

North Carolina

**Biennial Tax
Expenditure Report**

2025



NCDOR

Tax Research & Equity Division

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**Tax Research & Equity Division
North Carolina Department of Revenue
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Introduction

In compliance with the requirements of Section 105-256 of the General Statutes of North Carolina, the Department of Revenue has prepared this report of tax expenditures contained in the Revenue Laws of North Carolina (except Subchapter II) as amended through 2025. The listing of expenditures and measurements of their respective costs will allow legislative review of their impact on the State's economy and on government revenues.

As in past publications, tax expenditures for each State-level tax type are presented in a separate section of this report. At the beginning of each section, some basic information of the tax base and normal State tax rates for relevant fiscal years is presented. Each tax expenditure provision includes a General Statutes citation, a short description of the tax expenditure, and a "Data Source" that notes the source of the data used for the estimate. Also, some of the tax expenditures have a "Note" that details some additional information pertinent to the estimation of that particular tax expenditure. The additional information in this report is to provide context for the estimates and is not intended to represent the official interpretation of the Department of Revenue.

The report includes information on the "enacting legislation" related to each tax expenditure, as available. These notes attempt to provide the session laws that first incorporated each of the tax expenditures into statute. In some cases, additional notes are given referring to prior treatment of a provision or substantive changes that have occurred subsequent to the initial enactment. However, it was not in the scope of this report to provide a comprehensive history of every provision. (Many of the older provisions are only followed back to the major re-codification of the tax laws in S.L. 1939-158.)

Several of the tax expenditure provisions have sunset dates. Notes related to the current sunset dates of each provision, when applicable, are included in the report. This report includes any tax expenditures that have a current sunset date after December 2025.

Estimates of the cost of tax expenditures are provided for Fiscal Year 2025-26 and Fiscal Year 2026-27.

Defining Tax Expenditures for this Study

A tax expenditure is defined as an exemption, exclusion, deduction, allowance, credit, refund, preferential tax rate or other device that reduces the amount of tax revenue which otherwise would be collected.

Tax expenditures are created to give economic assistance to certain groups of producers or consumers in the economy or to promote other policy goals. This report does not purport to evaluate the various expenditures as to equity or desirability from a public policy standpoint.

Some tax expenditures are necessary. For instance, Constitutional restrictions forbid taxing the federal government's purchases, as well as certain transactions involving interstate trade and commerce on Indian Reservations. Also, there are specific exemptions or exclusions that are made in order to avoid duplicate taxation of an activity. For example, S-corporations are not taxed on profits that are transferred to shareholders, who subsequently pay income taxes on these dividends. Also, some exemptions and exclusions that are deemed necessary to define the appropriate tax base are not listed in the main body of this report. These types of tax expenditures are listed in Appendix B. No cost estimates are provided for these.

Report Updates

The sales tax presents the most ambiguous cases of when exemptions should be included as tax expenditures for this report. The sales tax is generally considered to be a tax on “final” purchases. Transactions involving the purchase of intermediate goods that will be further processed into a final good are properly exempted from the sales tax. It is arguable whether purchases of machinery, fuel or similar inputs used in production of final goods should be taxed. Since there is no consensus on this point, we include estimates of tax exemptions on inputs that are not directly transformed in the production process. Sales tax exemptions that are excluded from estimation are included in Appendix B.

The term “preferential tax rate” has been interpreted to mean any rate that is less than the basic rate that applies to the largest number of taxpayers. In some instances, higher rates are used on a relatively small number of taxpayers. In such cases, the lower general rates are not listed as preferential. Also, no preferential status is acknowledged when distinctly different bases are taxed at different rates under the same tax category. For example, under the alcoholic beverage taxes, different rates and bases are used to tax beer, wine, and spirituous liquor.

Measuring the Fiscal Effects of Tax Expenditures

It should be noted at the outset of this report that the fiscal effects of tax expenditures are sometimes difficult to quantify. Several methods for estimating the costs of expenditures are used.

The most accurate source of information comes from actual tax returns that provide direct evidence of when certain expenditures are taken and the amounts of those expenditures. For example, we are able to use personal income tax and corporate income tax returns from 2021 and earlier years to measure the use of certain tax deductions and tax credits.

Sometimes, needed data are more timely and extensive at the national level than at the state level. When this occurs, the state-level data are estimated by determining North Carolina’s share of national activity. In these cases, several assumptions must be made to derive the final estimates. Therefore, these estimates are less reliable than those that can be measured directly.

For most national economic data, the share of North Carolina’s activities will consistently be in the range of 2.9% to 3.2%, which corresponds to North Carolina’s share of gross domestic product (GDP) and population, respectively. Therefore, national statistics are often multiplied by one of these percentages to estimate North Carolina’s value. However, when it is apparent that North Carolina’s data are not typical of national activity, such as textile or pharmaceutical manufacturing, attempts are made to use more representative proportions.

In some cases, sufficient data were not available to allow estimation of the value of an expenditure. In these cases, the expenditure estimate is designated as “unavailable.”

Table 1. Summary of tax expenditure estimates for FY2025-26 by tax type

Tax Type	Number of Tax Expenditures	Sum of Estimates of \$100,000 and Over (\$Millions)	Number of Estimates Less than \$100,000	Number with Unavailable Estimates
Privilege Tax	0	0.0	0	0
Tobacco Products Tax	7	14.0	2	0
Alcoholic Beverage Tax	6	3.1	4	1
Franchise Tax	17	549.6	2	2
Corporation Income Tax	34	242.9	7	15
Various Tax Incentives (Articles 3B through 3L)	7	39.5	0	0
Individual Income Tax [see Note 1]	22	1,973.2	5	1
Sales and Use Tax	179	7,048.8	8	64
Highway Use Tax	16	245.2	0	11
Scrap Tire Disposal Tax	2	1.0	0	1
White Goods Disposal Tax	1	0.0	1	0
Severance Tax	2	0.0	2	0
Transportation Commerce Tax	2	0.0	2	0
Taxes on Insurance Companies	9	317.5	0	3
Excise Stamp Tax on Conveyances	8	0	0	8
Excise Taxes on Motor Fuels	20	69.6	5	3
Totals	332	10,504.4 [see Note 2]	38	109

Table 1 Notes

- 1 This summary does not include the “Government retirement income under Bailey decision” provision.
- 2 The sum of the estimates is provided for comparative purposes only. It should not be interpreted as the total gain to state revenue from eliminating all tax expenditures listed in this report. The total impact may be larger or smaller than this amount, depending on the interactions of the various tax expenditures.
- 3 The fiscal year 2025-26 Federal income tax expenditures that flow through to North Carolina income taxes are estimated in Appendix A. They are not included in the above table or in Table 2.

Table 2. Forty-five largest estimated tax expenditures in FY2025-26

Rank	Tax Type	Item No.	Short Description	FY25-26 estimate (\$Millions)
1	Sales and Use Tax	148	Food for Home Consumption	1,460.0
2	Sales and Use Tax	60	Prescription Drugs and Insulin for Human Use	973.8
3	Sales and Use Tax	78	Motor Vehicle Exemption Less Highway Use Tax	926.9
4	Individual Income Tax	11	Social Security Benefits in Excess of Federal Limit	723.0
5	Individual Income Tax	3	Standard Deduction in Excess of Base Amounts	608.9
6	Sales and Use Tax	169	Refunds to Nonprofits	347.6
7	Sales and Use Tax	38	Mill Machinery	289.5
8	Individual Income Tax	12	Government Retirement Income under Bailey Decision	264.7
9	Taxes on Insurance Premiums	5	Premiums Received from Annuities	251.5
10	Sales and Use Tax	155	Feeds, Litter and Medications for Farming	245.1
11	Franchise Tax	14	Deduction from Net Worth for Depreciation, Depletion and Amortization	215.1
12	Highway Use Tax	3	Trade-In Allowance on Sales of Motor Vehicles	195.1
13	Sales and Use Tax	115	Service Contracts or RMI Services on Exempt Items	188.3
14	Individual Income Tax	4	Charitable Contributions Itemized Deduction	176.0
15	Sales and Use Tax	171	Refunds to Certain Local Government Entities	174.9
16	Franchise Tax	17	Cap for Holding Companies	166.7

Rank	Tax Type	Item No.	Short Description	FY25-26 estimate (\$Millions)
17	Sales and Use Tax	9	Landscaping	142.3
18	Corporation Income Tax	14	State Net Loss Carryforward	141.1
19	Sales and Use Tax	59	Durable Medical Equipment	129.3
20	Sales and Use Tax	15	Right to Participate in Sporting Activities	127.4
21	Sales and Use Tax	86	Custom Computer Software	123.6
22	Sales and Use Tax	108	Electricity Used by Manufacturers	108.7
23	Sales and Use Tax	110	Piped Natural Gas Used by Manufacturers (Power Plants)	104.2
24	Sales and Use Tax	5	Replacement or Installation of Building-Related System	99.1
25	Sales and Use Tax	98	Water Delivered Through Main Pipes	98.5
26	Individual Income Tax	8	Child Deduction	96.1
27	Sales and Use Tax	69	Packaging Items for Manufacturers	93.3
28	Sales and Use Tax	35	Telecommunications Equipment	92.6
29	Sales and Use Tax	118	Services Related to Cleaning of Real Property	89.7
30	Franchise Tax	5	Charitable Nonprofits	87.4
31	Corporation Income Tax	21	Accelerated Depreciation Adjustment	84.5
32	Sales and Use Tax	12	Installation by Real Property Contractor	81.2
33	Sales and Use Tax	6	Replacement or Installation of HVAC Systems	79.1

Report Updates

Rank	Tax Type	Item No.	Short Description	FY25-26 estimate (\$Millions)
34	Individual Income Tax	14	Accelerated Depreciation Adjustment	75.1
35	Sales and Use Tax	157	Fowl Sold to a Farmer	67.9
36	Sales and Use Tax	120	Removal of Waste and Debris	65.5
37	Individual Income Tax	20	Net Operating Loss Carryforward	63.8
38	Sales and Use Tax	7	Replacement or Installation of Pavement, Patios & Decks	61.4
39	Individual Income Tax	7	Medical and Dental Expenses Itemized Deduction	60.8
40	Sales and Use Tax	151	Fertilizers, Seeds and Related Items Sold to a Farmer	59.1
41	Individual Income Tax	13	Uniformed Services Pension Income	55.8
42	Sales and Use Tax	109	Piped Natural Gas Used by Manufacturers (except Power Plants)	44.9
43	Sales and Use Tax	4	Painting and Wallpapering	43.6
44	Individual Income Tax	5	Qualified Mortgage Interest Itemized Deduction	43.5
45	Sales and Use Tax	29	Certain Services Provided Under a Property Management Contract	39.9

Updates to the Tax Expenditure Report Since 2023

This section highlights changes to tax expenditures since the last publication of this report in 2023. These changes are listed in the following categories:

1. tax expenditures that have been substantively altered
2. extended sunset dates and reactivated tax expenditures
3. new tax expenditures enacted
4. tax expenditures that have expired or have been repealed

In several of the entries below, a brief description of the changes to the tax expenditure is provided. For a more complete description, see the annual “Tax Law Changes” publication located on the North Carolina Department of Revenue website.

Tax Expenditures That Have Been Substantively Altered

[There are no entries for this section]

Extended Sunset Dates and Reactivated Tax Expenditures

1. Reactivation of certain real property donation tax credit
 Tax Category: Corporate Income Tax; Individual Income Tax
 Citation: G.S. 105-130.34; G.S. 105-153.11
 Enacting legislation: S.L. 2024-1
 Effective Date: Effective for taxable years beginning on or after Jan. 1, 2025 for donations made on or after Jan. 1, 2025. Expires for taxable years beginning on or after Jan. 1, 2027.

New Tax Expenditure Provisions

2. Luxury liquor exemption
 Tax Category: Alcoholic Beverage Tax
 Citation: G.S. 105-113.81(f)
 Enacting legislation: S.L. 2024-41
 Effective Date: Effective for sales on or after Jan. 1, 2025
3. Use tax cap of \$1,000 on luxury liquor
 Tax Category: Sales & Use Tax
 Citation: G.S. 105-164.27A(a4)
 Enacting legislation: S.L. 2024-41
 Effective Date: Effective for sales on or after Jan. 1, 2025

Report Updates

4. Public transportation use exemption from for-hire ground transport excise tax

Tax Category: Transportation Commerce Tax

Citation: G.S. 105-187.94(2)

Enacting legislation: S.L. 2024-1, sec. 11.1(a)

Effective Date: Effective July 1, 2025 and applies to for-hire ground transport services occurring on or after that date.

Expired or Repealed Tax Expenditure Provisions

5. Exemption from professional license tax for professionals at least 75 years old

Tax Category: Privilege Tax

Citation: G.S. 105-41(b)(1)

Effective Date: The professional license tax was repealed effective for taxable years beginning on or after July 1, 2024 by S.L. 2023-134, sec. 42.7.(a).

6. Exemption from professional license tax for individuals practicing the art of healing

Tax Category: Privilege Tax

Citation: G.S. 105-41(b)(2)

Effective Date: Effective Date: The professional license tax was repealed effective for taxable years beginning on or after July 1, 2024.

7. Exemption from professional license tax for blind individuals

Tax Category: Privilege Tax

Citation: G.S. 105-41(b)(3)

Effective Date: Effective Date: The professional license tax was repealed effective for taxable years beginning on or after July 1, 2024.

Privilege Taxes (Article 2)

Tax Base Information

Privilege taxes are imposed for the privilege of carrying on business or doing a remunerative act within the State. Privilege taxes on corporations are discussed under the “franchise tax” article.

Privilege tax bases are as follows:

- a tax of 0.277% of the face value of installment paper and related notes by installment paper dealers (these entities are distinct from banks).
- a tax of \$250 per location at which business is conducted by loan agencies, including check cashing businesses and pawn brokers.

The privilege tax on professionals was repealed effective the taxable years beginning on or after July 1, 2024 (S.L. 2023-134)

A privilege tax on banks was repealed effective June 30, 2016, and a tax on publishers of newsprint publications was repealed effective Oct. 22, 2015.

During Fiscal Year 2024-25, approximately \$39.4 million was collected from this tax, net of refunds.

There are no tax expenditures for this tax type.

Tobacco Products Tax (Article 2A)

Tax Base Information

A cigarette tax is levied on the sale or possession for sale in this State, by a distributor, of all cigarettes. Other tobacco products are taxed when a wholesale dealer or retail dealer first acquires or otherwise handles the products subject to the tax. Effective July 1, 2022, remote sellers of tobacco products are liable for the tax.

As of Sept. 1, 2009, the tax rate on a 20-pack of cigarettes is 45¢ and the tax rate on other tobacco products is 12.8% of the cost price.

A tax on vapor products at a rate of 5¢ per fluid milliliter of consumable product became effective June 1, 2015.

Effective July 1, 2025, there is a tax on certain alternative nicotine products. Also, the tax on snuff changed to a rate of 40¢ per ounce.

During Fiscal Year 2024-25, approximately \$249.0 million was collected from this tax, net of refunds.

Tax Expenditures

1. Reduced Tax Rate for Modified Risk Tobacco Products

Citation: G.S. 105-113.4E(b)

Description: The tax rate is reduced by 50% for a modified risk tobacco product issued a risk modification order by the United States Food and Drug Administration; the tax rate is reduced by 25% for a modified risk tobacco product issued an exposure modification order.

Enacting Legislation: S.L. 2018-5 - effective June 12, 2018

FY25-26 Estimate (in \$millions): 5.3

FY26-27 Estimate (in \$millions): 5.3

Data Source: Department of Revenue tax data

2. Discount for Timely Reports -- Cigarettes

Citation: G.S. 105-113.21(a1)

Description: A distributor who files a timely report and sends a timely payment may deduct from the amount due a discount of 2%. The current statute states that "(t)his

discount covers expenses incurred in preparing the records and reports required by this Part, and the expense of furnishing a bond."

Enacting Legislation: S.L. 2004-84 - effective for reporting periods beginning on or after August 1, 2004; there was a 4% discount prior to August 1, 2003 (S.L. 1969-1075).

FY25-26 Estimate (in \$millions): 3.7

FY26-27 Estimate (in \$millions): 3.7

Data Source: Department of Revenue tax data

3. Refund for Unsalable Cigarettes

Citation: G.S. 105-113.21(b)

Description: Refund for unsalable cigarettes upon which the tax has been paid.

Enacting Legislation: S.L. 1993-442

FY25-26 Estimate (in \$millions): 0.1

FY26-27 Estimate (in \$millions): 0.1

Data Source: Department of Revenue tax data

4. Capped Amount of Tax on Cigars

Citation: G.S. 105-113.36A(a)(2)

Description: Cigars are taxed as "other tobacco products," which are taxed at 12.8% of cost price. However, the tax on cigars is capped at 30¢ per cigar.

Enacting Legislation: SL 2021-180 -- sales or purchases occurring on or after July 1, 2022

FY25-26 Estimate (in \$millions): 3.7

FY26-27 Estimate (in \$millions): 3.8

Data Source: Department of Revenue tax data

5. Sample Tobacco Products

Citation: G.S. 105-113.36A(d)(3) [formerly G.S. 105-113.35(a2)(3)]

Description: The tax does not apply to a sample tobacco product distributed without charge.

Enacting Legislation: S.L. 1991-689 – effective Jan. 1, 1992 (this act created the tax on other tobacco products)

Tobacco Products Tax

FY25-26 Estimate (in \$millions): less than 0.1

FY26-27 Estimate (in \$millions): less than 0.1

6. Discount for Timely Reports -- Other Tobacco Products

Citation: G.S. 105-113.37C(a) [formerly G.S. 105-113.39(a)]

Description: A wholesale dealer or retail dealer who files a timely report and sends a timely payment may deduct from the amount due a discount of 2%. This discount does not apply to taxes paid on vapor products.

Enacting Legislation: S.L. 2004-84 - effective for reporting periods beginning on or after August 1, 2004; there was a 4% discount prior to August 1, 2003.

FY25-26 Estimate (in \$millions): 1.2

FY26-27 Estimate (in \$millions): 1.2

Data Source: Department of Revenue tax data

7. Refund for Unsalable Tobacco Products

Citation: G.S. 105-113.37C(b) [formerly G.S. 105-113.39(b)]

Description: A wholesale dealer or retail dealer in possession of stale or otherwise unsalable tobacco products upon which the tax has been paid may return the tobacco products to the manufacturer and apply to the Secretary for refund of the tax.

Enacting Legislation: S.L. 2005-406 - effective Sept. 1, 2005

FY25-26 Estimate (in \$millions): less than 0.1

FY26-27 Estimate (in \$millions): less than 0.1

Data Source: Department of Revenue tax data

Alcoholic Beverage License and Excise Taxes (Article 2C)

Tax Base Information

Excise taxes are levied on beer and wine based on volume; excise taxes are levied on liquor sold by ABC stores and distillery permittees based on price. These excise taxes are in addition to sales & use tax, as well as other charges on sales of liquor.

As of Sept. 1, 2009, the tax on beer is 61.71¢ per gallon; the tax on unfortified wine is 26.34¢ per liter; the tax on fortified wine is 29.34¢ per liter; the tax on liquor is 30% of the sum of the distiller's price, the State ABC warehouse freight and bailment charges, and a markup for local ABC boards.

Effective September 1, 2015, the spirituous liquor excise tax includes sales of antique spirituous liquor.

Effective October 1, 2021, ABC stores may accept online orders for alcoholic beverages. (SL 2021-150)

During Fiscal Year 2024-25, \$589.5 million was collected from this tax, net of refunds. Of this amount, \$39.8 million was distributed to local governments.

Tax Expenditures

1. Beer and Wine Destroyed by a Major Disaster

Citation: G.S. 105- 113.81(a)

Description: Excise taxes are not required to be paid on malt beverages or wine rendered unsalable by a major disaster.

Enacting Legislation: S.L. 1967-759 - effective Jan. 1, 1968; this provision was enacted as G.S. 18-81(i)

FY25-26 Estimate (in \$millions): Unavailable

FY26-27 Estimate (in \$millions): Unavailable

2. Beer and Wine for Oceangoing Vessels

Citation: G.S. 105- 113.81(b)

Description: Excise taxes are not required to be paid on malt beverages or wine sold and delivered for use on oceangoing vessels. Sales made to officers, agents, crewmen, or passengers for their personal use are not exempt.

