machinery under Article 5F of Chapter 105 of the General Statutes. A request for a refund under this section must be in writing and must include any information and documentation required by the Secretary. A request for a refund under this section must be made on or after July 1, 2013, and is due

before January 1, 2014. Refunds applied for after the due date are barred. Refunds allowed under this section are not an overpayment of tax and do not accrue interest as provided in G.S. 105-241.21.”

(Effective June 24, 2011; HB 751, s. 3.(b), S.L. 11-302.)

G.S. 105-187.51D – Tax Imposed on Machinery at Large Manufacturing and Distribution Facility: This section imposes the State 1.00% privilege tax with a maximum tax of eighty dollars (\$80.00) per article on purchases of mill machinery, distribution machinery, or parts or accessories (an accessory is not electricity) for mill machinery or distribution machinery for storage, use, or consumption in North Carolina by a large manufacturing and distribution facility. For the purposes of this new section, a 'large manufacturing and distribution facility' is a facility that is to be used primarily for manufacturing or assembling products and distributing finished products for which the Secretary of Commerce makes a certification that an investment of private funds of at least eighty million dollars (\$80,000,000) has been or will be made in real and tangible personal property for the facility within five years after the date on which the first property investment is made and that the facility will achieve an employment level of at least 550 within five years after the date the facility is placed into service and maintain that minimum level of employment throughout its operation. If the required level of investment or employment to qualify as a large manufacturing and distribution facility is not timely made, achieved, or maintained, then the rate provided under this new section is forfeited. If the rate is forfeited due to a failure to timely make the required investment or to timely achieve the minimum required employment level, then the rate provided under this new section is forfeited on all purchases. If the rate is forfeited due to a failure to maintain the minimum required employment level once that level has been achieved, then the rate provided under this new section is forfeited for those purchases occurring on or after the date the taxpayer fails to maintain the minimum required employment level. A taxpayer that forfeits a rate under this new section is liable for all past sales and use taxes avoided as a result of the forfeiture, computed at the applicable State and local rates from the date the taxes would otherwise have been due, plus interest at the rate established under G.S. 105-241.21. Interest is computed from the date the sales or use tax would otherwise have been due. A credit is allowed against the State sales or use tax owed as a result of the forfeiture provisions of this subsection for privilege taxes paid pursuant to this section. For purposes of applying this credit, the fact that payment of the privilege tax occurred in a period outside the statute of limitations provided under G.S. 105-241.6 is not considered. The credit reduces the amount forfeited, and interest applies only to the reduced amount. The past taxes and interest are due 30 days after the date of forfeiture. A taxpayer that fails to pay the past taxes and interest by the due date is subject to the provisions of G.S. 105-236.

(Effective July 1, 2013 and applies to purchases made on or after that date; HB 751, s. 2, S.L. 11-302; This section expires for sales occurring on or after July 1, 2018; HB 751, s. 2, S.L. 11-302.)

G.S. 105-187.52(b) – Administration, Credit: This subsection is amended to clarify that the credit allowed under Article 5F for similar tax paid to another state also applies to sales and use tax paid in this State.

(Effective August 23, 2013; HB 14, s. 16, S.L. 13-414.)

SOLID WASTE DISPOSAL TAX – ARTICLE 5G

G.S. 105-187.63(3) – Use of Tax Proceeds: This subsection is amended to delete the Secretary’s requirement to credit twelve and one-half percent (12.5%) to the Solid Waste Management Trust Fund established by G.S. 130A-309.12. In exchange, twelve and one-half percent (12.5%) of the net tax proceeds from the Scrap Tire Disposal Tax is to remain in the General Fund.

(Effective July 1, 2013; SB 402, s. 14.18.(a), S.L. 13-360.)

911 SERVICE CHARGE FOR PREPAID WIRELESS TELECOMMUNICATIONS SERVICE – ARTICLE 5H

G.S. 105-187.70 – Department Comply with Article 3 of Chapter 62A of the General Statutes: This article requires the Department of Revenue to comply with the provisions of Article 3 of Chapter 62A of the General Statutes to receive and transfer to the 911 Fund the 911 service charges for prepaid wireless telecommunications service collected on retail transactions occurring in this State. The Department is tasked with collecting the 911 service charges for prepaid wireless telecommunications service which will include activities such as processing forms and remittances, distributing collections, and auditing.