Enacting Legislation: S.L. 1963-992

FY25-26 Estimate (in \$millions): less than 0.1

Alcoholic Beverage License and Excise Taxes

FY26-27 Estimate (in \$millions): less than 0.1

3. Brewery, Winery and Distillery Tastings

Citation: G.S. 105- 113.81(e)

Description: Resident breweries, wineries and distilleries are not required to remit excise taxes on alcoholic beverages given free of charge to customers, visitors, and employees on the manufacturer's licensed premises for consumption on those premises.

Enacting Legislation: S.L. 1985-114 - effective April 23, 1985; distilleries added by S.L. 2015-98, effective June 19, 2015.

FY25-26 Estimate (in \$millions): less than 0.1

FY26-27 Estimate (in \$millions): less than 0.1

4. Luxury Liquor Exemption

Citation: G.S. 105- 113.81(f)

Description: A distillery is not required to remit excise taxes on spirituous liquor for which the purchase price for a single container is equal to or greater than \$50,000. Purchaser must pay use tax in accordance with G.S. 105-164.27(a4).

Enacting Legislation: S.L. 2024-41 - effective for sales on or after Jan. 1, 2025

FY25-26 Estimate (in \$millions): less than 0.1

FY26-27 Estimate (in \$millions): less than 0.1

5. Discount for Timely Reports

Citation: G.S. 105-113.85

Description: A wholesaler or importer who files a timely report and sends a timely payment may deduct from the amount due a discount of 2%. The current statute states that "(t)his discount covers losses due to spoilage and breakage, expenses incurred in preparing the records and reports required by this Article, and the expense of furnishing a bond."

Enacting Legislation: S.L. 2004-84 - effective for reporting periods beginning on or after August 1, 2004; there was a 4% discount prior to August 1, 2003 (S.L. 1969-1239)

FY25-26 Estimate (in \$millions): 3.1

FY26-27 Estimate (in \$millions): 3.0

Data Source: Department of Revenue tax data

6. Sacramental Wine

Citation: G.S. 105-113.87(a)

Description: Refund for wine used for sacramental purposes.

Enacting Legislation: S.L. 1945-708 - this provision was enacted as G.S. 18-88.1

FY25-26 Estimate (in \$millions): less than 0.1

FY26-27 Estimate (in \$millions): less than 0.1

Data Source: Department of Revenue tax data

Franchise Tax (Article 3)

Brief Description and Tax Base Information

The general business franchise tax is a privilege tax on corporations operating in North Carolina. Effective for tax periods beginning on or after Jan. 1, 2018, this includes partnerships that elect to be treated as a corporation for income tax purposes.

For taxable years beginning on or after Jan. 1, 2023, the tax is \$1.50 for every \$1,000 of the total amount of net worth (apportioned to N.C. for multistate corporations)

For corporations doing business both in and outside North Carolina, the share of net worth apportioned to North Carolina is calculated by the same method used for the corporation income tax. For taxable periods beginning on or after Jan. 1, 2019, this is based on sales-only apportionment.

Effective for taxable years beginning on or after Jan. 1, 2017, the minimum franchise tax is \$200. For tax periods prior to this, the minimum franchise tax is \$35.

Effective for taxable years beginning on or after Jan. 1, 2019, the tax rate on S corporations is \$200 on the first \$1 million of the corporation's tax base and \$1.50 for every \$1,000 of the tax base in excess of \$1 million.

Effective for taxable years beginning on or after Jan. 1, 2025, the tax rate on C corporations is \$500 on the first \$1 million of the corporation's tax base and \$1.50 for every \$1,000 of the tax base in excess of \$1 million.

Effective April 1, 2017, for taxes due on or after that date, the tax on mutual burial associations under this article is repealed.

In Fiscal Year 2024-25, North Carolina collected approximately \$783.1 million in business franchise taxes, net of refunds. General Fund collections were approximately \$775.0 million in Fiscal Year 2024-25 after several transfers to other funds.

Exemptions

1. Critical Infrastructure Disaster Relief Operations

Citation: G.S. 105-114(d)

Description: A nonresident business that solely performs disaster-related work in this State during a disaster response period at the request of a critical infrastructure company is not considered to be doing business in this State for purposes of this Article.

Enacting Legislation: S.L. 2019-187 - Applies to disaster declarations on or after Aug. 1, 2019

FY25-26 Estimate (in \$millions): less than 0.1

FY26-27 Estimate (in \$millions): less than 0.1

2. Low Asset Noncorporate Affiliate

Citation: G.S. 105-114.1(f)

Description: A corporation does not have to add the value of a noncorporate LLC for which it owns more than 50% of the capital interests if the total book value of the entity never exceeded \$150,000 during the tax year.

Enacting Legislation: S.L. 2006-66 - effective for tax years beginning on or after Jan. 1, 2007

FY25-26 Estimate (in \$millions): less than 0.1

FY26-27 Estimate (in \$millions): less than 0.1

Note: The corporation parent must include the company's assets in its net worth base.

3. Reduced C Corporation Tax on First \$1 Million of Tax Base

Citation: G.S. 105-120.2 & G.S. 105-122(d2)

Description: For a C corporation, the maximum tax on the first \$1 million of the corporation's tax base is \$500.

Enacting Legislation: S. L. 2023-134 - effective for taxable years beginning on or after Jan. 1, 2025.

FY25-26 Estimate (in \$millions): 21.2

FY26-27 Estimate (in \$millions): 22.0

Data Source: Department of Revenue tax data

4. Reduced S Corporation Tax on First \$1 Million of Tax Base

Citation: G.S. 105-122(d2)

Description: For an S corporation, the tax rate is \$200 for the first \$1 million of the corporation's tax base instead of \$1.50 per \$1,000 of its tax base.

Enacting Legislation: S. L. 2017-57 - effective for taxable years beginning on or after Jan. 1, 2019

FY25-26 Estimate (in \$millions): 26.8

FY26-27 Estimate (in \$millions): 27.9

Data Source: Department of Revenue tax data

5. Charitable Nonprofits

Citation: G.S. 105-125(a)(1)

Description: Charitable, religious, fraternal, benevolent, scientific or educational nonprofit.

Enacting Legislation: S.L. 1939-158

FY25-26 Estimate (in \$millions): 87.4

FY26-27 Estimate (in \$millions): 90.9

Data Source: Based on IRS data compiled by the National Center for Charitable Statistics (NCCS) and IRS Form 990 summary data from IRS Statistics of Income Program

6. Local Mutual Nonprofits

Citation: G.S. 105-125(a)(3)

Description: Mutual ditch or irrigation association, mutual or cooperative telephone association, mutual canning association, cooperative breeding association or similar corporation of a purely local character deriving receipts solely from assessments, dues, or fees collected from members for the sole purpose of meeting expenses.

Enacting Legislation: S.L. 1955-1313

FY25-26 Estimate (in \$millions): 5.7

FY26-27 Estimate (in \$millions): 6.0

Data Source: Based on IRS data compiled by the National Center for Charitable Statistics (NCCS)

7. Cooperative Marketing Associations

Citation: G.S. 105-125(a)(4)

Description: Cooperative marketing associations that operate solely for the purpose of marketing the products of members or other farmers and returns proceeds of sales to members and farmers, less operating costs.

Enacting Legislation: S.L. 1955-1313

FY25-26 Estimate (in \$millions): 0.5

FY26-27 Estimate (in \$millions): 0.5

Data Source: Based on IRS data compiled by the National Center for Charitable Statistics (NCCS)

8. Production Credit Association

Citation: G.S. 105-125(a)(5)

Description: Nonprofit production credit association organized under federal Farm Credit Act of 1933.

Enacting Legislation: S.L. 1963-601

FY25-26 Estimate (in \$millions): 2.0

FY26-27 Estimate (in \$millions): 2.1

Data Source: Based on capital stock and retained earnings of the three farm credit associations in North Carolina

9. Nonprofit Clubs

Citation: G.S. 105-125(a)(6)

Description: Clubs organized and operated exclusively for pleasure, recreation, or other nonprofit purposes, a civic league operated solely for the promotion of social welfare, a business league, or a board of trade.

Enacting Legislation: S.L. 1939-158

FY25-26 Estimate (in \$millions): 10.0

FY26-27 Estimate (in \$millions): 10.4

Data Source: Based on IRS data compiled by the National Center for Charitable Statistics (NCCS)

10. Chambers of Commerce

Citation: G.S. 105-125(a)(7)

Description: Chamber of commerce or merchants' association, not organized for profit.

Enacting Legislation: S.L. 1939-158

FY25-26 Estimate (in \$millions): 2.0

FY26-27 Estimate (in \$millions): 2.1

Data Source: Based on IRS data compiled by the National Center for Charitable Statistics (NCCS)

11. Homeowners' Associations

Citation: G.S. 105-125(a)(8)

Description: Condominium association, homeowners' association, or cooperative housing corporation not organized for profit.

Enacting Legislation: S.L. 1975-591 - effective for taxable years beginning on or after Jan. 1, 1975

FY25-26 Estimate (in \$millions): 1.7

FY26-27 Estimate (in \$millions): 1.8

Data Source: Based on IRS data compiled by the National Center for Charitable Statistics (NCCS).

12. Other Exempt Organizations

Citation: G.S. 105-125(a)(9)

Description: Other organizations exempt from federal income tax under the Code.

Enacting Legislation: S.L. 1983-713 - effective for taxable years beginning on or after Jan. 1, 1983

FY25-26 Estimate (in \$millions): 7.1

FY26-27 Estimate (in \$millions): 7.3

Data Source: Estimate for state-chartered credit unions from NC Credit Union Division.

13. Real Estate Mortgage Investment Conduits

Citation: G.S. 105-125(a)

Description: An entity that qualifies as a real estate mortgage investment conduit, as defined in section 860D of the Code, is exempt from franchise taxes.

Enacting Legislation: S.L. 1993-494 - effective for taxable years beginning on or after Jan. 1, 1993

FY25-26 Estimate (in \$millions): Unavailable

FY26-27 Estimate (in \$millions): Unavailable

Deductions

14. Deduction from Net Worth for Depreciation, Depletion and Amortization

Citation: G.S. 105-122(b)(1)

Description: A deduction for accumulated depreciation, depletion, and amortization as determined in accordance with the method used for federal tax purposes.

Enacting Legislation: S.L. 2015-241 – effective Jan. 1, 2017; a similar provision had existed under the “capital stock, surplus, and undivided profits” base (S.L. 1939-158)

FY25-26 Estimate (in \$millions): 215.1

FY26-27 Estimate (in \$millions): 223.7

Source: Department of Revenue tax data

15. Real Estate Investment Trusts and Regulated Investment Corporations

Citation: G.S. 105-125(b)

Description: A regulated investment company or a non-captive REIT may deduct the aggregate market value of its investments in the stocks, bonds, debentures, or other securities or evidences of debt of other corporations, partnerships, individuals, municipalities, governmental agencies, or governments.

Enacting Legislation: S.L. 1951-937 - for regulated investment companies; S.L. 1971-820 - added REITs

FY25-26 Estimate (in \$millions): Unavailable

FY26-27 Estimate (in \$millions): Unavailable

Tax Credits

16. Tax Credit for LLCs Subject to Franchise Tax

Citation: G.S. 105-122.1

Description: Limited liability companies that are subject to the franchise tax are allowed a credit for the difference between the annual reporting fee for LLCs (\$200) and the annual reporting fee for other corporations (\$18 for electronic copy, \$25 for paper copy). The amount of the credit cannot exceed the LLC's franchise tax liability for the year.

Enacting Legislation: S.L. 2006-66 – effective Jan. 1, 2007 (tax year 2006 returns). Prior to this, all LLCs were exempt from the franchise tax, but paid the higher reporting fee.

FY25-26 Estimate (in \$millions): 3.4

FY26-27 Estimate (in \$millions): 3.5

Franchise Tax

Data Source: Department of Revenue tax data

Caps

17. Cap for Holding Companies

Citation: G.S. 105-120.2(b)(1)

Description: Maximum tax of \$150,000 for holding companies. A holding company is any corporation which receives during its taxable year more than 80% of its gross income from corporations in which it owns directly or indirectly more than 50% of the outstanding voting stock.

Enacting Legislation: S.L. 1975-130 - effective Jan. 1, 1976; S.L. 2015-241 increased the maximum from \$75,000, effective for taxes due on or after Jan. 1, 2017.

FY25-26 Estimate (in \$millions): 166.7

FY26-27 Estimate (in \$millions): 170.0

Data Source: Department of Revenue tax data

Note: Approximately 70 companies were subject to this cap in tax year 2024.

Corporation Income Tax (Article 4, Part 1)

Brief Description and Tax Base Information

The corporation income tax is a tax on the net income of every domestic C corporation and of every foreign C corporation doing business in North Carolina.

Exclusions and exemptions under federal law are generally passed through to North Carolina in order to determine taxable income. There are, however, a number of additions to federal taxable income; significant among these additions are (1) taxes paid on net income, (2) interest from obligations of other states and their political subdivisions, (3) net operating loss carryforwards, (4) domestic production activities deduction, (5) expenses related to non-taxed income, and (6) royalty payments paid to related entities.

A dividends-received deduction is considered necessary for determining the corporate income tax base, as it avoids multiple layers of taxation on dividends that are passed between related corporate entities. Expenses related to the exempt dividends must be added to North Carolina taxable income.

For certain nonprofit organizations, such as charities, exemption from the corporate income tax is not considered a tax expenditure because promoting public welfare is central to their operations, and these entities are still taxed on their unrelated business activities. Also, certain nonprofit cooperative business organizations, such as trade associations, are excluded because their profits are distributed to members. These exemptions from the tax base are similar to those used by the Joint Committee on Taxation in preparing their list of federal tax expenditures.

Corporation income tax rate: For taxable years beginning in 2019 through 2024, the tax rate is 2.5%. The tax rate in 2025 is 2.25%, and the rate is 2.0% for 2026 and 2027.

For multi-state corporations, apportionable income is apportioned to North Carolina using a sales-only formula for most corporations. This is effective for tax years beginning on or after Jan. 1, 2018. Prior to this, a three-factor formula with a greater weight on the sales factor was used. [In previous editions of this report, we included the deviation from the three-factor formula to be a tax expenditure, but that has been removed for this edition since the sales-only apportionment has become more standard across states.]

Corporations using an alternative apportionment calculation include air & water transportation, pipeline companies, railroads, motor carriers and electric power companies.

For tax years beginning on or after Jan. 1, 2020, the sales factor is calculated by most corporations using market-based sourcing rather than cost-of-performance rules. There are special provisions for banks and wholesale content distributors, such as television networks, cable program networks and television program distributors.

G.S. 105-130.5(a)(10) requires corporations to add the amount of most credits taken to their taxable income. The estimates of tax credits in this section were adjusted for this provision.

In Fiscal Year 2024-25, North Carolina collected approximately \$1.6 billion in corporate income taxes, net of refunds.

Exemptions

1. Critical Infrastructure Disaster Relief Operations

Citation: G.S. 105-130.1(b)

Description: A nonresident business that solely performs disaster-related work in this State during a disaster response period at the request of a critical infrastructure company is not considered to be doing business in this State for purposes of this Article.

Enacting Legislation: S.L. 2019-187 - Applies to disaster declarations on or after Aug. 1, 2019

FY25-26 Estimate (in \$millions): Unavailable

FY26-27 Estimate (in \$millions): Unavailable

Note: S.L. 2019-187 also includes a new addition, G.S. 105-130.5(a)(30), for taxable corporations to add back to taxable income any payments to an affiliate or subsidiary that is not taxed due to this provision.

2. Air Transportation Company Apportionment

Citation: G.S. 105-130.4(s)

Description: A qualified air freight forwarder may use the revenue ton miles of an affiliated air carrier for purposes of apportioning its income to North Carolina.

Enacting Legislation: S. L. 2016-5 - effective for tax years beginning on or after Jan. 1, 2016

FY25-26 Estimate (in \$millions): Unavailable

FY26-27 Estimate (in \$millions): Unavailable

3. State Net Loss Apportionment Election

Citation: G.S. 105-130.4(t3)

Description: A taxpayer with a State net loss balance as of the end of its 2019 tax year may elect to apportion receipts from services based on the percentage of its income-producing activities performed in this State. The election is binding and irrevocable until the existing State net loss balance is fully utilized or has expired.

Enacting Legislation: S. L. 2019-246 - effective for tax years beginning on or after Jan. 1, 2020

FY25-26 Estimate (in \$millions): Unavailable

FY26-27 Estimate (in \$millions): Unavailable

4. Fraternal Beneficiary Societies

Citation: G.S. 105-130.11(a)(1)

Description: Exemption for fraternal beneficiary societies, orders or associations (a) operating under the lodge system or providing benefits to members of a lodge system and (b) providing for the payment of life, sick, accident, or other benefits of the organization or their dependents.

Enacting Legislation: S.L. 1939-158

FY25-26 Estimate (in \$millions): 0.1

FY26-27 Estimate (in \$millions): 0.1

Data Source: National Center for Charitable Statistics; "Charities and Other Tax-Exempt Organizations, 2010," Statistics on Income, IRS

Note: Based on data for IRC 501(c)(8) organizations

5. Certain Cooperative Companies

Citation: G.S. 105-130.11(a)(2)

Description: Exemption for nonprofit cooperative banks without capital stock and electric and telephone membership corporations organized under Chapter 117 of the General Statutes.

Enacting Legislation: S.L. 1939-158

FY25-26 Estimate (in \$millions): 1.0

FY26-27 Estimate (in \$millions): 1.0

Data Source: National Center for Charitable Statistics; "Charities and Other Tax-Exempt Organizations, 2010," Statistics of Income, IRS

Note: Based on data for IRC 501(c)(14) organizations

6. Nonprofit Clubs

Citation: G.S. 105-130.11(a)(6)

Description: Exemption for nonprofit clubs organized and operated exclusively for pleasure, recreation, and other nonprofitable purposes.

Enacting Legislation: S.L. 1939-158

FY25-26 Estimate (in \$millions): 1.0

FY26-27 Estimate (in \$millions): 1.0

Corporation Income Tax

Data Source: National Center for Charitable Statistics; “Charities and Other Tax-Exempt Organizations, 2010,” Statistics of Income, IRS

Note: Based on data for IRC 501(c)(7) organizations

7. Local Mutual Nonprofits

Citation: G.S. 105-130.11(a)(7)

Description: Exemption for farmers' or other mutual hail, cyclone, or fire insurance companies, mutual ditch or irrigation companies, mutual or cooperative telephone companies, or like organizations of a purely local nature.

Enacting Legislation: S.L. 1939-158

FY25-26 Estimate (in \$millions): less than 0.1

FY26-27 Estimate (in \$millions): less than 0.1

Data Source: Data on county farm mutual insurance companies, NC Department of Insurance; Department of Revenue tax data

8. Insurance Companies Taxed on Gross Premiums

Citation: G.S. 105-130.11(a)(11)

Description: Exemption for insurance companies paying the tax on gross premiums as specified in G.S. 105-228.5.

FY25-26 Estimate (in \$millions): 0.0

FY26-27 Estimate (in \$millions): 0.0

Data Source: IRS Statistics of Income; Department of Revenue tax data

Note: The estimate is the amount of income tax that is estimated to be collected in excess of the amount of collections under the insurance gross premiums tax.

9. Homeowners' Associations

Citation: G.S. 105-130.11(a)(11)

Description: Exemption for nonprofit condominium associations, homeowners' associations, or cooperative housing corporation, although they are subject to tax on any unrelated business income.

Enacting Legislation: S.L. 1975-591 - effective for taxable years beginning on or after Jan. 1, 1975

FY25-26 Estimate (in \$millions): less than 0.1

FY26-27 Estimate (in \$millions): less than 0.1

Data Source: National Center for Charitable Statistics; “Charities and Other Tax-Exempt Organizations, 2010,” Statistics of Income, IRS

10. Nonprofit Unrelated Business Income from Research Activities

Citation: G.S. 105-130.11(b)(1)-(3)

Description: Entities that are exempt in G.S. 105-130.11(a) are taxable on their unrelated business income, except if their net income is derived from certain research activities.

Enacting Legislation: S.L. 1963-1169 - effective for taxable years beginning on or after Jan. 1, 1963

FY25-26 Estimate (in \$millions): Unavailable

FY26-27 Estimate (in \$millions): Unavailable

Deductions

11. N.C. & Nonprofit Educational Institution Obligation Interest

Citation: G.S. 105-130.5(b)(1a)

Description: Deductions for interest on the obligations of this State, a political subdivision of this State, or a commission, an authority, or another agency of this State or of a political subdivision of this State, or a nonprofit educational institution.

Enacting Legislation: S.L. 1997-439 - effective for taxable years beginning on or after January 1, 1997. However, this was not a substantive change since interest has been exempt from income taxation under other long-standing statutes, e.g. G.S. 142.12.

FY25-26 Estimate (in \$millions): 1.5

FY26-27 Estimate (in \$millions): 1.4

Data Source: IRS Statistics of Income; Department of Revenue tax data

12. Dividends from Foreign Sources

Citation: G.S. 105-130.5(b)(3a)

Description: Deduction for dividends treated as received from sources outside the United States as determined under Section 862 of the Code, net of related expenses, to the extent included in federal taxable income.

Enacting Legislation: S.L. 2001-327

FY25-26 Estimate (in \$millions): Unavailable

FY26-27 Estimate (in \$millions): Unavailable

13. Various Provisions Related to Foreign Earnings

Citation: G.S. 105-130.5(b)(3b)

Description: Deduction for any amount included in federal taxable income under section 78, 951, 951A or 965 of the Code, net of related expenses.

Enacting Legislation: S.L. 2001-327

FY25-26 Estimate (in \$millions): Unavailable

FY26-27 Estimate (in \$millions): Unavailable

Note: Decouples from the adjustment for global intangible low-taxed income (GILTI) under IRC § 951A and treatment of deferred foreign income under IRC § 965 that were included in federal legislation effective for tax year beginning on or after Jan. 1, 2018.

14. State Net Loss Carryforward

Citation: G.S. 105-130.5(b)(4)&(4a)

Description: Deduction for net economic losses in any or all of the 15 preceding income years, pursuant to the provisions of G.S. 105-130.8A. For new losses in taxable years starting on or after Jan. 1, 2015, the net economic loss is redefined as State net loss and becomes a static amount. Any unused portion of a State net loss carried forward will not have to be first offset by nontaxable income in the future tax year.

Enacting Legislation: S.L. 1939-158; S.L. 2014-3 revised this be applicable to State net loss

FY25-26 Estimate (in \$millions): 141.1

FY26-27 Estimate (in \$millions): 138.0

Data Source: Department of Revenue tax data

15. Net Capital Losses Not Deductible from Federal Taxable Income

Citation: G.S. 105-130.5(b)(8)

Description: Deduction for the amount of losses realized on the sale or disposition of assets not allowed under section 1211(a) of the Code. (For federal taxes, certain capital losses can only be used to offset capital gains; however, they can be carried back 3 years and forward 5 years.)

Enacting Legislation: S.L. 1939-158

FY25-26 Estimate (in \$millions): Unavailable

FY26-27 Estimate (in \$millions): Unavailable

16. Shareholders of a Regulated Investment Company

Citation: G.S. 105-130.5(b)(9)

Description: Deduction of the portion of undistributed capital gains of a regulated investment company for which a shareholder in the company takes a federal credit or deduction under Section 852 of the Code.

Enacting Legislation: S.L. 1971-820 - effective for taxable years beginning on or after Jan. 1, 1971

FY25-26 Estimate (in \$millions): Unavailable

FY26-27 Estimate (in \$millions): Unavailable

17. Basis Adjustment for Federal Tax Credit

Citation: G.S. 105-130.5(b)(14)

Description: Deduction for the amount that the basis of a depreciable asset is reduced due to a Federal tax credit or because of a grant allowed under section 1603 of the American Recovery and Reinvestment Tax Act of 2009.

Enacting Legislation: S.L. 1983-61 - effective for taxable years beginning on or after Jan. 1, 1983

FY25-26 Estimate (in \$millions): Unavailable

FY26-27 Estimate (in \$millions): Unavailable

18. Natural Gas Expansion Surcharges

Citation: G.S. 105-130.5(b)(16)

Description: Deduction for the amount of natural gas expansion surcharges collected by a natural gas local distribution company.

Enacting Legislation: S.L. 1991-598 - effective July 8, 1991

FY25-26 Estimate (in \$millions): less than 0.1

FY26-27 Estimate (in \$millions): less than 0.1

Data Source: North Carolina Utilities Commission; Department of Revenue tax data

19. 911 Charges

Citation: G.S. 105-130.5(b)(17)

Description: To the extent included in federal taxable income, 911 charges imposed under G.S. 62A-43 and remitted to the 911 Fund under that section.

Enacting Legislation: S.L. 1998-158, as amended by S.L. 1999-337 - effective Sept. 25, 1998

FY25-26 Estimate (in \$millions): less than 0.1

FY26-27 Estimate (in \$millions): less than 0.1

Data Source: Department of Revenue tax data

20. Dividends from Captive REIT

Citation: G.S. 105-130.5(b)(23)

Description: Deduction for a dividend received from a captive REIT, as defined in G.S. 105-130.12.

Enacting Legislation: S.L. 2007-323 - effective for taxable years beginning on or after Jan. 1, 2007

FY25-26 Estimate (in \$millions): no net negative impact; see note

FY26-27 Estimate (in \$millions): no net negative impact; see note

Note: This deduction is offset by G.S. 105-130.5(a)(19). A captive REIT must add to its taxable income any dividends paid to shareholders. Therefore, this deduction is needed to avoid double taxation.

21. Accelerated Depreciation Adjustment

Citation: G.S. 105-130.5(b)(27); also refer to G.S. 105-130.5B

Description: The IRS Code allows bonus depreciation allowances and modified accelerated cost recovery system above straight-line depreciation. North Carolina has decoupled from these provisions by having taxpayers add back a percentage of the federal deduction in each year and allowing taxpayers to deduct the addback over a period of 5 years in the future. For bonus depreciation, taxpayers must add back 85% of the amount taken on the federal return. Federal tax law allows for 100% bonus depreciation for 2018 through 2022, 80% in 2023, 60% in 2024, 100% in 2025 and future years.

Enacting Legislation: S.L. 2002-126 was the first provision related to bonus depreciation addbacks

FY25-26 Estimate (in \$millions): 84.5

FY26-27 Estimate (in \$millions): 83.0

Source: Derived estimates using N.C. Department of Revenue tax data and federal estimates from the Joint Committee of Taxation.

22. Section 179 Expensing Adjustment

Citation: G.S. 105-130.5(b)(27); also refer to G.S. 105-130.5B

Description: The IRS Code allows expanded Section 179 expensing. North Carolina has decoupled from these provisions by requiring taxpayers to add back the amount of the federal deduction that exceeds N.C. dollar limits and phaseout thresholds and allowing taxpayers to deduct the addback over a period of 5 years in the future. For tax years since 2013, the N.C. dollar limit is \$25,000 and the phaseout threshold is \$200,000. Federal law allows a dollar limit of \$1 million and a phaseout threshold of \$2.5 million for 2018 through 2024 (with inflation-indexing of both amounts). For 2025 and future years, federal law allows a dollar limit of \$2,500,000 and a phaseout threshold of \$4 million (with inflation-indexing of both amounts).

Enacting Legislation: S.L. 2011-5 added the provision related to the addback for section 179 expensing

FY25-26 Estimate (in \$millions): 1.2

FY26-27 Estimate (in \$millions): 1.3

Source: Derived estimates using N.C. Department of Revenue tax data and federal estimates from the Joint Committee of Taxation.

23. Certain Hurricane Relief Payments

Citation: G.S. 105-130.5(b)(29)

Description: To the extent included in federal taxable income, the amount paid to the taxpayer during the taxable year from the State Emergency Response and Disaster Relief Reserve Fund for hurricane relief or assistance, but not including payments for goods or services provided by the taxpayer.

Enacting Legislation: S.L. 2018-5 - effective for tax years beginning on or after Jan. 1, 2017; a similar provision had been enacted by S.L. 2005-1 and was repealed effective Jan. 1, 2016

FY25-26 Estimate (in \$millions): Unavailable

FY26-27 Estimate (in \$millions): Unavailable

24. Decouple from IRC Section 1400Z-2 Opportunity Fund

Citation: G.S. 105-130.5(b)(30)

Description: Deduction of the amount of gain included in the taxpayer's federal taxable income under IRC § 1400Z-2(a) to the extent the same income was added back to the taxpayer's federal taxable income in a prior taxable year.

Enacting Legislation: S.L. 2018-5 - effective for tax years beginning on or after Jan. 1, 2018

FY25-26 Estimate (in \$millions): no net negative impact; see note

FY26-27 Estimate (in \$millions): no net negative impact; see note

Note: This deduction is offset by the required addition to taxable income in G.S. 105-130.5(a)(26). The net impact is to shift taxable income to earlier years.

25. Amounts Received as Economic Incentives

Citation: G.S. 105-130.5(b)(31)

Description: To the extent included in federal taxable income, a taxpayer may deduct the amount received by a taxpayer as an economic incentive pursuant to G.S. 143B-437.012 or Part 2G or Part 2H of Article 10 of Chapter 143B of the General Statutes.

Enacting Legislation: S.L. 2019-237 - effective for tax years beginning on or after Jan. 1, 2019

FY25-26 Estimate (in \$millions): 0.5

FY26-27 Estimate (in \$millions): 0.5

Data Source: Department of Revenue tax data; N.C. Department of Commerce reports for economic incentive grants

26. Deduction for Certain Grant Monies

Citation: G.S. 105-130.5(b)(31a)

Description: A taxpayer may deduct the amount received under the Business Recovery Grant Program, the ReToolNC grant program for recovery from the economic impacts of the COVID-19 pandemic; and rent and utility assistance pursuant to Section 3.3 of S.L. 2020-4, as amended by Section 1.2 of S.L. 2020-97.

Enacting Legislation: S.L. 2021-180 - effective for tax years beginning on or after Jan. 1, 2021 (expanded provisions in S.L. 2022-6)

FY25-26 Estimate (in \$millions): less than 0.1

FY26-27 Estimate (in \$millions): less than 0.1

27. Deduction for Extra Business Interest Expenses in 2019 and 2020

Citation: G.S. 105-130.5(b)(32)

Description: A taxpayer may deduct 20% of the amount of interest expense added back to taxable income in 2019 and 2020 due to the de-coupling from Section 2306 of the CARES Act in each of the succeeding five tax years beginning with 2021.

Enacting Legislation: S.L. 2021-180 -- Effective for tax years beginning on or after Jan. 1, 2021

FY25-26 Estimate (in \$millions): Unavailable

FY26-27 Estimate (in \$millions): Unavailable

28. Qualified Interest Expense Ultimately Paid to an Unrelated Member

Citation: G.S. 105-130.7B(b)(4)

Description: Interest deduction for a portion of a corporation's related member interest expense that represents its proportional share of amounts of interest traceable through related members and ultimately paid to an unrelated party.

Enacting Legislation: S. L. 2016-5 - effective for tax years beginning on or after Jan. 1, 2016

FY25-26 Estimate (in \$millions): Unavailable

FY26-27 Estimate (in \$millions): Unavailable

29. Percentage Depletion over Cost Depletion

Citation: G.S. 105-130.5(a)(11)

Description: Allowance for percentage depletion over cost depletion for solid minerals or rare earths extracted from the soil or waters of this State.

Enacting Legislation: S.L. 1983-713 - effective for taxable years beginning on or after Jan. 1, 1983.

FY25-26 Estimate (in \$millions): 1.8

FY26-27 Estimate (in \$millions): 1.7

Data Source: Department of Revenue tax data

30. Charitable Contributions Outside N.C.

Citation: G.S. 105-130.9(1)

Description: Deduction for charitable contributions. The amount of deduction for this item may not exceed 5% of the taxpayer's net income. Contributions made to out-of-state donees are multiplied by the taxpayer's apportionment factor.

Enacting Legislation: S.L. 1939-158

FY25-26 Estimate (in \$millions): 6.4

FY26-27 Estimate (in \$millions): 6.3

Data Source: Department of Revenue tax data

Note: This estimate includes only contributions made to donees outside NC; see next item for deduction for donees in NC.

31. Charitable Contributions Within N.C.

Citation: G.S. 105-130.9(1)-(3)

Description: Most deductions are limited to 5% of the taxpayer's net income. Contributions to the State of North Carolina, its counties and municipalities and any agency or instrumentality of these institutions, in addition to contributions made to educational institutions located in North Carolina are fully deductible. For companies with income allocable outside North Carolina, charitable contributions to donees inside NC are not reduced by multiplying by the taxpayer's apportionment factor.

Enacting Legislation: S.L. 1939-158

FY25-26 Estimate (in \$millions): 3.3

FY26-27 Estimate (in \$millions): 3.3

Data Source: Department of Revenue tax data

32. Amortization of Equipment Mandated by OSHA

Citation: G.S. 105-130.10A

Description: In lieu of any depreciation allowance, a corporation may opt to deduct amortization of equipment mandated by the Occupational Safety and Health Act (OSHA), including the cost of planning, acquiring, constructing, modifying, and installing said equipment.

Enacting Legislation: S.L. 1979-776

FY25-26 Estimate (in \$millions): Unavailable

FY26-27 Estimate (in \$millions): Unavailable

Tax Credits

33. Equipment for Cogenerating Power Plant

Citation: G.S. 105-130.25

Description: Credit of 10% of the costs to purchase and install electrical or mechanical equipment for a cogenerating power plant. A cogenerating power plant uses natural gas as its primary energy source. The total amount of tax credits for all taxpayers for qualifying payments in a calendar year may not exceed \$5,000,000. A public utility, as defined in GS 62-3(23) is not eligible for this credit.

Enacting Legislation: S.L. 1979-801; S.L. 1993-674 limited the primary source of fuel to natural gas, effective Jan. 1, 1998.

FY25-26 Estimate (in \$millions): less than 0.1

FY26-27 Estimate (in \$millions): less than 0.1

Data Source: Department of Revenue tax data

34. Certain Real Property Donation Tax Credit

Citation: G.S. 105-130.34

Description: A taxpayer is allowed a tax credit of 25% of the fair market value of a qualified donation of real property interested located in North Carolina that is used for (1) forestland or farmland preservation, (2) fish and wildlife conservation, (3) a buffer for military training, testing or operations, (4) floodplain protection in certain counties, (5) historic landscape conservation, or (6) for public trails or access to public trails. The credit may not exceed \$500,000 for a given C corporation. The aggregate amount of credit for all taxpayers (including credits under G.S. 105-153.11) in a given taxable year is \$5 million, \$3.25 million of which is reserved for credits for property useful for forestland or farmland conservation.

Enacting Legislation: S.L. 2024-32, s. 15; S.L. 2025-4 - Effective for taxable years beginning on or after Jan. 1, 2025, for donations made on or after Jan. 1, 2025.

Sunset Date: Expires for taxable years beginning on or after Jan. 1, 2027, for donations made on or after Jan. 1, 2027.

FY25-26 Estimate (in \$millions): 0.5

FY26-27 Estimate (in \$millions): 0.5

Data Source: Fiscal note for SB 355 (2024); Department of Revenue tax data for a similar credit that expired in 2013.

Various Incentive Tax Credits

The tax credits in this section can be applied against the franchise tax or income taxes. In addition, the historic rehabilitation tax credit in Articles 3H (except non-income producing property) and 3L may be taken against the insurance gross premiums tax.

1. Credit for Investing in Major Recycling Facility (Article 3C)

Citation: G.S. 105-129.27

Description: An owner that purchases or leases machinery and equipment for a major recycling facility in this State is allowed a credit equal to 50% of the amount payable by the owner during the taxable year to purchase or lease the machinery and equipment. Unused credits may be carried forward 25 years.

Enacting Legislation: S.L. 1998-55 - effective for taxable years beginning on or after Jan. 1, 1998

FY25-26 Estimate (in \$millions): 6.0

FY26-27 Estimate (in \$millions): 6.0

Data Source: Department of Revenue "Economic Incentive Reports"

2. Credit for Income-Producing Rehabilitated Mill Property (Article 3H)

Citation: G.S. 105-129.71(a)

Description: A taxpayer who makes qualified rehabilitation expenditures for a certified historic mill or agricultural warehouse located in this State is allowed a credit equal to 40% of the expenditures if the building is located in a Development Tier 1 or 2 area or 30% if the building is located in a Development Tier 3 area. A certificate from the State Historic Preservation Officer must be obtained which shows that the expenditures qualified for a Federal rehabilitation credit under section 47 of the Code and that the expenses exceeded \$3,000,000. Unused credits can be carried forward for 9 years.

Enacting Legislation: S.L. 2006-40 - effective for taxable years beginning on or after Jan. 1, 2006 and applies to eligible sites placed into service on or after July 1, 2006

Sunset Date: Expires for rehabilitation projects not completed and placed in service by Jan. 1, 2030

FY25-26 Estimate (in \$millions): 20.0

FY26-27 Estimate (in \$millions): 20.0

Data Source: Department of Revenue "Economic Incentive Reports"

Note: This credit was reenacted by S.L. 2021-180; it was previously repealed for projects for which an eligibility certificate was issued on or after Jan. 1, 2015.

3. Mill Rehabilitation Tax Credit for Railroad Station (Article 3H)

Citation: G.S. 105-129.71(a1)

Description: Tax credit for rehabilitation of an eligible railroad station if qualified expenses were at least \$10 million. The credit is 40% of expenditures incurred on or after Jan. 1, 2019. The credit cannot be taken for taxable years beginning prior to Jan. 1, 2021. The site must have been used as a manufacturing facility and either was used as a railroad station or is located adjacent to a site that was a railroad station. Other conditions apply.

Enacting Legislation: S.L. 2019-237 – qualified rehabilitation expenditures must be incurred on or after Jan. 1, 2019 and before Jan. 1, 2030

Sunset Date: Expires for rehabilitation projects completed and placed in service on or after Jan. 1, 2030

FY25-26 Estimate (in \$millions): 5.8

FY26-27 Estimate (in \$millions): 5.8

Note: Legislative fiscal note for House Bill 399 (2019 session) estimates the cost to be \$5.8 million in each year.

4. Credit for Nonincome-Producing Rehabilitated Mill Property (Article 3H)

Citation: G.S. 105-129.72

Description: A taxpayer who makes qualified rehabilitation expenditures for a certified historic mill or agricultural warehouse located in this State is allowed a credit equal to 40% of the expenditures if the building is located in a Development Tier 1 or 2 area. A certificate from the State Historic Preservation Officer must be obtained which shows that the expenditures are for a certified historic structure and that the expenses exceeded \$3,000,000. This credit must be taken in 5 annual installments. Unused credits may be carried forward 9 years.

Enacting Legislation: S.L. 2006-40 - effective for taxable years beginning on or after Jan. 1, 2006 and applies to eligible sites placed into service on or after July 1, 2006

Sunset Date: Expires for rehabilitation projects not completed and placed in service by Jan. 1, 2030

FY25-26 Estimate (in \$millions): 0.1

FY26-27 Estimate (in \$millions): 0.1

Data Source: Department of Revenue "Economic Incentive Reports"

Various Incentive Tax Credits

Note: This credit was reenacted by S.L. 2021-180; it was previously repealed for projects for which an eligibility certificate was issued on or after Jan. 1, 2015.

5. Credit for Constructing a Railroad Intermodal Facility (Article 3K)

Citation: G.S. 105-129.96

Description: A taxpayer that constructs or leases an eligible railroad intermodal facility in this State and places it in service during the taxable year is allowed a tax credit equal to fifty percent (50%) of all amounts payable by the taxpayer towards the costs of construction or under the lease. In order to be eligible, the cost of construction must exceed \$30 million. The credit may not exceed fifty percent (50%) of the tax against which it is applied. Any unused portion of a credit may be carried forward for the succeeding 10 years.

Enacting Legislation: S.L. 2007-323 - effective for eligible facilities placed into service on or after Jan. 1, 2007

Sunset Date: Expires Jan. 1, 2038

FY25-26 Estimate (in \$millions): 1.0

FY26-27 Estimate (in \$millions): 1.0

Data Source: Department of Revenue tax records

6. Credit for Income-Producing Rehabilitated Historic Property (Article 3L)

Citation: G.S. 105-129.100

Description: A taxpayer may receive a tax credit for qualified rehabilitation expenditures. The base amount of credit is 15% of the first \$10 million of expenses and 10% of expenses over \$10 million, but not exceeding \$20 million. An additional 5% credit is allowed for a project located in a development tier 1 or 2 area or if the project is located on an eligible targeted investment site, or 10% for both. Effective for taxable years beginning on or after Jan. 1, 2021, an additional 5% tax credit on qualified expenditures on a project used for an educational purpose, not exceeding \$20 million. The credit for an income-producing project cannot exceed \$4,500,000. Any unused credits may be carried forward for the succeeding 9 years.