(Effective July 1, 2013 and applies to all retail transactions occurring in this State as the term is defined in this act, on or after that date; HB 571, s. 6, S.L. 11-122. Effective June 26, 2012, a technical correction changed the statutory catch line to correct Article 4 enacted in the original legislation to Article 3; SB 826, s. 1.6, S.L. 12-79.)

Section 8 of Session Laws 2011-122: Section 8 is amended to clarify that costs incurred prior to July 1, 2013 for the implementation of the 911 Service Charge for Prepaid Wireless Telecommunications Service may be retained by the Department.

(Effective August 23, 2013; HB 14, s. 52, S.L. 13-414.)

MISCELLANEOUS ITEMS

G.S. 14-118.7 – Possession, Transfer, or Use of Automated Sales Suppression Device: This is a new subdivision that states no person shall knowingly sell, purchase,

install, transfer, possess, use or access any automated sales suppression device, zapper, or phantom-ware. Any person convicted of a violation of this section is guilty of a Class H felony with a fine of up to \$10,000. Any person who violates this section is liable for all taxes, fees, penalties, and interest due the State as the result of the use of an automated sales suppression device, zapper, or phantom-ware and shall forfeit to the State as an additional penalty all profits associated with the sale or use of an automated sales suppression device, zapper, or phantom-ware. An automated sales suppression device, zapper, or phantom-ware, or any device containing such device or software, is contraband.

(Effective December 1, 2013 and applies to offenses committed on or after that date; SB 465, s. 1, S.L. 13-301.)

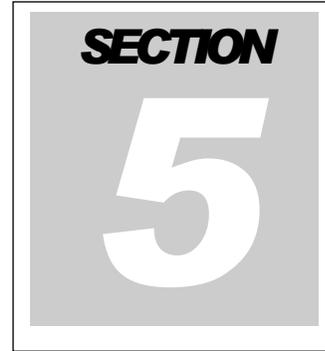
G.S. 62A-54(a) – Retail Collection: This subsection is amended to correct the statutory reference to G.S. 105-164.4(a)(4d) pertaining to the sale or recharge of prepaid telephone calling service.

(Effective August 23, 2013; HB 14, s. 30, S.L. 13-414.)

G.S. 66-255 – Specialty Market or Operator of an Event Registration List: This section is amended to provide that a specialty market operator or operator of an event where space is provided to a vendor must maintain a daily registration list of all specialty market or other vendors selling or offering goods for sale at the specialty market or other event. The registration list must clearly and legibly show each vendor's name, permanent address, and certificate of registration number. The specialty market operator or other event operator must require each vendor to exhibit a valid certificate of registration for visual inspection by the specialty market operator or other event operator at the time of registration, and must require each vendor to keep the certificate of registration conspicuously and prominently displayed, so as to be visible for inspection by patrons of the vendor at the places or locations at which the goods are offered for sale. Each daily registration list must be retained by the specialty market operator or other event operator for no less than two years and must at any time be made available upon request to any law enforcement officer or the Secretary of Revenue or the Secretary's duly authorized agent.

(Effective August 23, 2013; HB 14, s. 31, S.L. 13-414.)

LOCAL GOVERNMENT



LOCAL GOVERNMENT

G.S.105-275(40) – Property classified and excluded from the tax base:

Excludes from taxation the development of software or any modifications to software, whether done internally by the taxpayer or externally by a third party, to meet the customer's specified needs.

(Effective July 1, 2014; SB 490, s. 1,2, S.L. 2013-259.)

G.S.105-275(46) – Property classified and excluded from the tax base:

The following classes of property are designated special classes under Article V, Sec. 2(2), of the North Carolina Constitution and are excluded from tax: (46) Real property that is occupied by a charter school and is wholly and exclusively used for educational purposes as defined in G.S. 105-278.4(f)

(Effective July 1, 2013; SB 337, s. 3, S.L. 2013-355.)