Enacting Legislation: S.L. 2015-241 - effective for eligible expenses incurred on or after Jan. 1, 2016; tax credits for historic rehabilitation were previously enacted by S.L. 1993-527 (expired on Jan. 1, 2015)

Sunset Date: Expires for qualified rehabilitation expenditures and rehabilitation expenses incurred on or after Jan. 1, 2030. Property that qualifies before this date must be placed in service by Jan. 1, 2032.

FY25-26 Estimate (in \$millions): 6.0

FY26-27 Estimate (in \$millions): 6.0

Data Source: Department of Revenue "Economic Incentive Reports" and newspaper reports of prospective projects.

7. Credit for Nonincome-Producing Rehabilitated Historic Property (Article 3L)

Citation: G.S. 105-129.101

Description: A taxpayer may receive a tax credit for qualified rehabilitation expenditures. The credit is 15% of expenses. At least \$10,000 must be spent on the project and the tax credit cannot exceed \$22,500 per discrete property parcel. Any unused credits may be carried forward for the succeeding 9 years.

Enacting Legislation: S.L. 2015-241 - effective for eligible expenses incurred on or after Jan. 1, 2016; tax credits for nonincome-producing historic rehabilitation were previously enacted by S.L. 1997-139 (expired on Jan. 1, 2015, with some exceptions)

Sunset Date: Expires for qualified rehabilitation expenditures and rehabilitation expenses incurred on or after Jan. 1, 2030. Property that qualifies before this date must be placed in service by Jan. 1, 2032.

FY25-26 Estimate (in \$millions): 0.6

FY26-27 Estimate (in \$millions): 0.7

Data Source: Department of Revenue "Economic Incentive Reports"

Individual Income Tax (Article 4, Part 2)

Brief Description and Tax Base Information

The individual income tax is a tax on the taxable income of every resident of the State and nonresidents deriving income from North Carolina sources.

The base of the individual income tax is federal adjusted gross income (AGI). This is a fairly broad definition of income, although it does not include certain exemptions and deductions from income, such as some Social Security payments, certain capital gains, interest on student loans, etc. AGI also does not include deductions for expenses necessary to produce income.

The North Carolina tax base does not include some components of AGI, including interest on obligations of other states and their political subdivisions. North Carolina has also de-coupled from several federal tax provisions in recent years.

North Carolina allows taxpayers to claim either a standard deduction or certain itemized deductions. For tax years 2020 and 2021, the standard deduction is \$21,500 for filing statuses married filing jointly or surviving spouse; \$16,125 for head of household; \$10,750 for single or married filing separately. For tax years beginning on or after Jan. 1, 2022, the standard deduction is \$25,500 for filing statuses married filing jointly or surviving spouse; \$19,125 for head of household; \$12,750 for single or married filing separately.

For purposes of this report, a standard deduction is considered part of the normal tax base as an allowance for necessary expenses associated with maintaining a household. The amounts used for the base standard deduction in this report are \$20,000 for married individuals filing a joint return; \$15,000 for heads of households; and \$10,000 for single or married-filing-separately individuals. These amounts are the N.C. standard deduction amounts for tax year 2019. Since North Carolina currently allows larger standard deductions than these, a tax expenditure is included for the excess tax cost of these higher amounts.

Each shareholder's pro rata share of an S Corporation's income is subject to the adjustments provided under the individual income tax.

For taxable years beginning on or after Jan. 1, 2014, there has been only one tax bracket: the tax rate is 4.5% in 2024; 4.25% in 2025; and 3.99% in 2026 and later years. Additional rate reductions may be triggered for 2027 and future years, which could take the tax rate down to 2.49% if certain General Fund revenues amounts are met in a given year. Although these triggers may be expected to be met, resulting in lower tax rates in 2027 and later years, this report uses the 3.99% tax rate for these years.

The individual income tax is the largest component of the State's General Fund revenues. In Fiscal Year 2024-25, North Carolina collected approximately \$17.1 billion, net of refunds. Net General Fund collections were approximately \$17.0 billion in Fiscal Year 2024-25 after several transfers.

Exemptions

1. Critical Infrastructure Disaster Relief Operations

Citation: G.S. 105-153.2(2)

Description: This subdivision does not apply to a nonresident business or a nonresident employee who solely derives income from N.C. sources attributable to a business, trade, profession, or occupation carried on in this State to perform disaster-related work during a disaster response period at the request of a critical infrastructure company.

Enacting Legislation: S.L. 2019-187 - Applies to disaster declarations on or after Aug. 1, 2019

FY25-26 Estimate (in \$millions): Unavailable

FY26-27 Estimate (in \$millions): Unavailable

2. Certain Individuals Upon Death

Citation: G.S. 105-158

Description: An individual is not subject to tax if the individual is not subject to federal income tax under Code section 692, which exempts members of the Armed Forces and astronauts who have died in the line of duty, and persons killed as a result of certain terrorist attacks.

Enacting Legislation: S. L. 1969-1116 – effective Jan. 1, 1964

FY25-26 Estimate (in \$millions): less than 0.1

FY26-27 Estimate (in \$millions): less than 0.1

Data Source: Number of military deaths from Department of Defense

Deductions

3. Standard Deduction in Excess of Base Amounts

Citation: G.S. 105-153.5(a)(1)

Description: Taxpayers may take either the standard deduction or itemized deductions. For tax years beginning on or after Jan. 1, 2022, standard deductions are \$25,500 for married-filing-jointly or surviving spouses; \$19,125 for head of household; \$12,750 for single or married-filing-separately.

Base standard deduction amounts: Since the 2021 version of this report, the base standard deduction amounts are considered to be the Tax Year 2019 State standard deduction amounts. The base deductions are \$10,000 for single and married-filing-

Individual Income Tax

separately filers, \$20,000 for married-filing-jointly and surviving-spouse filers, & \$15,000 for head-of-household filers.

Enacting Legislation: S.L. 1939-158 allowed a \$1,000 deduction for an individual (approximately \$23,000 in 2025 dollars); \$2,000 for a married man or head of household; \$1,000 for a married woman having a separate and independent income; plus \$200 for each dependent child or dependent incapable of self-support. S.L. 1953-1302 created a standard deduction in lieu of itemizing deductions; the deduction was the larger of \$500 or 10% of gross income.

FY25-26 Estimate (in \$millions): 608.9

FY26-27 Estimate (in \$millions): 605.1

Data Source: Department of Revenue tax data

Note: The estimate reflects the amount of reduced tax liabilities for standard deductions above a base amount. The estimate includes (1) taxpayers taking the standard deduction and (2) taxpayers who switched from itemizing due to the higher standard deduction. In Tax Expenditure reports prior to 2021, the amount for this item also included taxpayers taking itemized deductions, whose deductions were converted to the standard deduction amount.

4. Charitable Contributions Itemized Deduction

Citation: G.S. 105-153.5(a)(2)a

Description: If itemizing deductions, a taxpayer may deduct an amount allowed as a deduction for charitable contributions under section 170 of the Code for that taxable year. For Tax Years 2014 through 2018, the amount may be increased for any 401K contributions under section 408(d)(8) deducted from federal income and added back to State income.

Enacting Legislation: S.L. 1939-158 allowed deductions for interest paid, charitable contributions and property taxes.

FY25-26 Estimate (in \$millions): 176.0

FY26-27 Estimate (in \$millions): 174.6

Data Source: Department of Revenue tax data

5. Qualified Mortgage Interest Itemized Deduction

Citation: G.S. 105-153.5(a)(2)b

Description: If itemizing deductions, a taxpayer may deduct 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. The amount of this deduction is limited to \$20,000 minus the amount of the property tax itemized deduction.

Enacting Legislation: S.L. 2013-316 – effective Jan. 1, 2014; S.L. 1939-158 allowed deductions for interest paid, charitable contributions and property taxes.

FY25-26 Estimate (in \$millions): 43.5

FY26-27 Estimate (in \$millions): 42.7

Data Source: Department of Revenue tax data

6. Real Estate Property Tax Itemized Deduction

Citation: G.S. 105-153.5(a)(2)b

Description: If itemizing deductions, a taxpayer may deduct the amount claimed as a deduction for property taxes paid or accrued on real estate under section 164 of the Code for that taxable year. The amount of this deduction is limited to \$20,000 minus the amount of the mortgage interest itemized deduction.

Enacting Legislation: S.L. 2013-316 – effective Jan. 1, 2014; S.L. 1939-158 allowed deductions for interest paid, charitable contributions and property taxes.

FY25-26 Estimate (in \$millions): 26.6

FY26-27 Estimate (in \$millions): 26.6

Data Source: Department of Revenue tax data

7. Medical and Dental Expenses Itemized Deduction

Citation: G.S. 105-153.5(a)(2)c

Description: Effective January 1, 2015: If itemizing deductions, a taxpayer may deduct the amount allowed as a deduction for medical and dental expenses under section 213 of the Code for that taxable year.

Enacting Legislation: S.L. 2015-241; the deduction was previously included as an itemized deduction for tax years prior to 2014

FY25-26 Estimate (in \$millions): 60.8

FY26-27 Estimate (in \$millions): 63.3

Data Source: Department of Revenue tax data

Note: Federal law allows a deduction for medical and dental expenses that exceed 7.5% of adjusted gross income. North Carolina conforms to this threshold.

8. Child Deduction

Citation: G.S. 105-153.5(a1)

Description: A taxpayer may deduct an amount based on their AGI for each dependent child for whom they are allowed the federal child tax credit. S.L. 2021-180 increased the amount of the deductions and increased the AGI cap for taxable years beginning on or after Jan. 1, 2022. For taxpayers filing as married filing jointly, the deduction amount is \$3,000 if AGI is \$40,000 or less; \$2,500 if AGI is between \$40,001 and \$60,000; \$2,000 if AGI is between \$60,001 and \$80,000; \$1,500 if AGI is between \$80,001 and \$100,000; \$1,000 if AGI is between \$100,001 and \$120,000; and \$500 if AGI is between \$120,001 and \$140,000.

Enacting Legislation: S.L. 2017-57, effective for tax years beginning on or after Jan. 1, 2018. This provision replaced the child tax credit under G.S. 105-153.10(a).

FY25-26 Estimate (in \$millions): 96.1

FY26-27 Estimate (in \$millions): 93.4

Data Source: Department of Revenue tax data

9. N.C. and Nonprofit Education Institution Interest

Citation: G.S. 105-153.5(b)(1)

Description: Deduction from adjusted gross income for interest upon the obligations of any of the following: (a) this State, a political subdivision of this State, or a commission, an authority, or another agency of this State or of a political subdivision of this State; (b) a nonprofit educational institution organized or chartered under the laws of this State.

Enacting Legislation: S.L. 1939-158; S.L. 1965-833 added the exemption for nonprofit educational institutions

FY25-26 Estimate (in \$millions): 23.8

FY26-27 Estimate (in \$millions): 23.4

Data Source: Department of Revenue tax data; Statistics of Income, Internal Revenue Service; Joint Committee on Taxation

10. Disposition of Certain Obligations

Citation: G.S. 105-153.5(b)(2)

Description: Deduction for gain from disposition of obligations issued before July 1, 1995, to the extent exempt from tax.

Enacting Legislation: S.L. 1995-46 repealed the tax-exempt status of the gain earned on the sale of certain North Carolina bonds.

FY25-26 Estimate (in \$millions): less than 0.1

FY26-27 Estimate (in \$millions): less than 0.1

Data Source: Department of Revenue tax data

11. Social Security Benefits in Excess of Federal Limit

Citation: G.S. 105-153.5(b)(3)

Description: Deduction for benefits received under Title II of the Social Security Act and amounts received from retirement annuities or pensions paid under the provisions of the Railroad Retirement Act of 1937.

Enacting Legislation: S.L. 1957-1340 - effective Jan. 1, 1957

FY25-26 Estimate (in \$millions): 723.0

FY26-27 Estimate (in \$millions): 728.3

Data Source: Department of Revenue tax data

Note: The Social Security Amendments of 1983 made OASDI benefits subject to federal income tax. Federal taxation of some Social Security benefits occurs when modified AGI exceeds \$25,000 for single filers or \$32,000 for married filing jointly. These limits are not increased each year for inflation and have not been adjusted since 1983.

12. Government Retirement Income under Bailey Decision

Citation: G.S. 105-153.5(b)(5)

Description: Deduction from adjusted gross income for certain retirement benefits received by eligible retirees of the State of North Carolina and its local governments or the federal government to the extent the amount is exempt pursuant to a court order in settlement of *Bailey v. State*, *Emory v. State*, or *Patton v. State*. Eligible retirees must have had 5 or more years of creditable service as of August 12, 1989. The exclusion also applies to retirement benefits received from the State's §401(k) and §457 plans if the retiree had contributed or contracted to contribute to the plan prior to August 12, 1989.

Enacting Legislation: S.L. 1941-25 established the State Retirement System and included an exemption from State taxation. This provision was repealed by S.L. 1989-792.

FY25-26 Estimate (in \$millions): 264.7

FY26-27 Estimate (in \$millions): 257.3

Data Source: Department of Revenue tax data

13. Uniformed Services Pension Income

Citation: G.S. 105-153.5(b)(5a)

Description: Deduction from adjusted gross income for the amount received during the taxable year from (a) retirement pay for service in the Armed Forces of the United States to a retired member that meets either of the following: (1) served at least 20 years; (2) medically retired under 10 U.S.C. Chapter 61, not including severance pay; (b) payments of a Plan defined in 10 U.S.C. § 1447 to a beneficiary of a retired member eligible to deduct retirement pay under (a). This exemption was expanded to include retirement pay for service in all uniformed services of the the United States for tax years beginning on or after Jan. 1, 2022.

Enacting Legislation: S.L. 2021-180 - effective for tax years beginning on or after Jan. 1, 2021.

FY25-26 Estimate (in \$millions): 55.8

FY26-27 Estimate (in \$millions): 56.9

Data Source: Department of Revenue tax data; legislative fiscal notes for SB12 (2021) and HB103 (2022)

Note: Certain military pension income would also be exempt under the "Bailey Decision" and included in that tax expenditure item and not included in this item.

14. Accelerated Depreciation Adjustment

Citation: G.S. 105-153.5(b)(8); also refer to G.S. 105-153.6

Description: The IRS Code allows bonus depreciation allowances and modified accelerated cost recovery system above straight-line depreciation. North Carolina has decoupled from these provisions by having taxpayers add back a percentage of the federal deduction in each year and allowing taxpayers to deduct the addback over a period of 5 years in the future. For bonus depreciation, taxpayers must add back 85% of the amount taken on the federal return. Federal tax law allows for 100% bonus depreciation for 2018 through 2022, 80% in 2023, 60% in 2024, and 100% in 2025 and future years.

Enacting Legislation: S.L. 2002-126 was the first provision related to bonus depreciation addbacks.

FY25-26 Estimate (in \$millions): 75.1

FY26-27 Estimate (in \$millions): 66.4

Data Source: Derived estimates using N.C. Department of Revenue tax data and federal estimates from the Joint Committee of Taxation.

Note: The estimate incorporates past and current differences between allowed depreciation and a straight-line depreciation method.

15. Section 179 Expensing Adjustment

Citation: G.S. 105-153.5(b)(8); also refer to G.S. 105-153.6

Description: The IRS Code allows expanded Section 179 expensing. North Carolina has decoupled from these provisions by requiring taxpayers to add back the amount of the federal deduction that exceeds N.C. dollar limits and phaseout thresholds and allowing taxpayers to deduct the addback over a period of 5 years in the future. For tax years since 2013, the N.C. dollar limit is \$25,000 and the phaseout threshold is \$200,000. Federal law allows a dollar limit of \$1 million and a phaseout threshold of \$2.5 million for 2018 through 2024 (with inflation-indexing of both amounts). For 2025 and future years, federal law allows a dollar limit of \$2,500,000 and a phaseout threshold of \$4 million (with inflation-indexing of both amounts).

Enacting Legislation: S.L. 2011-5 added the provision related to the addback for section 179 expensing.

FY25-26 Estimate (in \$millions): 12.8

FY26-27 Estimate (in \$millions): 13.1

Data Source: Derived estimates using N.C. Department of Revenue tax data and federal estimates from the Joint Committee of Taxation.

Note: The estimate incorporates past and current differences between allowed expensing and a straight-line depreciation method.

16. Personal Education Student Account

Citation: G.S. 105-153.5(b)(12)

Description: Deduction for the amount deposited during the taxable year to a personal education student account under Article 41 of Chapter 115C of the General Statutes. (Scholarship funds up to \$9,000 per eligible student for a fiscal year.)

Enacting Legislation: S.L. 2017-57 - effective for taxable years beginning on or after Jan. 1, 2018

FY25-26 Estimate (in \$millions): 0.3

FY26-27 Estimate (in \$millions): 0.3

Data Source: Derived estimates using N.C. Department of Revenue tax data and data from the North Carolina State Education Assistance Authority

17. Certain Hurricane Relief Payments

Citation: G.S. 105-153.5(b)(13)

Description: Deduction for the amount paid to the taxpayer during the taxable year from the State Emergency Response and Disaster Relief Reserve Fund for hurricane relief or assistance, but not including payments for goods or services provided by the taxpayer.

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Enacting Legislation: S.L. 2018-5 - effective for tax years beginning on or after Jan. 1, 2017; a similar provision had been enacted by S.L. 2005-1 and was repealed effective Jan. 1, 2014

FY25-26 Estimate (in \$millions): 0.2

FY26-27 Estimate (in \$millions): 0.2

Data Source: Department of Revenue tax data

18. Amounts Received as an Economic Incentive

Citation: G.S. 105-153.5(b)(14)

Description: A taxpayer may deduct the amount received by a taxpayer as an economic incentive pursuant to G.S. 143B-437.012 or Part 2G or Part 2H of Article 10 of Chapter 143B of the General Statutes.

Enacting Legislation: S.L. 2019-237 - effective for tax years beginning on or after Jan. 1, 2019

FY25-26 Estimate (in \$millions): 1.0

FY26-27 Estimate (in \$millions): 1.0

Data Source: Department of Revenue tax data

19. Deduction for Certain Grant Monies

Citation: G.S. 105-153.5(b)(14a)

Description: A taxpayer may deduct the amount received under the Business Recovery Grant Program, the ReToolNC grant program for recovery from the economic impacts of the COVID-19 pandemic; and rent and utility assistance pursuant to Section 3.3 of S.L. 2020-4, as amended by Section 1.2 of S.L. 2020-97.

Enacting Legislation: S.L. 2021-180 and S.L. 2022-6 - effective for tax years beginning on or after Jan. 1, 2020

FY25-26 Estimate (in \$millions): less than 0.1

FY26-27 Estimate (in \$millions): less than 0.1

20. Net Operating Loss Carryforward

Citation: G.S. 105-153.5(b)(16)

Description: A taxpayer may deduct net operating losses incurred in a tax year in the following 15 years under conditions in G.S. 105-153.5A. Nonresidents may only include income and deductions derived from a business carried on in this State in determining their net operating loss.

Enacting Legislation: SL 2021-180 - effective for tax years beginning on or after Jan. 1, 2022; prior to this, federal NOL provisions carried through to State taxable income

FY25-26 Estimate (in \$millions): 63.8

FY26-27 Estimate (in \$millions): 62.6

Data Source: N.C. Department of Revenue personal income tax microsimulation data

21. Decouple from IRC Section 1400Z-2 Opportunity Fund

Citation: G.S. 105-153.5(c2)(6)

Description: Deduction of the amount of gain included in the taxpayer's adjusted gross income under IRC § 1400Z-2(a) to the extent the same income was added back to the taxpayer's N.C. taxable income in a prior taxable year.

Enacting Legislation: S.L. 2018-5 - effective for tax years beginning on or after Jan. 1, 2018

FY25-26 Estimate (in \$millions): no net negative impact

FY26-27 Estimate (in \$millions): no net negative impact

Note: This deduction is offset by the required addition to adjusted gross income in G.S. 105-153.5(c2)(5). The net impact is to shift taxable income to earlier years. Thus, there is likely to be a positive impact on the present value of State revenues.

22. Deduction for Extra Business Interest Expenses in 2019 and 2020

Citation: G.S. 105-153.5(c2)(17a)

Description: A taxpayer may deduct 20% of the amount of interest expense added back to taxable income in 2019 and 2020 due to the de-coupling from Section 2306 of the CARES Act in each of the succeeding five tax years beginning with 2021.

Enacting Legislation: S.L. 2021-180 -- Effective for tax years beginning on or after Jan. 1, 2021

FY25-26 Estimate (in \$millions): 1.0

FY26-27 Estimate (in \$millions): 0.0

Data Source: Department of Revenue tax data

Tax Credits

23. Certain Real Property Donation Tax Credit

Citation: G.S. 105-153.11

Description: A taxpayer is allowed a tax credit of 25% of the fair market value of a qualified donation of real property interested located in North Carolina that is used for (1) forestland or farmland preservation, (2) fish and wildlife conservation, (3) a buffer for military training, testing or operations, (4) floodplain protection in certain counties, (5) historic landscape conservation, or (6) for public trails or access to public trails. The credit may not exceed \$500,000 for a given C corporation. The aggregate amount of credit for all taxpayers (including credits under G.S. 105-153.11) in a given taxable year is \$5 million, \$3.25 million of which is reserved for credits for property useful for forestland or farmland conservation.

Enacting Legislation: S.L. 2024-32, s. 15; S.L. 2025-4 - Effective for taxable years beginning on or after Jan. 1, 2025, for donations made on or after Jan. 1, 2025.

Sunset Date: Expires for taxable years beginning on or after Jan. 1, 2027, for donations made on or after Jan. 1, 2027.

FY25-26 Estimate (in \$millions): 4.5

FY26-27 Estimate (in \$millions): 4.5

Data Source: Fiscal note for SB 355 (2024); Department of Revenue tax data for a similar credit that expired in 2013.

Sales and Use Tax (Article 5)

Brief Description and Tax Base Information

The sales tax in North Carolina is imposed on final sales (including the value of leases and rentals) of tangible personal property, digital property and certain services occurring in the State, and the use tax is imposed on purchases made outside the State if the taxable item purchased is used or stored in North Carolina.

For this report, services are not considered part of the sales tax base unless they are specifically listed as taxable items in the General Statutes.

Effective Jan. 1, 2010, the sales tax applies to certain digital property that is delivered or accessed electronically, is not considered tangible personal property, and would be taxable if sold in a tangible medium.

Effective Jan. 1, 2014, the sales tax applies to admission charges to certain entertainment activities and to service contracts.

Effective March 1, 2016, the sales tax applies to repair, maintenance and installation (RMI) services.

Effective Jan. 1, 2017, the sales tax on RMI services was amended by S.L. 2016-94 in order to treat similar transactions the same and to expand the tax base to services on real property, except those related to a capital improvement provided through a real property contract.

Effective Feb. 1, 2020, a marketplace facilitator must collect sales tax from remote sales that it makes or facilitates for its marketplace sellers in this State if it meets either of the following conditions for sales sourced to this State in the prior or the current calendar year: (a) gross sales in excess of \$100,000 or (b) 200 or more separate transactions.

State sales tax rate: As of July 1, 2011, the State sales tax rate is 4.75%.

Combined general rate: The State sales tax rate on telecommunications and ancillary services, video programming, and spirituous liquor is equal to the State combined general rate. This rate has been 7.0% since July 1, 2011. Effective July 1, 2014, the combined general rate also applies to sales of electricity and piped natural gas. Effective Jan. 1, 2016, aviation gasoline and jet fuel are taxed at the combined general rate.

For Fiscal Year 2024-25, sales and use tax collections net of refunds and reserves for sales taxes imposed by local governments were approximately \$12.6 billion. (Sales tax revenues related to the lease of motor vehicles are not included in collections amounts here.)

Various other transfers from State sales & use taxes to local governments, including the distribution to the State Public School Fund, were approximately \$836 million in Fiscal Year 2024-25. Net General Fund collections were approximately \$11.0 billion in Fiscal Year 2024-25 after these and several other transfers.

Table 3. Sales and use tax expenditure estimates for FY 2025-26

Item No.	Short Description	FY25-26 estimate (\$Millions)
1	Work that Requires a Building Permit	Unavailable
2	Installation of Utilities	Unavailable
3	Installation of Capitalized or Expensed Equipment	Unavailable
4	Painting and Wallpapering	43.6
5	Replacement or Installation of Building-Related Systems	99.1
6	Replacement or Installation of HVAC Systems	79.1
7	Replacement or Installation of Pavement, Patios & Decks	61.4
8	Resolution of Construction-Related Issues	8.3
9	Landscaping	142.3
10	Certain Additions & Alterations to Real Property	Unavailable
11	Educational Service Via Digital Property	Unavailable
12	Installation by Real Property Contractor	81.2
13	Laundromat Self-Service Machines	5.3
14	Certain Accommodation Rentals	Unavailable
15	Right to Participate in Sporting Activities	127.4
16	Lifetime Seat Rights and Box Seat Rentals	2.6
17	Right to Participate in Certain Activities	16.5
18	Right to Participate in Certain Instructional Classes	3.2
19	Right to Participate in Certain Rides	Unavailable
20	Right to Participate in Amusement Rides	13.0
21	Membership Charges Deductible as Charitable Contribution	Unavailable
22	Donated Admission Charges	Unavailable
23	Amenities Exemption for Admission Charges	1.6
24	Events Sponsored by Primary and Secondary Schools	16.6
25	Events Sponsored Solely by a Nonprofit	Unavailable
26	Admission to Events on Farmland	0.3
27	Retailer-Contractor Provision for Real Property Contracts	Unavailable
28	Mixed Transaction Contract for RMI	Unavailable
29	Certain Services Provided Under a Property Management Contract	39.9
30	Items Given Away by Merchants	Unavailable
31	Certain Products of Forests and Mines Sold by Producers	Unavailable

Item No.	Short Description	FY25-26 estimate (\$Millions)
32	Farm Products Sold by Producer and Ice Used for Preservation	0.1
33	Commercial Logging Machinery	12.9
34	Wood Chippers for Out-of-State Use	less than 0.1
35	Telecommunications Equipment	92.6
36	Radio and Television Broadcast Equipment	5.4
37	Cable Service Broadcast Equipment	8.5
38	Mill Machinery	289.5
39	Major Recycling Facility Equipment	0.2
40	R&D Company Equipment	3.7
41	Software Publishing Company Equipment	5.1
42	Industrial Machinery Refurbishing Equipment	0.1
43	Ports Facility Equipment	Unavailable
44	Secondary Metals Recycler Equipment, Fuel, and Electricity	Unavailable
45	Precious Metals Extraction Equipment	Unavailable
46	Large Metal Fabricator Equipment	Unavailable
47	Ready-Mix Concrete Mill Parts	Unavailable
48	Large Fulfillment Facility Equipment	Unavailable
49	Certain Stone-Cutting Equipment	Unavailable
50	Various Items for Alcoholic Beverage Mfg.	2.7
51	Aquacultural Products in Raw State	1.4
52	Fuel for Small Power Production Facility	Unavailable
53	Tangible Property Purchased for Commercial Fishing	1.2
54	Items Used by Laundries and Dry Cleaning Businesses	1.7
55	Lubricants, Materials and Electricity Used by Major Recycling Facility	4.7
56	Motor Fuel or Alternative Fuel Taxed by Articles 36C or 36D	0.0
57	Diesel Fuel for Railroads	10.2
58	Fuel Purchases by an Interstate Air Business	18.0
59	Durable Medical Equipment	129.3
60	Prescription Drugs and Insulin for Human Use	973.8
61	Drugs Prescribed by a Veterinarian	19.8
62	Diapers and Incontinence Pads for Medicaid Beneficiaries	Less than 0.1
63	Public School Books	1.5

Sales and Use Tax

Item No.	Short Description	FY25-26 estimate (\$Millions)
64	Accounts of Sales Charged Off for Income Purposes	Unavailable
65	Sales by Blind Merchants	0.4
66	Lease or Rental of Films for Exhibition	7.2
67	Lease or Rental of Films, Transcriptions and Recordings to Broadcasters	12.4
68	Audiovisual Masters	0.7
69	Packaging Items for Manufacturers	93.3
70	Packaging Items for Retailers	32.2
71	Packaging Returned to Seller	Unavailable
72	Fuel and Consumables Used by Boats Transporting Freight	0.5
73	Food Sold in a School	7.5
74	Food Sold by a Public School Cafeteria to Certain Childcare Centers	0.5
75	Food Sold Not for Profit Related to a School	Unavailable
76	Meals for the Elderly	1.7
77	Food Sold by a Church or Religious Organization	Unavailable
78	Motor Vehicle Exemption Less Highway Use Tax	926.9
79	Sales by Nonprofits Whose Proceeds Go to the State	Unavailable
80	Sales by Nonprofits Conducted Annually	2.4
81	Advertising Supplements Sold with Newspapers	0.3
82	Components of Free Distribution Periodicals	Unavailable
83	Sales to the Department of Transportation	0.0
84	Mobile Classrooms Purchased by Boards of Education or Community Colleges	0.7
85	Articles Donated by Retailer or Wholesaler	Unavailable
86	Custom Computer Software	123.6
87	Certain Computer Software	Unavailable
88	Component Software or Digital Property	Unavailable
89	Certain Items Purchased by Interstate Passenger Air Carriers	Unavailable
90	Lubricants and Parts Used in Maintenance of Commercial Aircraft	7.9
91	Certain Items Purchased by Interstate Air Couriers	Unavailable
92	Aircraft Simulators	Unavailable
93	Items Related to Qualified Aircraft or Jet Engine	Unavailable
94	Items Related to Interstate Air and Ground Couriers	Unavailable

Item No.	Short Description	FY25-26 estimate (\$Millions)
95	Electricity to Municipalities Supplied by Federal Agency	2.9
96	Delivery Charges of Direct Mail	Unavailable
97	Goods Sold Through Vending Machines	13.6
98	Water Delivered Through Main Pipes	98.5
99	Sales to State Agencies	0.0
100	Aerial Survey Data	0.1
101	Pay Telephone Services	Unavailable
102	911 Charges	6.5
103	Telephone Charges Related to Occupancy of an Accommodation	0.1
104	Charges Related to State Network and Other Government Data Networks	Unavailable
105	Electricity and Equipment for an Eligible Internet Datacenter	Unavailable
106	Electricity and Equipment for a Qualifying Datacenter	Unavailable
107	Locomotives, Cranes and Trucks for a Railroad Intermodal Facility	Unavailable
108	Electricity Used by Manufacturers	108.7
109	Piped Natural Gas Used by Manufacturers (except Power Plants)	43.1
110	Piped Natural Gas Used by Power Plants	104.2
111	Other Fuel Used by Manufacturers	15.2
112	Disaster Assistance Debit Card Purchases	Unavailable
113	Interior Design Services	2.9
114	Motor Vehicle Service Contract	Unavailable
115	Service Contracts or RMI Services on Exempt Items	188.3
116	Motor Vehicle emissions and safety inspection fee	7.9
117	Services Performed by a Related Person	Unavailable
118	Services Related to Cleaning of Real Property	89.7
119	Services on Roads, Driveways, Parking Lots, & Sidewalks	Unavailable
120	Removal of Waste and Debris	65.5
121	Certain Real Property Inspections	5.0
122	Alterations & Clothing Repairs	23.3
123	Pest Control Service	29.1
124	Moving Services	30.0
125	Self-Service & Limited-Service Vehicle Washes	11.0

Sales and Use Tax

Item No.	Short Description	FY25-26 estimate (\$Millions)
126	Utility Network Assets	Unavailable
127	Qualified Aircraft or Jet Engine	Unavailable
128	RMI & Service Contracts for Other Aircraft	Unavailable
129	Funeral-Related Services	16.4
130	Services Performed on an Animal	22.1
131	Security Service Contract for Real Property	27.5
132	Service Contract for Wastewater System	Unavailable
133	Items Used to Fulfill Taxable Service Contracts	Unavailable
134	RMI Services to Fulfill Taxable Service Contracts	Unavailable
135	Repair Parts and RMI Services on Items Covered by a Warranty	Unavailable
136	Modular & Manufactured Homes	22.8
137	Motorsports Engine & Related Items	Unavailable
138	Storage of a Motor Vehicle	3.3
139	Towing Services	20.3
140	Wastewater Dispersal System Items	Unavailable
141	Coins, Currency and Bullion Sales	0.9
142	N.C. Life and Health Insurance Guaranty Association	Unavailable
143	Educational Service for Home Schools	Unavailable
144	Live Services Provided Through Digital Works	Unavailable
145	Continuing Care Retirement Communities	8.7
146	Breast Pumps and Related Items	3.1
147	Service Charges on Meals and Beverages	2.8
148	Food for Home Consumption	1,460.0
149	Certain Artisan Bakery Items	4.9
150	Fuel and Electricity for Farming	25.8
151	Fertilizers, Seeds and Related Items Sold to a Farmer	59.1
152	Farm Machinery and Related Parts and Lubricants	19.6
153	Certain Containers Sold to a Farmer	1.1
154	Certain Storage Facilities Sold to a Farmer	3.2
155	Feeds, Litter and Medications for Farming	245.1
156	Certain Substances Used on Animals or Plants for Commercial Purposes	18.8
157	Fowl Sold to a Farmer	67.9
158	Livestock Sold to Farmer – Cattle, Sheep, Goats and Swine	36.5

Item No.	Short Description	FY25-26 estimate (\$Millions)
159	Livestock Sold to a Farmer – Horses and Mules	0.5
160	Manufactured Facilities, Building Materials, and Related Equipment for Commercial Housing of Animals	9.8
161	Tobacco Farming Items	0.2
162	RMI Services for Farmers	10.6
163	Items for a Zoo Operated by Farmer	Unavailable
164	Items for a Wildlife Manager	Unavailable
165	RMI Services for Boats, Aircraft and Jet Engines in Excess of \$25,000	Unavailable
166	Use Tax on Luxury Liquor Capped at \$1,000	less than 0.1
167	Refund to Interstate Carrier	3.4
168	Partial Refund for Purchases of Railway Cars and Accessories by a Utility	less than 0.1
169	Refunds to Nonprofits	347.6
170	Refunds of Tax on Medicine and Drug Purchases to Certain Hospitals	included in item #169
171	Refunds to Certain Local Government Entities	174.9
172	Refund for Major Recycling Facilities	0.1
173	Refund of Aviation Fuel for Motorsports Events	0.2
174	Refund on Professional Motor Racing Vehicle Parts	2.7
175	Refund for Railroad Intermodal Facilities	0.1
176	Refund for Transformative Project	0.0
177	Preferential Rate and Cap for Aircraft	18.9
178	Preferential Rate and Cap for Boats	22.3
179	Out-of-State Call Centers	Unavailable

Exemptions

1. Work that Requires a Building Permit

Citation: G.S. 105-164.3(31)b

Description: The definition of capital improvement includes: performance of work that requires the issuance of a permit under the State Building Code, other than repair or replacement of electrical components, gas logs, water heater, and similar individual items that are not part of new construction, reconstruction, or remodeling.

Enacting Legislation: S.L. 2017-204 - effective Jan. 1, 2017

FY25-26 Estimate (in \$millions): Unavailable

FY26-27 Estimate (in \$millions): Unavailable

2. Installation of Utilities

Citation: G.S. 105-164.3(31)c

Description: The definition of capital improvement includes: installation of utilities on utility-owned land, right-of-way, or easement, notwithstanding that charges for such are included in the gross receipts derived from services subject to the combined general rate under G.S. 105-164.4.

Enacting Legislation: S.L. 2017-204 - effective Jan. 1, 2017

FY25-26 Estimate (in \$millions): Unavailable

FY26-27 Estimate (in \$millions): Unavailable

3. Installation of Capitalized or Expensed Equipment

Citation: G.S. 105-164.3(31)d

Description: The definition of capital improvement includes: installation of equipment or fixture that is attached to real property and that is capitalized under GAAP or IFRS or is depreciated under the Code, or is expensed under Section 179 of the Code.

Enacting Legislation: S.L. 2017-204 - effective Jan. 1, 2017

FY25-26 Estimate (in \$millions): Unavailable

FY26-27 Estimate (in \$millions): Unavailable

4. Painting and Wallpapering

Citation: G.S. 105-164.3(31)e

Description: The definition of capital improvement includes: painting or wallpapering, except where painting or wallpapering is incidental to the repair, maintenance, and installation service.

Enacting Legislation: S.L. 2017-204 - effective Jan. 1, 2017

FY25-26 Estimate (in \$millions): 43.6

FY26-27 Estimate (in \$millions): 45.8

Data Source: 2012, 2017 & 2022 Economic Censuses; County Business Patterns (US Census); Nonemployer Statistics (US Census)

5. Replacement or Installation of Building-Related Systems

Citation: G.S. 105-164.3(31)f

Description: The definition of capital improvement includes: replacement or installation of a roofing, septic tank, plumbing, electrical, commercial refrigeration, irrigation, sprinkler, or other similar system. The term does not include the repair, replacement, or installation of electrical or plumbing components, water heaters, gutters, and similar individual items that are not part of new construction, reconstruction, or remodeling.

Enacting Legislation: S.L. 2017-204 - effective Jan. 1, 2017

FY25-26 Estimate (in \$millions): 99.1

FY26-27 Estimate (in \$millions): 103.1

Data Source: 2012, 2017 & 2022 Economic Censuses; annual County Business Patterns (US Census); annual Nonemployer Statistics (US Census)

6. Replacement or Installation of HVAC Systems

Citation: G.S. 105-164.3(31)g

Description: The definition of capital improvement includes: replacement or installation of a heating, ventilation, and air conditioning unit or system. The term does not include the repair, replacement or installation of gas logs, water heaters, pool heaters, and similar items that are not part of new construction, reconstruction, or remodeling.

Enacting Legislation: S.L. 2017-204 - effective Jan. 1, 2017

FY25-26 Estimate (in \$millions): 79.1

FY26-27 Estimate (in \$millions): 83.9

Data Source: 2012, 2017 & 2022 Economic Censuses; annual County Business Patterns (US Census); annual Nonemployer Statistics (US Census)

7. Replacement or Installation of Pavement, Patios & Decks

Citation: G.S. 105-164.3(31)h

Description: The definition of capital improvement includes: replacement or installation of roads, driveways, parking lots, patios, decks, and sidewalk.

Enacting Legislation: S.L. 2017-204 - effective Jan. 1, 2017

FY25-26 Estimate (in \$millions): 61.4

FY26-27 Estimate (in \$millions): 63.3

Data Source: 2012, 2017 & 2022 Economic Censuses; annual County Business Patterns (US Census); annual Nonemployer Statistics (US Census)

8. Resolution of Construction-Related Issues

Citation: G.S. 105-164.3(31)i

Description: Services performed to resolve an issue that was part of a real property contract if the services are performed within 6 months of completion of the real property contract or, for new construction, within 12 months of the new structure being occupied for the first time.

Enacting Legislation: S.L. 2017-204 - effective Jan. 1, 2017

FY25-26 Estimate (in \$millions): 8.3

FY26-27 Estimate (in \$millions): 8.6

Data Source: 2012, 2017 & 2022 Economic Censuses; annual County Business Patterns (US Census); annual Nonemployer Statistics (US Census)

9. Landscaping

Citation: G.S. 105-164.3(31)j

Description: The definition of capital improvement includes: landscaping. As defined in G.S. 105-164.3(16e), the term does not include services to trees, shrubs, flowers, and similar items in pots or in buildings.

Enacting Legislation: S.L. 2017-204 - effective Jan. 1, 2017

FY25-26 Estimate (in \$millions): 142.3

FY26-27 Estimate (in \$millions): 158.1

Data Source: 2012 & 2017 Economic Censuses; annual County Business Patterns (US Census); annual Nonemployer Statistics (US Census)

Note: The estimates include installation and replacement of “hardscapes” such as patios and walkways that would be included in the receipts of landscaping services companies.