G.S. 105-277.1F — Payment of deferred taxes:

Amends GS 105-277.1F(a), (Uniform provisions for payment of deferred taxes), adding GS 105-277.1F(a)(4b) - site infrastructure land to the scope of the statute. Above provisions are effective for taxes imposed for taxable years beginning on or after July 1, 2013.

(Effective July 1, 2013; HB 439, s. 3, S.L. 2013-130.)

G.S. 105-277.3 — Infrastructure Exception:

Amends GS 105-277.3 by creating a new subsection GS 105-277.3(d3), which provides for a Site Infrastructure Exception in certain circumstances. The exception, when applicable, provides for deferred taxes to become a lien on the land which are then payable in accordance with GS 105-277.15A.

(Effective July 1, 2013; HB 439, s. 2, S.L. 2013-130.)

G.S. 105-277.15A — Taxation of Site Infrastructure Land:

Amends GS Chapter 105 by creating a new section GS 105-277.15A, providing for the classification of site infrastructure land, a special class of property under Section 2(2) of

Article V of the NC Constitution. It must be appraised, assessed, and taxed in accordance with GS 105-277.15A. Provides the requirements that must be met for land to be considered site infrastructure land, including must be at least 100 contiguous acres and zoned for industrial use and/or office use. Provides how an owner of site infrastructure land can defer a portion of the taxes on that land and when and how the deferred taxes are due. On or before September 1 of each year, the tax collector will notify each owner who has previously received a tax deferral of the accumulated sum of deferred taxes and interest. Owner must notify the county assessor when land classified under this section loses its eligibility or face a penalty. Provides instances when deferred taxes will not be due and when they will remain as a lien on the land. Provides for an application for property tax relief, as well as the procedures, timing, and appeals of such applications. Provides that on August 1 of each year, the Secretary of

Revenue will report to the Department of Commerce the number and location of all site infrastructure lands qualified under this section.

(Effective July 1, 2013; HB 439, s. 1, S.L. 2013-130.)

G.S. 143-437.02(k) — Monitoring and Reports:

Amends GS 143B-437.02(k), providing that the information in the report required by GS 105-277.15A(g) should also be included with the annual report which is given to the Joint Legislative Commission on Governmental Operations, regarding Site Infrastructure Development Program.

(Effective June 19, 2013; HB 439, s. 4, S.L. 2013-130.)

A local act only in effect for Alamance County and Orange County:

An act to authorize Alamance County and Orange County to establish the location of the remaining nine percent of the common boundary between Alamance County and Orange County.

(Effective June 10, 2013; SB 257, s. 1-5, S.L. 2013-68.)

REQUIRE CERTAIN GENERAL REAPPRAISALS

Directs boards of county commissioners to either (1) conduct a reappraisal, by no less than one appraiser certified by the Department of Revenue (DOR) for mass valuation per 4,250 parcels, within 18 months, applicable to all tax years from and including the tax year when the last general appraisal was performed, or (2) have a qualified appraisal company conduct a total review of all the values in the county by neighborhood and make recommendations as to the true value of the properties as of January 1 of the year of the last general review, when all of the following conditions are met:

- (1) County has independent evidence that the majority of commercial neighborhoods in the county have significant issues of inequity in valuations.
- (2) County has independent evidence that residential neighborhoods have instances of inequity or erroneous data that had significant impact on the valuation of the neighborhood.
- (3) County's last general reappraisal was performed for the 2008, 2009, 2010, 2011, 2012 tax year.
- (4) The independent evidence came from a review performed by a qualified appraisal company selected and retained by the county and registered with the DOR and had a sample size of no less than 375 properties.

Directs boards of commissioners to, after the above review or reappraisal is completed, make any change to property abstracts and tax records needed to ensure that assessed values of incorrectly appraised properties in the county reflect the true values, effective the year of the last general reappraisal, applying the adjusted values for each tax year until the next general reappraisal, unless those values are changed pursuant to GS 105-287.

(Effective July 26, 2013; SB 159, s. 1-4, S.L. 2013-362.)