10. Certain Additions & Alterations to Real Property

Citation: G.S. 105-164.3(31)k

Description: The definition of capital improvement includes: addition or alteration to real property that is permanently affixed or installed to real property and is not an activity listed in subdivision (33i) of this section as a RMI service.

Enacting Legislation: S.L. 2017-204 - effective Jan. 1, 2017

FY25-26 Estimate (in \$millions): Unavailable

FY26-27 Estimate (in \$millions): Unavailable

11. Educational Service Via Digital Property

Citation: G.S. 105-164.3(33)

Description: The definition of certain digital property excludes "educational service." Educational service is defined in GS 105-164.3(75) and is provided by or on behalf of a qualifying educational entity.

Enacting Legislation: S.L. 2020-6 - effective Oct. 1, 2019

FY25-26 Estimate (in \$millions): Unavailable

FY26-27 Estimate (in \$millions): Unavailable

12. Installation by Real Property Contractor

Citation: G.S. 105-164.3(225)

Description: The definition of repair, maintenance and installation services is not applicable to tangible personal property or digital property installed or applied by a real property contractor pursuant to a real property contract.

Enacting Legislation: S.L. 2015-241 - effective Mar. 1, 2016

FY25-26 Estimate (in \$millions): 81.2

FY26-27 Estimate (in \$millions): 85.3

Data Source: 2022 Economic Census; County Business Patterns (US Census); Nonemployer Statistics (US Census); Quarterly Census of Employment and Wages

Note: This category includes estimated receipts of building finishing contractors (except painting and wallpapering) and plumbing

13. Laundromat Self-Service Machines

Citation: G.S. 105-164.4(a)(4)

Description: Taxation on the gross receipts of laundries does not apply to receipts derived from coin-, token-, or card-operated washing machines, extractors, and dryers.

Enacting Legislation: S.L. 1987-854 - effective July 1, 1988

FY25-26 Estimate (in \$millions): 5.3

FY26-27 Estimate (in \$millions): 5.4

Data Source: 2017 & 2022 Economic Censuses; annual County Business Patterns (US Census); annual Nonemployer Statistics (US Census)

14. Certain Accommodation Rentals

Citation: G.S. 105-164.4F(e); G.S. 105-164.13(70)

Description: Taxation at the general rate on accommodation rentals does not apply to (1) a private residence or cottage that is rented for fewer than 15 days in a calendar year unless the rental is made by an accommodation facilitator; (2) an accommodation supplied to the same person for a period of 90 or more continuous days; or (3) an accommodation arranged or provided by a school, camp, or similar entity where a tuition or fee is charged for enrollment in such entity.

Enacting Legislation: S.L. 1955-1313

FY25-26 Estimate (in \$millions): Unavailable

FY26-27 Estimate (in \$millions): Unavailable

15. Right to Participate in Sporting Activities

Citation: G.S. 105-164.4G(e)(1)

Description: Exemption from tax on admission charges for an amount paid for the right to participate, other than to be a spectator, in sporting activities. Examples of these types of charges include bowling fees, golf green fees, and gym memberships.

Enacting Legislation: S.L. 2014-3 – effective May 29, 2014. These fees were excluded from the privilege tax on admissions previously, but not explicitly stated.

FY25-26 Estimate (in \$millions): 127.4

FY26-27 Estimate (in \$millions): 137.0

Data Source: 2012, 2017 & 2022 Economic Censuses; annual County Business Patterns (US Census); annual Nonemployer Statistics (US Census)

16. Lifetime Seat Rights and Box Seat Rentals

Citation: G.S. 105-164.4G(e)(4)

Description: Exemption from tax on admission charges for a charge for lifetime seat rights, lease, or rental of a suite or box for an entertainment activity, provided the charge is separately stated on an invoice or similar billing document given to the purchaser at the time of sale.

Enacting Legislation: S.L. 2014-3 – effective May 29, 2014. These fees were excluded from the privilege tax on admissions previously, but not explicitly stated.

FY25-26 Estimate (in \$millions): 2.6

FY26-27 Estimate (in \$millions): 2.7

Data Source: 2022 US Economic Census; 2022 Services Annual Survey, US Census Bureau

17. Right to Participate in Certain Activities

Citation: G.S. 105-164.4G(e)(6)a

Description: Exemption from tax for the right to participate, other than to be a spectator, in the following activities: rock climbing, skating, skiing, snowboarding, sledding, zip lining, or other similar activities.

Enacting Legislation: S.L. 2018-5 – effective June 12, 2018 (these items were not previously taxed)

FY25-26 Estimate (in \$millions): 16.5

FY26-27 Estimate (in \$millions): 17.5

Data Source: 2022 Economic Census, County Business Patterns and Nonemployer Statistics, US Census

18. Right to Participate in Certain Instruction Classes

Citation: G.S. 105-164.4G(e)(6)b

Description: Exemption from tax for the right to participate, other than to be a spectator, in the following activities: instruction classes related to the items in G.S. 105-164.4G(e)(6)a.

Enacting Legislation: S.L. 2018-5 – effective June 12, 2018 (these items were not previously taxed)

Sales and Use Tax

FY25-26 Estimate (in \$millions): 3.2

FY26-27 Estimate (in \$millions): 3.4

Data Source: 2022 Economic Census, County Business Patterns and Nonemployer Statistics, US Census

19. Right to Participate in Certain Rides

Citation: G.S. 105-164.4G(e)(6)c

Description: Exemption from tax for the right to participate, other than to be a spectator, in the following activities: riding in or on a carriage, boat, train, plane, horse, chairlift, or other similar rides.

Enacting Legislation: S.L. 2018-5 – effective June 12, 2018 (these items were not previously taxed)

FY25-26 Estimate (in \$millions): Unavailable

FY26-27 Estimate (in \$millions): Unavailable

20. Right to Participate in Certain Amusement Rides

Citation: G.S. 105-164.4G(e)(6)c

Description: Exemption from tax for the right to participate, other than to be a spectator, in the following activities: amusement rides, including a waterslide.

Enacting Legislation: S.L. 2018-5 – effective June 12, 2018 (these items were not previously taxed)

FY25-26 Estimate (in \$millions): 13.0

FY26-27 Estimate (in \$millions): 14.1

Data Source: 2022 Economic Census, County Business Patterns and Nonemployer Statistics, US Census

21. Membership Charges Deductible as Charitable Contribution

Citation: G.S. 105-164.4G(f)(1)

Description: Exemption from tax on admission charges for the portion of a membership charge that is deductible as a charitable contribution under section 170 of the Code or that is described in section 170(ℓ)(2) of the Code.

Enacting Legislation: S.L. 2014-3 – effective May 29, 2014

FY25-26 Estimate (in \$millions): Unavailable

FY26-27 Estimate (in \$millions): Unavailable

22. Donated Admission Charges

Citation: G.S. 105-164.4G(f)(2)

Description: Exemption from tax on admission charges for a donation that is deductible as a charitable contribution under section 170 of the Code or that is described in section 170(ℓ)(2) of the Code.

Enacting Legislation: S.L. 2014-3 – effective May 29, 2014

FY25-26 Estimate (in \$millions): Unavailable

FY26-27 Estimate (in \$millions): Unavailable

23. Amenities Exemption for Admission Charges

Citation: G.S. 105-164.4G(f)(3)

Description: The value of amenities is excluded from the amount subject to tax. If charges for amenities are not separately stated on the face of an admission ticket, then the transaction is a bundled transaction and taxed in accordance with G.S. 105-164.4D except that subsection (a)(3) does not apply.

Enacting Legislation: S.L. 2013-316 - effective Jan. 1, 2014; formerly exempt under the privilege tax on amusements (S.L. 2010-31)

FY25-26 Estimate (in \$millions): 1.6

FY26-27 Estimate (in \$millions): 1.7

Data Source: 2012 US Economic Census; 2022 Services Annual Survey, US Census Bureau

24. Events Sponsored by Primary and Secondary Schools

Citation: G.S. 105-164.4G(f)(4)

Description: Exemption for admission charges to an event that is sponsored by an elementary or secondary school.

Enacting Legislation: S.L. 2013-316 - effective Jan. 1, 2014; formerly exempt from privilege tax on amusements under GS 105-40 (S.L. 1945-708)

FY25-26 Estimate (in \$millions): 16.6

FY26-27 Estimate (in \$millions): 16.9

Data Source: National Center for Educational Statistics; NC Department of Public Instruction; NC Department of Administration

25. Events Sponsored Solely by a Nonprofit

Citation: G.S. 105-164.4G(f)(5)

Description: Exemption for an event sponsored solely by a nonprofit entity that is exempt from tax under Article 4 of Chapter 105 if all the following conditions are met: (1) the entire proceeds are used exclusively for the entity's nonprofit purposes; (2) the entity does not declare dividends, receive profits, or pay salary or other compensation to any members or individuals; (3) the entity does not compensate any person for participating in the event or producing the event.

Enacting Legislation: S.L. 2014-3 - effective Jan. 1, 2015; formerly exempt from privilege tax on amusements under G.S. 105-40 and G.S. 106-507

FY25-26 Estimate (in \$millions): Unavailable

FY26-27 Estimate (in \$millions): Unavailable

26. Admission to Events on Farmland

Citation: G.S. 105-164.4G(f)(6)

Description: Exempts tax on admission charge to an event sponsored by a farmer that takes place on farmland and is related to farming activities, such as a corn maze or a tutorial on raising crops, or animals. Eligible farmers must hold a qualifying farmer sales tax exemption certificate and the farmland is enrolled in the present-use value property tax program.

Enacting Legislation: S.L. 2017-204 - effective Jan. 1, 2014

FY25-26 Estimate (in \$millions): 0.3

FY26-27 Estimate (in \$millions): 0.4

Data Source: 2022 Census of Agriculture state-level data, National Agricultural Statistics Service, USDA

27. Retailer-Contractor Provision for Real Property Contracts

Citation: G.S. 105-164.4H(b)

Description: A retailer-contractor is allowed an exemption for sales of tangible personal property that is to be installed and becomes part of real property. The retailer-contractor pays use tax on its purchase price of the tangible property when it is withdrawn from inventory.

Enacting Legislation: S.L. 2014-3 - effective Jan. 1, 2015

FY25-26 Estimate (in \$millions): Unavailable

FY26-27 Estimate (in \$millions): Unavailable

28. Mixed Transaction Contract for RMI

Citation: G.S. 105-164.4H(d)

Description: If taxable repair, maintenance or installation services (RMI) is included in a contract with a real property contract for a capital improvement, and the taxable RMI portion does not exceed 25% of the contract price, then taxable RMI and tangible personal property, digital property or service used to perform that service are taxable as a real property contract.

Enacting Legislation: S.L. 2016-94; S.L. 2017-204 - effective Jan. 1, 2017

FY25-26 Estimate (in \$millions): Unavailable

FY26-27 Estimate (in \$millions): Unavailable

29. Certain Services Provided Under a Property Management Contract

Citation: G.S. 105-164.4K(b)

Description: The following services provided by a real property manager pursuant to a real property contract: (1) to troubleshoot, identify, or attempt to identify the source of a problem for the purpose of determining what is needed to restore the real property to working order or good condition; (2) to inspect or monitor the real property, including the normal operation of all systems that are part of the real property.

Enacting Legislation: S.L. 2019-169 - effective July 26, 2019

FY25-26 Estimate (in \$millions): 39.9

FY26-27 Estimate (in \$millions): 43.3

Data Source: 2022 Economic Census; County Business Patterns (US Census); Nonemployer Statistics (US Census)

30. Items Given Away by Merchants

Citation: G.S. 105-164.12C

Description: A retailer engaged in the business of selling prepared food and drink for immediate or on-premises consumption, who gives prepared food or drink to its patrons or employees free of charge, does not have to pay use tax on the value of the property given away.

Enacting Legislation: S.L. 2012-79 - this provision was previously included in the definition of "sale or selling" that was adopted to comply with a decision by the North Carolina Court of Appeals (S.L. 1996-14)

FY25-26 Estimate (in \$millions): Unavailable

FY26-27 Estimate (in \$millions): Unavailable

31. Certain Products of Forests and Mines Sold by Producers

Citation: G.S. 105-164.13(3)

Description: Sales of products of forests and mines in their original or non-manufactured state when such sales are made by the producer in the capacity of producer.

Enacting Legislation: S.L. 1933-445

FY25-26 Estimate (in \$millions): Unavailable

FY26-27 Estimate (in \$millions): Unavailable

Note: Although a portion of sales of these products will undergo further processing or be sold for resale, a sizable amount of goods will be sold at retail by the producer, especially products of the mine such as gravel sold to road contractors and coal sold to power companies.

32. Farm Products Sold by Producer and Ice Used for Preservation

Citation: G.S. 105-164.13(4b)

Description: Sales of products of a farm sold in their original state by the producer of the products if the producer is not primarily a retail merchant and ice used to preserve agriculture, aquaculture and commercial fishery products until the products are sold at retail.

Enacting Legislation: S.L. 1939-158; all ice was exempt prior to Sept. 1, 1990 (S.L. 1989-1068).

FY25-26 Estimate (in \$millions): 0.1

FY26-27 Estimate (in \$millions): 0.1

Data Source: 2022 Census of Agriculture & 2023 Census of Aquaculture (National Agricultural Statistics Service, USDA)

33. Commercial Logging Machinery

Citation: G.S. 105-164.13(4f)

Description: Sales to a person engaged in the commercial logging business of the following: (a) logging machinery; (b) attachments and repair parts for logging machinery; (c) lubricants applied to logging machinery; and (d) fuel used to operate logging machinery.

Enacting Legislation: S.L. 2006-19 - effective for sales on or after July 1, 2006; items were previously taxed at a preferential rate of 1% with an \$80 cap on each piece of machinery, attachments and parts.

FY25-26 Estimate (in \$millions): 12.9

FY26-27 Estimate (in \$millions): 13.0

Data Source: Department of Revenue tax data; Legislative Fiscal Note for House Bill 1938 (2006). The number of firms and trends in logging industry in North Carolina were derived from Bureau of Labor Statistics data

Note: Motor fuels used off-highway are not subject to motor fuels tax but are subject to the sales tax.

34. Wood Chippers for Out-of-State Use

Citation: G.S. 105-164.13(4g)

Description: Exemption for a purchase of a wood chipper by a person who purchases a motor vehicle (trailer) in this State that is to be registered in another state for use in towing the wood chipper.

Enacting Legislation: S.L. 2010-147 - effective for sales made on or after July 1, 2009

FY25-26 Estimate (in \$millions): less than 0.1

FY26-27 Estimate (in \$millions): less than 0.1

Data Source: Legislative fiscal note for House Bill 1973 (2009)

35. Telecommunications Equipment

Citation: G.S. 105-164.13(5b)

Description: Sales to a telephone company of central office equipment, private branch exchange equipment, terminal equipment (other than public pay telephone), switchboard equipment, and attached parts and accessories.

Enacting Legislation: S.L. 2005-276 - effective Oct. 1, 2005; these items were previously taxed at 1%, with an \$80 cap (S.L. 1961-826); exempt prior to 1961

FY25-26 Estimate (in \$millions): 92.6

FY26-27 Estimate (in \$millions): 94.5

Data Source: 2022 Service Annual Survey & 2022 Capital Spending Report, US Census Bureau

36. Radio and Television Broadcast Equipment

Citation: G.S. 105-164.13(5c)

Description: Sales of towers, broadcasting equipment, and attached parts and accessories to an FCC-licensed radio or television company.

Sales and Use Tax

Enacting Legislation: S.L. 2005-276 - effective Oct. 1, 2005; these items were previously taxed at 1%, with an \$80 cap (S.L. 1961-826); exempt prior to 1961

FY25-26 Estimate (in \$millions): 5.4

FY26-27 Estimate (in \$millions): 5.7

Data Source: 2022 Service Annual Survey & 2022 Capital Spending Report, US Census Bureau

37. Cable Service Broadcast Equipment

Citation: G.S. 105-164.13(5d)

Description: Sales of broadcasting equipment and attached parts and accessories, excluding cable, to a cable service provider.

Enacting Legislation: S.L. 2005-276 - effective Oct. 1, 2005; these items were previously taxed at 1%, with an \$80 cap

FY25-26 Estimate (in \$millions): 8.5

FY26-27 Estimate (in \$millions): 8.8

Data Source: 2022 Service Annual Survey & 2022 Capital Spending Report, US Census Bureau

38. Mill Machinery

Citation: G.S. 105-164.13(5e)

Description: Sales of mill machinery or mill machinery parts or accessories. A manufacturing plant does not include (i) a retailer principally engaged in the retail sale of foods prepared by it or (ii) a production company.

Enacting Legislation: S.L. 2017-57 - effective July 1, 2018; mill machinery, attachments and parts had previously been taxed at a preferential rate of 1% with an \$80 cap per item under the sales tax statutes (S.L. 1961-826) or later under Article 5F; exempt prior to 1961

FY25-26 Estimate (in \$millions): 289.5

FY26-27 Estimate (in \$millions): 295.4

Data Source: Department of Revenue Article 5F tax database; 2022 Capital Expenditures Survey, US Census Bureau; Bureau of Labor Statistics employment series

39. Major Recycling Facility Equipment

Citation: G.S. 105-164.13(5f)

Description: Sales of (a) cranes, structural steel crane and support systems, and foundations related to the cranes and support systems, (b) port and dock facilities, (c) rail equipment, (d) material handling equipment to a major recycling facility.

Enacting Legislation: S.L. 2017-57 - effective July 1, 2018; items had previously been subject to tax under Article 5F (S.L. 2005-276, effective Jan. 1, 2006)

FY25-26 Estimate (in \$millions): 0.2

FY26-27 Estimate (in \$millions): 0.2

Data Source: Department of Revenue Article 5F tax database

40. R&D Company Equipment

Citation: G.S. 105-164.13(5g)

Description: Sales of equipment, or an attachment or repair part for equipment, that (a) is sold to a company primarily engaged in R&D activities in the physical, engineering and life sciences, (b) is capitalized by the company for tax purposes under the Code, (c) is used by the company in the research and development of tangible personal property.

Enacting Legislation: S.L. 2017-57 - effective July 1, 2018; items had previously been subject to tax under Article 5F (S.L. 2006-66, effective Jan. 1, 2007)

FY25-26 Estimate (in \$millions): 3.7

FY26-27 Estimate (in \$millions): 3.8

Data Source: Department of Revenue Article 5F tax database; 2022 Capital Expenditures Survey, US Census Bureau; Bureau of Labor Statistics employment series

41. Software Publishing Company Equipment

Citation: G.S. 105-164.13(5h)

Description: Sales of equipment, or an attachment or repair part for equipment, that (a) is sold to a company primarily engaged in software publishing activities, (b) is capitalized by the company for tax purposes under the Code, (c) is used by the company in the research and development of tangible personal property.

Enacting Legislation: S.L. 2017-57 - effective July 1, 2018; items had previously been subject to tax under Article 5F (S.L. 2007-323, effective Oct. 1, 2007)

FY25-26 Estimate (in \$millions): 5.1

FY26-27 Estimate (in \$millions): 5.2

Data Source: Department of Revenue Article 5F tax database; 2022 Capital Expenditures Survey, US Census Bureau; Bureau of Labor Statistics employment series

42. Industrial Machinery Refurbishing Equipment

Citation: G.S. 105-164.13(5i)

Description: Sales of equipment, or an attachment or repair part for equipment, that (a) is sold to a company primarily engaged at the establishment in industrial machinery refurbishing activities, (b) is capitalized by the company for tax purposes under the Code, and (c) is used by the company in repairing or refurbishing tangible personal property.

Enacting Legislation: S.L. 2017-57 - effective July 1, 2018; items had previously been subject to tax under Article 5F (S.L. 2008-107, effective July 1, 2008)

FY25-26 Estimate (in \$millions): 0.1

FY26-27 Estimate (in \$millions): 0.1

Data Source: Department of Revenue Article 5F tax database

43. Ports Facility Equipment

Citation: G.S. 105-164.13(5j)

Description: Sales of the following to a company located at a ports facility for waterborne commerce: (a) machinery and equipment that is used at the facility to unload or to facilitate the unloading or processing of bulk cargo to make it suitable for delivery to and use by manufacturing facilities, (b) parts, accessories, or attachments used to maintain, repair, replace, upgrade, improve, or otherwise modify such machinery and equipment.

Enacting Legislation: S.L. 2017-57 - effective July 1, 2018; items had previously been subject to tax under Article 5F (S.L. 2011-302, effective July 1, 2013)

FY25-26 Estimate (in \$millions): Unavailable – included in item #38

FY26-27 Estimate (in \$millions): Unavailable – included in item #38

44. Secondary Metals Recycler Equipment, Fuel and Electricity

Citation: G.S. 105-164.13(5k)

Description: Sales of the following to a secondary metals recycler: (a) equipment, or an attachment or repair part for equipment, that (i) is capitalized for tax purposes under the Code; (ii) is used by the person in the secondary metals recycling process, and (iii) is not a motor vehicle or an attachment or repair part for a motor vehicle; (b) fuel, piped

natural gas, or electricity for use at the person's facility at which the primary activity is secondary metals recycling.

Enacting Legislation: S.L. 2017-57 - effective July 1, 2018; items had previously been subject to tax under Article 5F (S.L. 2016-94, effective July 1, 2016)

FY25-26 Estimate (in \$millions): Unavailable

FY26-27 Estimate (in \$millions): Unavailable

45. Precious Metals Extraction Equipment

Citation: G.S. 105-164.13(5l)

Description: Sales of equipment, or an attachment or repair part for equipment, that meets all the following requirements: (a) is sold to a company primarily engaged at the establishment in processing tangible personal property for the purposes of extracting precious metals to determine the value for potential purchase, (b) is capitalized for tax purposes under the Code, (c) is used by the company in the process.

Enacting Legislation: S.L. 2017-57 - effective July 1, 2018; items had previously been subject to tax under Article 5F (S.L. 2016-94, effective July 1, 2016)

FY25-26 Estimate (in \$millions): Unavailable

FY26-27 Estimate (in \$millions): Unavailable

46. Large Metal Fabricator Equipment

Citation: G.S. 105-164.13(5m)

Description: Sales of equipment, or an attachment or repair part for equipment, that (a) is sold to a company that is engaged in the fabrication of metal work and that has annual gross receipts of at least \$8 million; (b) is capitalized for tax purposes under the Code; (c) is used by the company at the establishment in the fabrication or manufacture of metal products or used by the company to create equipment for the fabrication or manufacture of metal products.

Enacting Legislation: S.L. 2017-57 - effective July 1, 2018; items had previously been subject to tax under Article 5F (S.L. 2016-94, effective July 1, 2016)

FY25-26 Estimate (in \$millions): Unavailable

FY26-27 Estimate (in \$millions): Unavailable

47. Ready-Mix Concrete Mill Parts

Citation: G.S. 105-164.13(5n)

Description: Sales of repair or replacement parts for a ready-mix concrete mill, regardless of whether the mill is freestanding or affixed to a motor vehicle, to a company that primarily sells ready-mix concrete.

Enacting Legislation: S.L. 2017-57 - effective July 1, 2018; items had previously been subject to tax under Article 5F

FY25-26 Estimate (in \$millions): Unavailable

FY26-27 Estimate (in \$millions): Unavailable

48. Large Fulfillment Facility Equipment

Citation: G.S. 105-164.13(5o)

Description: Sales of equipment, or an accessory, an attachment, or a repair part for equipment, that (a) is sold to a large fulfillment facility, (b) is used at the facility in the distribution process, which includes receiving, inventorying, sorting, repackaging, or distributing finished retail products, (c) is not electricity. The facility must invest at least \$100 million in real and tangible property and maintain an employment level of at least 400.

Enacting Legislation: S.L. 2017-57 - effective July 1, 2017

FY25-26 Estimate (in \$millions): Unavailable

FY26-27 Estimate (in \$millions): Unavailable

49. Certain Stone-Cutting Equipment

Citation: G.S. 105-164.13(5p)

Description: Sales of equipment, or an attachment or repair part for equipment, which is used in cutting, shaping, polishing, and finishing rough cut slabs and blocks of natural and engineered stone and stone-like products and sold to a company primarily engaged in the business of providing made-to-order countertops, walls, or tubs.

Enacting Legislation: S.L. 2019-169 - effective Oct. 1, 2019

FY25-26 Estimate (in \$millions): Unavailable

FY26-27 Estimate (in \$millions): Unavailable

50. Equipment, Supplies and Other Items for Alcoholic Beverage Manufacturing

Citation: G.S. 105-164.13(5q)

Description: Sales of machinery, equipment, parts and accessories sold to certain alcoholic beverage manufacturers, as well as supplies and ingredients used or consumed in the manufacturing process.

Enacting Legislation: S.L. 2021-150, effective October 1, 2021

FY25-26 Estimate (in \$millions): 2.7

FY26-27 Estimate (in \$millions): 2.7

Data Source: Bureau of Labor Statistics Quarterly Census of Employment and Wages;
Department of Revenue tax records

51. Aquacultural Products in Raw State

Citation: G.S. 105-164.13(7)

Description: Sales of products of waters in their original or non-manufactured state when such sales are made by the producer in the capacity of producer. Fish and seafoods are likewise exempt when sold by the fisherman in that capacity.

Enacting Legislation: S.L. 1957-1340

FY25-26 Estimate (in \$millions): 1.4

FY26-27 Estimate (in \$millions): 1.4

Data Source: 2023 Census of Aquaculture (National Agricultural Statistics Service, USDA)

52. Fuel for Small Power Production Facility

Citation: G.S. 105-164.13(8a)

Description: Sales of fuel to a small power production facility used by the facility to generate electricity. A small power production facility is defined by 16 USC § 796(17)(A) as a facility that produces energy using primarily renewable resources and has a power production capacity of not more than 80 megawatts.

Enacting Legislation: S.L. 1989-989 - effective July 1, 1991

FY25-26 Estimate (in \$millions): Unavailable

FY26-27 Estimate (in \$millions): Unavailable

53. Tangible Property Purchased for Commercial Fishing

Citation: G.S. 105-164.13(9)

Description: Sales of boats, fuel oil, lubricating oils, machinery, equipment, nets, rigging, paints, parts, accessories, and supplies used in commercial fishing.

Enacting Legislation: S.L. 1957-1340

FY25-26 Estimate (in \$millions): 1.2

FY26-27 Estimate (in \$millions): 1.2

Data Source: NC Fisheries Association, NC Division of Marine Fisheries; Department of Revenue tax data

54. Items Used by Laundries and Dry Cleaning Businesses

Citation: G.S. 105-164.13(10)

Description: Sales to commercial laundries or to dry cleaning establishments of articles or materials used for the identification of garments being laundered or dry cleaned, wrapping paper, bags, hangers, starch, soaps, and similar items applied directly to the garments. As of January 1, 2006, this section also exempts laundry and dry-cleaning machinery, parts and accessories attached to the machinery, lubricants applied to the machinery, and fuel, other than electricity.

Enacting Legislation: S.L. 1957-1340; S.L. 2005-276 for laundering machinery, parts and accessories, and lubricants - these items were subject to a 1% tax with an \$80 maximum per article prior to January 1, 2006. Fuel was subject to a 1% tax prior to January 1, 2006.

FY25-26 Estimate (in \$millions): 1.7

FY26-27 Estimate (in \$millions): 1.8

Data Source: 2022 Economic Census, US Census Bureau; County Business Patterns, US Census Bureau; Department of Revenue tax data

55. Lubricants, Materials and Electricity Used by Major Recycling Facility

Citation: G.S. 105-164.13(10a)

Description: Sales to major recycling facility of (a) lubricants and other additives for motor vehicles or machinery; (b) materials and supplies used or consumed in the facility; (c) electricity used at the facility.

Enacting Legislation: S.L. 1998-55 - effective for sales on or after July 1, 1998

FY25-26 Estimate (in \$millions): 4.7

FY26-27 Estimate (in \$millions): 4.8

Data Source: Department of Revenue tax data; 2012 Economic Census materials-consumed data for steel mills, 2022 Economic Census, US Census Bureau

Note: Electricity estimates for purchases made on or after July 1, 2014 are based on the State combined rate, with no netting for distribution to local governments

56. Motor Fuel or Alternative Fuel Taxed by Articles 36C or 36D

Citation: G.S. 105-164.13(11)

Description: Motor fuel, as defined in G.S. 105-449.60, except motor fuel for which a refund of the per gallon excise tax is allowed under G.S. 105-449.105A or G.S. 105-449.107; alternative fuel taxed under Article 36D of this Chapter, unless a refund of that tax is allowed under G.S. 105-449.107.

Enacting Legislation: S.L. 1947-501

FY25-26 Estimate (in \$millions): 0.0

FY26-27 Estimate (in \$millions): 0.0

Data Source: Department of Revenue tax records; Energy Information Administration

Note: The estimate is the amount of tax that would be collected at the State combined tax rate of 7.0% in excess of the amount collected by the excise tax on motor fuels.

57. Diesel Fuel for Railroads

Citation: G.S. 105-164.13(11a)

Description: Diesel fuel for railroad companies for use in rolling stock other than motor vehicles.

Enacting Legislation: S.L. 1995-451 - effective September 1, 1995

FY25-26 Estimate (in \$millions): 10.2

FY26-27 Estimate (in \$millions): 10.2

Data Source: Association of American Railroads; Surface Transportation Board

58. Fuel Purchases by an Interstate Air Business

Citation: G.S. 105-164.13(11b)

Description: Sales of aviation gasoline and jet fuel to an interstate air business for use in a commercial aircraft.

Enacting Legislation: S.L. 2015-259 – effective Jan. 1, 2016

Sunset Date: Jan. 1, 2029

FY25-26 Estimate (in \$millions): 18.0

FY26-27 Estimate (in \$millions): 18.7

Data Source: Legislative fiscal note for House Bill 117 (2015); Department of Revenue data on jet fuel purchases

59. Durable Medical Equipment

Citation: G.S. 105-164.13(12)

Description: Sales of (a) prosthetic devices for human use; (b) mobility-enhancing equipment sold on a prescription; (c) durable medical equipment sold on prescription; (d) durable medical supplies sold on prescription; (e) human blood, including whole, plasma, and derivatives; (f) human tissue, eyes, DNA, or an organ.

Enacting Legislation: S.L. 1943-400 - effective July 1, 1943; S.L. 2017-204 added the last two items, effective Aug. 11, 2017

FY25-26 Estimate (in \$millions): 129.3

FY26-27 Estimate (in \$millions): 134.8

Data Source: Centers for Medicare & Medicaid Services (2023): National Health Expenditure Projections

Note: The estimate does not include sales to patients in hospitals, nursing homes, and other provider settings, although optical goods sold by optometrists are included.

60. Prescription Drugs and Insulin for Human Use

Citation: G.S. 105-164.13(13)

Description: Drugs required by federal law to be dispensed only on prescription, over-the-counter drugs sold on prescription, and insulin. This exemption does not apply to over-the-counter drugs purchased by hospitals and other medical facilities for use and treatment of patients.

Enacting Legislation: S.L. 1937-406; the exemption for insulin was added by S.L. 1988-937, effective for sales on or after August 1, 1988.

FY25-26 Estimate (in \$millions): 973.8

FY26-27 Estimate (in \$millions): 1,028.0

Data Source: Centers for Medicare & Medicaid Services (2023): National Health Expenditure Projections

Note: The estimate does not include sales to patients in hospitals, nursing homes, and other provider settings.

61. Drugs Prescribed by a Veterinarian

Citation: G.S. 105-164.13(13)

Description: Drugs required by federal law to be dispensed only on prescription and over-the-counter drugs sold on prescription (by veterinarians). The exemption does not include pet food or feed to animals.

Enacting Legislation: S.L. 1985-555, effective July 1, 1985, added veterinarians to the list of professionals whose prescriptions were exempt. S.L. 1953-983 had added veterinarians previously, but that statute was repealed by S.L. 1961-826.

FY25-26 Estimate (in \$millions): 19.8

FY26-27 Estimate (in \$millions): 20.5

Data Source: American Veterinary Medical Association; 2012, 2017 and 2022 Economic Censuses

Note: The estimate does not include vaccines and medications for farm animals, which are predominantly exempt under G.S. 105-164.13E(6)a.

62. Diapers and Incontinence Pads for Medicaid Beneficiaries

Citation: G.S. 105-164.13(13d)

Description: Exemption for sales of diapers or incontinence underpads on prescription by an enrolled State Medicaid provider for use by beneficiaries of the State Medicaid program when the provider is reimbursed by the State Medicaid program or a Medicaid managed care organization, as defined in 42 U.S.C. § 1396b(m).

Enacting Legislation: S.L. 2019-169 - effective October 1, 2019

FY25-26 Estimate (in \$millions): less than 0.1

FY26-27 Estimate (in \$millions): less than 0.1

63. Public School Books

Citation: G.S. 105-164.13(14)

Description: Sales of public school books on the adopted list, the selling price of which is set by State contract.

Enacting Legislation: S.L. 1933-445

FY25-26 Estimate (in \$millions): 1.5

FY26-27 Estimate (in \$millions): 1.5

Data Source: N.C. Department of Public Instruction - expenditures on textbooks from annual statistical report

Sales and Use Tax

Note: Except for this specific exemption, textbook sales in North Carolina are taxable.

64. Accounts of Sales Charged Off for Income Purposes

Citation: G.S. 105-164.13(15)

Description: Accounts of purchasers, representing taxable sales, on which the sales and use tax has been paid, that are found to be worthless and actually charged off for income tax purposes may be deducted from gross sales. In the case of a municipality that sells electricity, the account may be deducted if it meets all the conditions for charge-off that would apply if the municipality were subject to income tax.

Enacting Legislation: S.L. 1933-445

FY25-26 Estimate (in \$millions): Unavailable

FY26-27 Estimate (in \$millions): Unavailable

65. Sales by Blind Merchants

Citation: G.S. 105-164.13(20)

Description: Sales by blind merchants operating under supervision of the Department of Health and Human Services.

Enacting Legislation: S.L. 1957-1340

FY25-26 Estimate (in \$millions): 0.4

FY26-27 Estimate (in \$millions): 0.4

Data Source: Business Enterprise Program statistics from the N.C. Department of Health and Human Services, Division of Services for the Blind

66. Lease or Rental of Films for Exhibition

Citation: G.S. 105-164.13(21)

Description: Lease or rental of motion picture films used for exhibition purposes where the lease or rental of such property is an established business or part of an established business.

Enacting Legislation: S.L. 1957-1340

FY25-26 Estimate (in \$millions): 7.2

FY26-27 Estimate (in \$millions): 7.4

Data Source: Department of Revenue tax data; 2022 Service Annual Survey (US Census Bureau); 2022 Economic Censuses

67. Lease or Rental of Films, Transcriptions and Recordings to Broadcasters

Citation: G.S. 105-164.13(22)

Description: Lease or rental of films, motion picture films, transcriptions and recordings to radio stations and television stations operating under a certificate from the Federal Communications Commission.

Enacting Legislation: S.L. 1957-1340

FY25-26 Estimate (in \$millions): 12.4

FY26-27 Estimate (in \$millions): 12.5

Data Source: Department of Revenue tax data; 2022 Service Annual Survey (US Census Bureau); 2022 Economic Census

68. Audiovisual Masters

Citation: G.S. 105-164.13(22a)

Description: Sales of audiovisual masters made or used by a production company in making images for first generation reproduction.

Enacting Legislation: S.L. 1997-521 - effective Oct. 1, 1997

FY25-26 Estimate (in \$millions): 0.7

FY26-27 Estimate (in \$millions): 0.7

Data Source: 2022 Service Annual Survey (US Census Bureau); Bureau of Labor Statistics Quarterly Census of Employment and Wages

69. Packaging Items for Manufacturers

Citation: G.S. 105-164.13(23)a

Description: Sales of the following packaging items: wrapping paper, cloth, plastic bags, labels, wrapping twine, packages and containers, cartons, cores, cones or spools, wooden boxes, baskets, coops and barrels, and like articles sold to manufacturers, when such materials constitute a part of the sale of tangible personal property.

Enacting Legislation: S.L. 1957-1340

FY25-26 Estimate (in \$millions): 93.3

FY26-27 Estimate (in \$millions): 95.5

Data Source: 2012 & 2022 Economic Census (US Census Bureau); County Business Patterns (US Census Bureau)

Sales and Use Tax

Note: Packaging costs related to glass, plastic and metal containers that are likely to be included in final products for resale were not included in the estimates.

70. Packaging Items for Retailers

Citation: G.S. 105-164.13(23)a

Description: Sales of the following packaging items: wrapping paper, cloth, plastic bags, labels, wrapping twine, packages and containers, cartons, including paper cups, napkins and drinking straws and like articles sold to retailers, when such materials constitute a part of the sale of tangible personal property.

Enacting Legislation: S.L. 1957-1340

FY25-26 Estimate (in \$millions): 32.2

FY26-27 Estimate (in \$millions): 33.5

Data Source: Business Expenses Estimates from 2012 Economic Census; 2022 Economic Census (US Census Bureau); County Business Patterns (US Census Bureau); Bureau of Labor Statistics

Note: The estimate includes costs associated with retail trade, wholesale trade and food services. Due to possibility of resale, only 20% of wholesale packaging costs are included in the estimates.

71. Packaging Returned to Seller

Citation: G.S. 105-164.13(23)b

Description: Packaging that is required to be returned to seller.

Enacting Legislation: S.L. 1997-397 - effective Oct. 1, 1997

FY25-26 Estimate (in \$millions): Unavailable

FY26-27 Estimate (in \$millions): Unavailable

Note: Prior to the enactment of this exemption, these items were being taxed as reusable containers. In practice, many of these containers contained ingredient materials that were exempt from taxation. The sellers of the products were taxed on the lease of the containers.

72. Fuel and Consumables Used by Boats Transporting Freight

Citation: G.S. 105-164.13(24)

Description: Exemption of fuel and other tangible personal property for use or consumption by on on watergoing vessels for transport of freight in intrastate, interstate or foreign commerce in intracoastal waterways, sounds or rivers (formerly exemption

was just for freight on ocean going vessels which ply the high seas, which was not considered a tax expenditure for this report).

Enacting Legislation: S.L. 2023-134 - effective for sales occurring on or after Nov. 1, 2023

FY25-26 Estimate (in \$millions): 0.5

FY26-27 Estimate (in \$millions): 0.5

Data Source: Legislative Fiscal Note for HB 259 (2023), adjusted for the change in effective start date

Note: This citation also allows an exemption for freight on ocean going vessels which ply the high seas, which has not been considered a tax expenditure for this report.

73. Food Sold in a School

Citation: G.S. 105-164.13(26)

Description: Food and prepared food sold in a school building during the regular school day.

Enacting Legislation: S.L. 1961-826 - effective July 1, 1961

FY25-26 Estimate (in \$millions): 7.5

FY26-27 Estimate (in \$millions): 7.3

Data Source: Department of Public Instruction; Division of Non-Public Education, Department of Administration

Note: Meals paid by federal or state funds were excluded from the estimate.

74. Food Sold by a Public School Cafeteria to Certain Childcare Centers

Citation: G.S. 105-105.164.13(26a)

Description: Sales of food sold not for profit by a public school cafeteria to a childcare center that participates in the Child and Adult Care Food Program.

Enacting Legislation: S.L. 1991-931 - effective Aug. 1, 1992

FY25-26 Estimate (in \$millions): 0.5

FY26-27 Estimate (in \$millions): 0.5

Data Source: Food and Nutrition Service, US Department of Agriculture

75. Food Sold Not for Profit Related to a School

Citation: G.S. 105-105.164.13(26b)

Description: Food, prepared food, soft drinks, cany and other items sold not for profit for or at an event that is sponsored by an elementary or secondary school when the net proceeds of the sales will be given or contributed to the school or to a nonprofit charitable organization, one of whose purposes is to serve as a conduit through which the net proceeds will flow to the school.

Enacting Legislation: S.L. 2016-5 - effective Jan. 1, 2017

FY25-26 Estimate (in \$millions): Unavailable

FY26-27 Estimate (in \$millions): Unavailable

76. Meals for the Elderly

Citation: G.S. 105-164.13(31)

Description: Sales of meals not for profit to elderly and incapacitated persons by charitable or religious organizations not operated for profit which are entitled to the refunds provided by G.S. 105-164.14(b), when such meals are delivered to the purchasers at their places of abode.