Tag and Tax System:

Amends Section 24(c) of SL 2009-445, as amended, to provide that with the exception of amendments to GS 105-330.9 and GS 105-330.11, the remainder of subsection (a) of Section 24 and all of subsection (b) of Section 24 become effective July 1, 2013, and apply to combined tax and registration notices issued on or after that date and deletes the alternative option for becoming effective when the DMV and the Department of Revenue certify that the integrated computer system or registration renewal and property tax collection for motor vehicles is in operation. Provides that counties may continue to collect property taxes on motor vehicles for taxable years beginning on or before September 1, 2013, under Article 22A of GS Chapter 105 as those statutes are in effect on June 30, 2013. Makes identical changes regarding the respective stated effective dates for Section 8 of SL 2007-471, as amended, and Section 13 of SL 2005-294, as amended. Repeals Sections 3.2 (amending GS 105-330.2), 3.3 (amending GS 105-330.3), and 3.4 (amending GS 105-330.4) of SL 2012-79.

(Effective August 23, 2013; HB 14, s. 70(a) -71(e), S.L. 2013-414.)

G.S. 105-330.1 — Unclassified Motor Vehicles:

Adds motor vehicles owned by participants in the Address Confidentiality Program authorized under Chapter 15C of the General Statutes to the list of unclassified motor vehicles.

(Effective August 23, 2013; HB 14, s. 72, S.L. 2013-414.)

G.S. 105-330.2 — Tag and Tax System:

Amends GS 105-330.2, as amended by Section 2 of SL 2005-294 and Section 24(a) of SL 2009-445, to provide that the owner of a classified motor vehicle may appeal the appraised value of the vehicle but not the taxability of the vehicle (was, appraised value or taxability). Provides that appeals filed under this subsection, (b1), are to proceed as provided in GS 105-312(d). Adds a new subsection (b2) to provide that an owner of a classified motor vehicle may appeal the vehicle's eligibility for an exemption or exclusion within 30 days of the initial decision. Provides that appeals filed under this new subsection are to proceed in the manner provided in GS 105-312(d).

(Effective August 23, 2013; HB 14, s. 71(b), S.L. 2013-414.)

G.S. 105-330.2 — Motor Vehicle Appeals:

Clarifies the appeal process for a vehicle owner to appeal the value of a motor vehicle and provides for a 30-day appeal process for a vehicle owner to appeal the county assessor's initial decision to deny a motor vehicle exemption or exclusion application.

(Effective August 23, 2013; HB 14, s. 71(b), S.L. 2013-414.)

G.S. 105-330.3(a1) — Taxation of Unregistered Motor Vehicles:

Clarifies the process for taxing motor vehicles which are unregistered on January 1 of each year. Ensures that no vehicle is double taxed as a registered vehicle and an unregistered vehicle for the same tax year. Allows the county assessor to assess and tax any unregistered vehicle for the months in which it remained unregistered.

(Effective August 23, 2013; HB 14, s. 71(c), S.L. 2013-414.)

G.S. 105-330.3(b) — Property Tax Exemption and Exclusion of Motor Vehicles:

Clarifies that a motor vehicle owner has to make an application for an exemption or exclusion within 30 days of the date the taxes on a motor vehicle are due.

(Effective August 23, 2013; HB 14, s. 71(c), S.L. 2013-414.)

G.S. 105-330.4(b) — Due Date:

Prohibits issuing the registration for a classified motor vehicle unless (1) a temporary registration for the vehicle is issued under GS 20-79.1A or (2) the taxes for the motor vehicle's tax year that starts after the issuance of the registration are paid upon registration. Prohibits renewing the registration for a classified motor vehicle unless the taxes for the motor vehicle's tax year that begins after the registration expires are paid upon registration.

(Effective August 23, 2013; HB 14, s. 71(d), S.L. 2013-414.)

G.S. 105-330.4(b) — Interest on Unpaid Motor Vehicle Taxes:

Interest on unpaid motor vehicle taxes accrues at the rate of 5% for the remainder of the month following the date in which the registration renewal sticker expired and provides that 3/4% interest begins the second month following the due date with an additional 3/4% interest charged for each month thereafter.

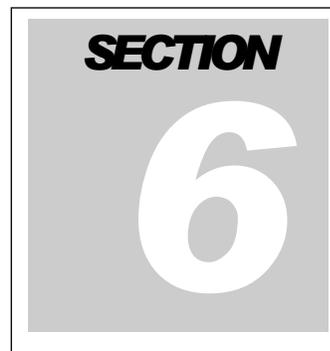
(Effective August 23, 2013; HB 14, s. 71(d), S.L. 2013-414.)

G.S. 105-330.4(c) — Collection Remedies on Unpaid Motor Vehicle Taxes:

Clarifies that the enforcement remedies in this subchapter apply to unpaid taxes on an unregistered classified motor vehicle and for any unpaid taxes on a registered motor vehicle for which the tax year begins on or before October 1, 2013.

(Effective August 23, 2013; HB 14, s. 71(d), S.L. 2013-414.)

GENERAL ADMINISTRATION



GENERAL ADMINISTRATION

G.S. 105-228.90(b)(1b) – Reference to the Internal Revenue Code Updated:

The calculation of North Carolina taxable income begins with federal taxable income as defined under the Internal Revenue Code (“Code”). State law defines the Code as the Code enacted as of a certain date. When our State law’s reference date to the Code is updated each year, that change conforms North Carolina law to federal law that has been enacted as of that date, except for any items for which specific adjustments are required by State law.

This subdivision was amended to update the reference to the Internal Revenue Code from January 1, 2012 to January 2, 2013. Notwithstanding the effective date, any amendments to the Internal Revenue Code enacted after January 1, 2012 that increase North Carolina taxable income for the 2012 taxable year become effective for the tax year 2013.

(Effective March 13, 2013, HB 82, s. 1, S.L. 13-10.)

G.S. 105-236(a)(3) – Failure to File Penalty: This subdivision was amended by the 2012 General Assembly to eliminate the \$5 minimum penalty. As amended, the penalty will be based on the appropriate percentage regardless of the result.

(Effective January 1, 2014, SB 826, s. 2.18(a), S.L. 12-79.)

G.S. 105-236(a)(4) – Failure to Pay Penalty: This subdivision was amended by the 2012 General Assembly to eliminate the \$5 minimum penalty. As amended, the penalty will be based on the appropriate percentage regardless of the result.

(Effective January 1, 2014, SB 826, s. 2.18(a), S.L. 12-79.)

G.S. 105-236(a)(5)(e) – Negligence Penalty – Estate and Trust: This subparagraph was amended to eliminate the negligence penalty exception for estate tax deficiencies. This penalty is no longer needed because estate tax was repealed effective January 1, 2013.

(Effective January 1, 2013, HB 998, s. 7(c), S.L. 13-316.)

G.S. 105-236(a)(9) – Willful Failure to File Return, Supply Information, or Pay Tax Penalty: This subdivision was rewritten to modernize the language of the statute and to replace “make a return” with “file a return”.

(Effective August 23, 2013, HB 14, s. 1(h), S.L. 13-414.)

G.S. 105-236.1(a) – Technical Change; Tax Enforcement Division: This subsection was rewritten to correctly identify Unauthorized Substances Tax, Motor Fuels Tax, and Criminal Investigations as operational sections of the Tax Enforcement Division.

(Effective August 23, 2013 and applies to cases filed on or after January 1, 2012, HB 14, s. 17, S.L. 13-414.)

G.S. 105-236.1(a)(3) – Technical Change; New Criminal Offenses: This subparagraph lists specific criminal offenses that involve a tax imposed under Chapter 105 of the General Statutes. As rewritten, the subparagraph includes two new offenses: subdivision (c1) “identity theft” (G.S. 14-113.20) and subdivision (c2) “trafficking in stolen identities” (G.S. 14-113.20A) to the list of findings that the Secretary may compromise a taxpayer’s liability when it is in the best interest to the state.

(Effective August 23, 2013 and applies to cases filed on or after January 1, 2012, HB 14, s. 17, S.L. 13-414.)

G.S. 105-237.1(a)(6) – Compromise of Liability: This statute provides the authority by which the Secretary is authorized to compromise a taxpayer’s liability for a tax that is collectible under G.S. 105-241.22 when the Secretary determines that the compromise is in the best interest of the State. As amended, the law permits the Secretary to compromise a taxpayer’s liability if the taxpayer is a retailer or a person under Article 5 of Chapter 105; the assessment is for sales or use tax the retailer failed to collect or the person failed to pay on an item taxable under G.S. 105-164.4(a)(10) and (a)(11), and the retailer or person made a good-faith effort to comply with the sales and use tax laws. This subdivision expires for assessments issued after July 1, 2020.

(Effective July 23, 2013, HB 998, s. 9(b), S.L. 13-316.)

G.S. 105-241.6(b) – Exceptions to Statute of Limitations for Refunds: This subsection was amended to add new subdivision (5) to the list of exceptions to the general statute of limitations for obtaining a refund of an overpayment.

Subdivision (5) includes a “contingent event” as an exception to the general statute of limitations for obtaining a refund of an overpayment. As amended, if a taxpayer is subject to a contingent event and files notice with the Secretary, the period to request a refund of an overpayment is six months after the date the contingent event concludes.

Subdivision 5(a) defines “contingent event” as litigation or a State tax audit initiated prior to the expiration of the statute of limitations under subsection (a) of this section, the

pendency of which prevents the taxpayer from possessing the information necessary to file an accurate and definite request for a refund of an overpayment under this Chapter.

Subdivision 5(b) defines “notice to the Secretary” as written notice filed with the Secretary prior to expiration of the statute of limitations under subsection (a) of this section for a return or payment in which a contingent event prevents a taxpayer from filing a definite request for a refund of an overpayment. The notice must identify and describe the contingent event, identify the type of tax, list the return or payment affected by the contingent event, and state in clear terms the basis for and an estimated amount of the overpayment.

Subdivision 5(c) provides that a taxpayer who contends that an event or condition other than litigation or a State tax audit has occurred that prevents the taxpayer from filing an accurate and definite request for a refund of an overpayment within the period under subsection (a) of this section may submit a written request to the Secretary seeking an extension of the statute of limitations allowed under this subdivision. The request must establish by clear, convincing proof that the event or condition is beyond the taxpayer's control and that it prevents the taxpayer's timely filing of an accurate and definite request for a refund of an overpayment. The request must be filed within the period under subsection (a) of this section. The Secretary's decision on the request is final and is not subject to administrative or judicial review.

(Effective January 1, 2014, HB 14, s. 47(a), S.L. 13-414.)

G.S. 105-241.7(b) – Procedure for Obtaining a Refund Initiated by Taxpayer: This subsection was amended to add that a taxpayer may not request a refund of an overpayment based on a contingent event as defined in G.S. 105-241.6(b)(5) until the event is finalized and an accurate and definite request for refund of an overpayment may be determined.

(Effective January 1, 2014, HB 14, s. 47(b), S.L. 13-414.)

G.S. 105-241.10 – Limit on Refunds and Assessments after a Federal Determination: This section was amended to delete a reference to G.S. 105-32.8. The reference is obsolete due to the repeal of North Carolina's estate tax by section 7(a) of S.L. 13-316.

(Effective January 1, 2013, HB 998, s. 7(b), S.L. 13-316.)

G.S. 105-242.2(b) – Responsible Person Liability When Certain Taxes Not Paid: This subsection was amended to clarify that each responsible person in a business entity is personally and individually liable for the “principal amount” of taxes that are owed by the business entity.

(Effective August 23, 2013 and applies to assessments proposed on or after that date, HB 14, s. 56, S.L. 13-414.)

G.S. 105-256(a)(9) – Publications Prepared by Secretary of Revenue: This subdivision is repealed. The Department is no longer required to publish a final decision of the Secretary in a contested tax case.

(Effective August 23, 2013, HB 14, s. 18(a), S.L. 13-414.)

G.S. 105-258(a) – Powers of the Secretary to Examine Data and Summon Persons: This subsection was amended to clarify that the Secretary is authorized to do any of the following actions for purposes of ascertaining the correctness of a return, “filing” a return when none has been filed, or determining the liability of any person for a tax, or collecting any tax:

- 1) Examine any books, papers, records, or other data that may be relevant or material to the inquiry.
- 2) Summon the following persons to appear at a time and place named in the summons, to produce such books, papers, records, or other data, and to give such testimony under oath as may be relevant or material to the inquiry:
 - a. Any person liable for the tax or required to perform the act, or any officer or employee of such person.
 - b. Any person having possession, custody, care or control of books of account containing entries relevant or material to the income and expenditures of the person liable for the tax or required to perform the act, or any other person having knowledge in the premises.
- 3) Administer oaths to persons listed above.
- 4) Apply to the Superior Court of Wake County for an order requiring any person who refuses to obey the summons or to give testimony when summoned. Failure to comply with the court order shall be punished as for contempt.

(Effective August 23, 2013, HB 14, s. 1(i), S.L. 13-414.)

G.S. 105-259(b)(15a) – Disclosure to Authorized Law Enforcement Agencies: This subdivision was amended to add local law enforcement agencies to the list of authorized law enforcement agencies that the Department is permitted to furnish information concerning the commission of an offense under the jurisdiction of that agency when the Department has initiated a criminal investigation of the taxpayer. As amended, the law makes clear that the Department is permitted to disclose specific tax information to a local, State, or federal prosecutorial agency.

(Effective August 23, 2013, HB 14, s. 19, S.L. 13-414.)

G.S. 105-259(b)(25) – Disclosure of Sales and Use Tax Registration Numbers: This subdivision was amended to add registration numbers to an existing public access database that contains the names of retailers who are registered to collect sales and use taxes under Article 5 of Chapter 105.

(Effective August 23, 2013, HB 14, s. 19, S.L. 13-414.)

G.S. 105-259(b)(29) – Disclosure to Economic Investment Committee: This subdivision was amended to correct a statutory cross-reference to G.S. 143B-437.54. The law erroneously referred to G.S. 143B-437.48. G.S. 143B-437.54 establishes the Economic Investment Committee which the Department may disclose specific tax information necessary to implement economic development programs under the responsibility of the Committee.

(Effective August 23, 2013, HB 14, s. 19, S.L. 13-414.)

G.S. 105-259(b)(41) – Disclosure to North Carolina Forest Service: This subdivision was amended to replace “Division of Forest Resources” with “North Carolina Forest Service.” This amendment makes conforming changes to Article 9 consistent with the renaming of the North Carolina Forest Service.

(Effective July 1, 2013, SB 387, s. 6, S.L. 13-155.)

G.S. 105-259(b)(44) – Disclosure to the State Budget Director: This subsection was changed to add a new subdivision. This new subdivision permits the Department to furnish to the State Budget Director or the Director's designee a sample of tax returns or other tax information from which taxpayers' names and identification numbers have been removed that is suitable in character, composition, and size for statistical analyses by the Office of State Budget and Management.

(Effective July 1, 2013, SB 402, s. 6.9, S.L. 13-360.)

G.S. 105-259(b)(44) – Disclosure to the Office of the State Controller: This subsection was changed to add a new subdivision. This new subdivision permits the Department to furnish tax information to the Office of the State Controller under G.S. 143B-426.38A. The use and reporting of individual data may be restricted to only those activities specifically allowed by law when potential fraud or other illegal activity is indicated.

(Effective July 26, 2013, SB 402, s. 7.10(c), S.L. 13-360.)

G.S. 105-262.1(d) – Time Limit for Objecting to a Departmental Rule: This subsection was amended to replace “prior to the adoption” with “following the agency’s adoption” as to when a person may object to a rule adopted by the Secretary and request review by the Rules Review Commission.

(Effective August 23, 2013, HB 14, s. 48, S.L. 13-414.)

G.S. 105-263(b) – Timely Filing of a Request for an Extension to File a Return: This subsection was amended to replace “report or return” with “return”. As amended, the language of the statute conforms to the language used by the Department of Revenue on tax returns.

(Effective August 23, 2013, HB 14, s. 1(j), S.L. 13-414.)

G.S. 105A-2(6) – Debt Setoff Collection Act Definitions: For purposes of the Debt Setoff Collection Act, the definition of local agency was expanded by the 2012 General Assembly to include a regional solid waste management authority created under Article 22 of Chapter 153A of the General Statutes.

(Effective January 1, 2013, and applies to tax refunds determined by the Department on or after that date, HB 605, s. 1, S.L. 12-88.)