Enacting Legislation: S.L. 1975-982 - effective July 1, 1976

FY25-26 Estimate (in \$millions): 1.7

FY26-27 Estimate (in \$millions): 1.7

Data Source: Meals on Wheels data from Wake, Mecklenburg, Guilford, Cabarrus and Rowan Counties

77. Food Sold by a Church or Religious Organization

Citation: G.S. 105-164.13(31a)

Description: Food sold by a church or religious organization not operated for profit when proceeds are used for religious purposes.

Enacting Legislation: S.L. 1989-1060 - effective for sales on or after Oct. 1, 1990

FY25-26 Estimate (in \$millions): Unavailable

FY26-27 Estimate (in \$millions): Unavailable

78. Motor Vehicle Exemption Less Highway Use Tax

Citation: G.S. 105-164.13(32)

Description: Sales of motor vehicles, the sale of a motor vehicle body to be mounted on a motor vehicle chassis when a certificate of title has not been issued for the chassis, and the sale of a motor vehicle body mounted on a motor vehicle chassis that temporarily enters the State so the manufacturer of the body can mount the body or chassis.

Enacting Legislation: S.L. 1989-692 added the exemption for motor vehicles and created the Highway Use Tax. Motor vehicles had been taxed under the sales tax prior to this and were taxed at preferential rates with a cap.

FY25-26 Estimate (in \$millions): 926.9

FY26-27 Estimate (in \$millions): 952.8

Data Source: NC Department of Transportation; NC Department of Revenue

Note: The estimate only includes the sales of vehicles. The estimate is the additional revenue that would be collected at the 4.75% sales tax rate above the 3% Highway Use Tax. It is assumed that there would be no trade-in allowance (see estimate for G.S. 105-187.3(b)).

79. Sales by Nonprofits Whose Proceeds Go to the State

Citation: G.S. 105-164.13(34)

Description: Sales of items by a nonprofit civic, charitable, educational, scientific or literary organization when the net proceeds of the sales will be given to the State of North Carolina or to one of its agencies or instrumentalities, or to one or more nonprofit charitable organizations, one of whose purposes is to serve as a conduit through which such net proceeds will flow to the State or to one or more of its agencies or instrumentalities.

Enacting Legislation: S.L. 1979-801 - effective for sales on or after Jan. 1, 1974

FY25-26 Estimate (in \$millions): Unavailable

FY26-27 Estimate (in \$millions): Unavailable

80. Sales by Nonprofits Conducted Annually

Citation: G.S. 105-164.13(35)

Description: Sales by nonprofits conducted annually when the proceeds are used for the organization's activities. The products sold must be delivered to the purchaser within 60 days after the first solicitation of any sale made during the organization's annual sales period. S.L. 2023-12 added conditions for nonprofits that conducted more than one annual sales event..

Sales and Use Tax

Enacting Legislation: S.L. 1979-801 - effective for sales on or after July 1, 1979

FY25-26 Estimate (in \$millions): 2.4

FY26-27 Estimate (in \$millions): 2.4

Data Source: Girl Scout & Boy Scout receipts from Guidestar

81. Advertising Supplements Sold with Newspapers

Citation: G.S. 105-164.13(36)

Description: Advertising supplements and any other printed matter ultimately to be distributed with or as part of a newspaper.

Enacting Legislation: S.L. 1983-873 – effective July 20, 1983

FY25-26 Estimate (in \$millions): 0.3

FY26-27 Estimate (in \$millions): 0.2

Data Source: Annual reports of publicly-traded newspaper companies; 2022 Service Annual Survey (US Census Bureau)

82. Components of Free Distribution Periodicals

Citation: G.S. 105-164.13(39)

Description: Sales of paper, ink, and other tangible personal property to commercial printers and commercial publishers for use in free distribution periodicals and sales by printers of free distribution periodicals to the publishers of these periodicals.

Enacting Legislation: S.L. 1985-656 - effective Oct. 1, 1985; S.L. 1999-438 repealed this exemption, effective Oct. 1, 1999; S.L. 2004-124 reinstated this exemption, effective July 1, 2005

FY25-26 Estimate (in \$millions): Unavailable

FY26-27 Estimate (in \$millions): Unavailable

Note: An estimate was provided by a legislative fiscal note for House Bill 1149 (2003-04 session)

83. Sales to the Department of Transportation

Citation: G.S. 105-164.13(40)

Description: Sales to the North Carolina Department of Transportation. This exemption does not apply to sales of tangible personal property to contractors for use in the performance of contracts with the Department of Transportation.

Enacting Legislation: S.L. 1985-973 - effective Aug. 1, 1986

FY25-26 Estimate (in \$millions): 0.0

FY26-27 Estimate (in \$millions): 0.0

Note: Additional sales tax revenue would be offset by additional State costs.

84. Mobile Classrooms Purchased by Boards of Education or Community Colleges

Citation: G.S. 105-164.13(41)

Description: Sales of mobile classrooms to local boards of education or to local boards of trustees of community colleges.

Enacting Legislation: S.L. 1993-484 - effective Oct. 1, 1993; this exemption was enacted when mobile offices and classrooms became taxable under the sales tax rather than the highway use tax.

FY25-26 Estimate (in \$millions): 0.7

FY26-27 Estimate (in \$millions): 0.7

Data Source: Amount spent on mobile classrooms was estimated using data from NC Public Schools; various LEA budgets

85. Articles Donated by Retailer or Wholesaler

Citation: G.S. 105-164.13(42)

Description: Tangible personal property that is purchased by a retailer for resale or is manufactured or purchased by a wholesale merchant for resale and then withdrawn from inventory and donated by the retailer or wholesale merchant.

Enacting Legislation: S.L. 1996-14 - effective Aug. 1, 1996

FY25-26 Estimate (in \$millions): Unavailable

FY26-27 Estimate (in \$millions): Unavailable

86. Custom Computer Software

Citation: G.S. 105-164.13(43)

Description: Sales of custom computer software and the portion of prewritten computer software that is modified or enhanced if the modification or enhancement is designed and developed to the specifications of a specific purchaser.

Sales and Use Tax

Enacting Legislation: S.L. 1983-713 excluded custom computer software from the definition of "tangible property"; S.L. 1997-370, effective for sales made on or after Oct. 1, 1997, changed the statutes to the more restrictive exemption.

FY25-26 Estimate (in \$millions): 123.6

FY26-27 Estimate (in \$millions): 126.1

Data Source: 2022 Capital Expenditures Survey and 2022 Service Annual Survey, US Census Bureau

87. Certain Computer Software

Citation: G.S. 105-164.13(43a)

Description: Computer software that meets any of the following descriptions: (a) it is designed to run on an enterprise server operating system, (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.

Enacting Legislation: S.L. 2009-451 - effective Jan. 1, 2010. Prior to this legislation, digital downloads were not subject to the sales tax.

FY25-26 Estimate (in \$millions): Unavailable

FY26-27 Estimate (in \$millions): Unavailable

88. Component Software or Digital Property

Citation: G.S. 105-164.13(43b)

Description: Effective January 1, 2010: Computer software or digital property that becomes a component part of other computer software or digital property that is offered for sale or of a service that is offered for sale.

Enacting Legislation: S.L. 2009-451 - effective Jan. 1, 2010

FY25-26 Estimate (in \$millions): Unavailable

FY26-27 Estimate (in \$millions): Unavailable

89. Certain Items Purchased by Interstate Passenger Air Carriers

Citation: G.S. 105-164.13(45)

Description: Sales of aircraft lubricants, repair parts and accessories to an interstate passenger air carrier for use at its hub.

Enacting Legislation: S.L. 1999-360 - effective Jan. 1, 2001

FY25-26 Estimate (in \$millions): Unavailable

FY26-27 Estimate (in \$millions): Unavailable

90. Lubricants and Parts Used in Maintenance of Commercial Aircraft

Citation: G.S. 105-164.13(45a)

Description: Sales to an interstate air business of tangible personal property that becomes a component part of or is dispensed as a lubricant into commercial aircraft during its maintenance, repair, or overhaul.

Enacting Legislation: S.L. 2004-124 - effective Oct. 1, 2004

FY25-26 Estimate (in \$millions): 7.9

FY26-27 Estimate (in \$millions): 8.2

Data Source: 2022 Service Annual Survey; share of maintenance material in airline expenses from Air Transport Association “Quarterly Cost Index”; Bureau of Labor Statistics data on Air Transportation quarterly employment and wages

91. Certain Items Purchased by Interstate Air Couriers

Citation: G.S. 105-164.13(45b)

Description: Sales to interstate air courier (a) aircraft lubricants, repair parts and accessories, (b) materials handling equipment, racking systems, and related parts and accessories for the storage or handling and movement of tangible personal property at an airport or in a warehouse or distribution facility.

Enacting Legislation: S.L. 1999-360 added part (a) of this exemption, effective Jan. 1, 2001; S.L. 2005-276, effective Oct. 1, 2005, added the remaining parts; these items were previously subject to a 1% tax, with a \$80 cap per item since Jan. 1, 2001 (S.L. 1998-55)

FY25-26 Estimate (in \$millions): Unavailable

FY26-27 Estimate (in \$millions): Unavailable

92. Aircraft Simulators

Citation: G.S. 105-164.13(45c)

Description: Sales of aircraft simulators to a company for flight crew training and maintenance training.

Sales and Use Tax

Enacting Legislation: S.L. 2009-511, effective Oct. 1, 2009; S.L. 2005-276 had allowed an exemption only for interstate air carriers; purchases by interstate air carriers or interstate air couriers were previously taxed at 1%, with a \$80 cap, effective for purchases made on or after May 1, 1999 (S.L. 1999-360)

FY25-26 Estimate (in \$millions): Unavailable

FY26-27 Estimate (in \$millions): Unavailable

93. Items Related to Qualified Aircraft or Qualified Jet Engine

Citation: G.S. 105-164.13(45d)

Description: Parts and accessories for use in the repair or maintenance of a qualified aircraft or a qualified jet engine. S.L. 2023-134 expanded the deduction to include aircraft with a maximum take-off weight between 2,000 and 9,000 pounds.

Enacting Legislation: S.L. 2015-259 – effective Oct. 1, 2015

FY25-26 Estimate (in \$millions): Unavailable

FY26-27 Estimate (in \$millions): Unavailable

94. Items related to Interstate Air and Ground Courier

Citation: G.S. 105-164.13(45e)

Description: Exemption for sales to an interstate air and ground courier of materials handling equipment, automated conveyor systems, racking systems, and related parts and accessories for the storage or handling and movement of tangible personal property at its package sorting facility.

Enacting Legislation: S.L. 2022-74 -- effective for purchases made on or after July 1, 2022

FY25-26 Estimate (in \$millions): Unavailable

FY26-27 Estimate (in \$millions): Unavailable

Note: The investment of private funds must be at least \$100 million and the employment level must be at least 400 within 5 years after the date the facility is placed into service. Refer to estimates in Legislative Fiscal Note for House Bill 103 (2022).

95. Electricity to Municipalities Supplied by Federal Agency

Citation: G.S. 105-164.13(46)

Description: Sales of electricity by a municipality whose only wholesale provider is a federal agency and who is required by a contract with that federal agency to make payments in lieu of taxes.

Enacting Legislation: S.L. 1999-438 - prior to this, the exemption was included in the definition of "utility" in G.S. 105-164.3 when the sales tax was applied to electricity in 1985 - S.L. 1985-23.

FY25-26 Estimate (in \$millions): 2.9

FY26-27 Estimate (in \$millions): 2.9

Data Source: Tennessee Valley Authority report for Federal Fiscal Year 2018

Note: The estimates are based on a 7% combined State rate. Payments by TVA in lieu of taxes have been netted out of the estimates.

96. Delivery Charges of Direct Mail

Citation: G.S. 105-164.13(49a)

Description: Delivery charges for delivery of direct mail if the charges are separately stated on an invoice.

Enacting Legislation: S.L. 2004-124 - effective Oct. 1, 2004

FY25-26 Estimate (in \$millions): Unavailable

FY26-27 Estimate (in \$millions): Unavailable

Note: An estimate was provided by a legislative fiscal note for HB 1414 (2003-04 session)

97. Goods Sold Through Vending Machines

Citation: G.S. 105-164.13(50)

Description: 50% of the sales price of goods sold through coin-operated vending machines, except tobacco and newspapers.

Enacting Legislation: S.L. 1987-854 - effective July 1, 1989; this exemption was originally included in G.S. 105-164.3 under the definition of "sales price"

FY25-26 Estimate (in \$millions): 13.6

FY26-27 Estimate (in \$millions): 13.7

Data Source: "2023 State of the Vending Industry Report," Automatic Merchandiser; 2022 Economic Censuses; Bureau of Labor Statistics Quarterly Census of Employment and Wages

Sales and Use Tax

98. Water Delivered Through Main Pipes

Citation: G.S. 105-164.13(51)

Description: Water delivered through main lines for either commercial or domestic use or consumption.

Enacting Legislation: S.L. 2003-284 -- prior to this, water delivered through main lines or pipes was excluded from tax because it was excluded from the definition of tangible personal property.

FY25-26 Estimate (in \$millions): 98.5

FY26-27 Estimate (in \$millions): 100.4

Data Source: NC Department of Energy and Natural Resources; "Statistical Information on Water and Sewer Operations," North Carolina Department of State Treasurer

Note: The estimate only considers a sales tax on the variable rates on water consumption. It does not include fixed charges or wastewater rates. Prior to July 1, 2014, there was a franchise tax on water companies subject to regulation by the North Carolina Utilities Commission; the tax is 4% of taxable gross receipts from the operation of a water system and 6% of gross receipts from the operation of a public sewer system; however, systems owned by counties and municipal corporations are exempt from the franchise tax.

99. Sales to State Agencies

Citation: G.S. 105-164.13(52)

Description: Items subject to sales and use tax under G.S. 105-164.4, other than electricity, telecommunications service, and ancillary service. The items must be purchased by a State agency for its own use and in accordance with G.S. 105-164.29A.

Enacting Legislation: S.L. 2003-431, effective for sales made on or after July 1, 2004

FY25-26 Estimate (in \$millions): 0.0

FY26-27 Estimate (in \$millions): 0.0

100. Aerial Survey Data

Citation: G.S. 105-164.13(53)

Description: Sales to a professional land surveyor of tangible personal property on which custom aerial survey data is stored in digital form or is depicted in graphic form.

Enacting Legislation: S.L. 2004-124 - effective Oct. 1, 2004

FY25-26 Estimate (in \$millions): 0.1

FY26-27 Estimate (in \$millions): 0.1

Data Source: 2017 Business Product data for Industry Codes related to Surveying Services (US Census Bureau)

101. Pay Telephone Services

Citation: G.S. 105-164.13(54)b

Description: Receipts of a pay telephone provider from the sale of pay telephone services.

Enacting Legislation: S.L. 2001-430 - effective Jan. 1, 2002. Pay telephone calls that are paid for by coin were exempt by S.L. 1998-197, effective Jan. 1, 2000.

FY25-26 Estimate (in \$millions): Unavailable

FY26-27 Estimate (in \$millions): Unavailable

102. 911 Charges

Citation: G.S. 105-164.13(54)c

Description: 911 charges imposed under G.S. 62A-43 and remitted to the 911 Fund under that section.

Enacting Legislation: S.L. 2001-430 - effective Jan. 1, 2002

FY25-26 Estimate (in \$millions): 6.5

FY26-27 Estimate (in \$millions): 6.6

Data Source: 2024 State 911 Plan Report, NC 911 Board

Note: The estimate is based on the State tax rate on telecommunications, which is 7% for the relevant time periods.

103. Telephone Charges Related to Occupancy of an Accommodation

Citation: G.S. 105-164.13(54)d

Description: Charges for telephone service made by a hotel, motel, or another entity whose gross receipts are taxable under G.S. 105-164.4(a)(3) when the charges are incidental to the occupancy of the entity's accommodations.

Enacting Legislation: S.L. 2001-430 - effective Jan. 1, 2002

FY25-26 Estimate (in \$millions): 0.1

FY26-27 Estimate (in \$millions): 0.1

Data Source: 2012 Economic Census product-line data for accommodations

Note: The estimate is based on the State tax rate on telecommunications, which is 7% for the relevant time periods.

104. Charges Related to State Network and Other Government Data Networks

Citation: G.S. 105-164.13(54)e

Description: Charges to a State agency or to a local unit of government for the State Network and other data networks owned or leased by the State or unit of local government.

Enacting Legislation: S.L. 2001-487 - effective Jan. 1, 2002

FY25-26 Estimate (in \$millions): Unavailable

FY26-27 Estimate (in \$millions): Unavailable

105. Electricity and Equipment for an Eligible Internet Datacenter

Citation: G.S. 105-164.13(55)

Description: Sales of electricity and certain business property to an eligible Internet datacenter. The datacenter must be located in a Tier 1 or Tier 2 county and at least \$250 million must be invested in real or eligible business property over 5 years. Eligible business property includes equipment cooling systems; equipment used in the generation, transformation, transmission, distribution, or management of electricity; and property used to provide related computer engineering or computer science research.

Enacting Legislation: S.L. 2006-66 - effective for sales on or after Oct. 1, 2006

FY25-26 Estimate (in \$millions): Unavailable

FY26-27 Estimate (in \$millions): Unavailable

106. Electricity and Equipment for a Qualifying Datacenter

Citation: G.S. 105-164.13(55a)

Description: Sales of electricity and datacenter support equipment to an eligible datacenter. The datacenter must invest at least \$75 million in real or tangible property within a 5-year period, beginning on or after Jan. 1, 2012.

Enacting Legislation: S.L. 2015-259 - effective Jan. 1, 2016

FY25-26 Estimate (in \$millions): Unavailable

FY26-27 Estimate (in \$millions): Unavailable

Note: See estimate in Legislative Fiscal Note for House Bill 117 (2015)

107. Locomotives, Cranes and Trucks for a Railroad Intermodal Facility

Citation: G.S. 105-164.13(56)

Description: Sales to the owner or lessee of an eligible railroad intermodal facility of intermodal cranes, intermodal hostler trucks, and railroad locomotives that reside on the premises of the facility and are used at the facility.

Enacting Legislation: S.L. 2007-323 - effective Jan. 1, 2007

FY25-26 Estimate (in \$millions): Unavailable

FY26-27 Estimate (in \$millions): Unavailable

108. Electricity Used by Manufacturers

Citation: G.S. 105-164.13(57)

Description: Electricity sold to a manufacturer for use in connection with the operation of a manufacturing plant. The exemption does not apply to electricity used at a facility at which the primary activity is not manufacturing.

Enacting Legislation: S.L. 2007-397 - effective July 1, 2010; prior to this, electricity for manufacturing had a preferential tax rate of 2.83% (S.L. 1996 2nd extra session-2013), which was phased out between Oct. 1, 2007 and June 30, 2010.

FY25-26 Estimate (in \$millions): 108.7

FY26-27 Estimate (in \$millions): 110.4

Data Source: Department of Revenue tax data; Energy Information Administration

Note: Estimates for electricity purchases made on or after July 1, 2014 are based on the 7% State combined tax rate. No deduction to the estimates is made to account for related distributions to municipalities of a share of tax revenues.

109. Piped Natural Gas Used by Manufacturers (except Power Plants)

Citation: G.S. 105-164.13(57)

Description: Piped natural gas sold to a manufacturer (except a power plant) for use in connection with the operation of a manufacturing plant. Piped natural gas used for comfort heating only is not included in this exemption.

Enacting Legislation: S.L. 2007-397 - effective July 1, 2010; prior to this, the piped natural gas tax implicitly gave manufacturers a tax break by having a tax schedule that gave reduced rates to large end-users; rates for manufacturers were further reduced between Oct. 1, 2007 and June 30, 2010.

FY25-26 Estimate (in \$millions): 43.1

FY26-27 Estimate (in \$millions): 43.6

Sales and Use Tax

Data Source: Department of Revenue tax databases; Energy Information Administration

Note: Estimates for piped natural gas purchases made on or after July 1, 2014 are based on the 7% State combined tax rate. No deduction to the estimates is made to account for related distributions to municipalities of a share of tax revenues.

110. Piped Natural Gas Used by Manufacturers (Power Plants)

Citation: G.S. 105-164.13(57)

Description: Piped natural gas sold to a power plant for use in connection with the operation of a manufacturing plant. Piped natural gas used for comfort heating only is not included in this exemption.

Enacting Legislation: S.L. 2007-397 - effective July 1, 2010; prior to this, the piped natural gas tax implicitly gave manufacturers a tax break by having a tax schedule that gave reduced rates to large end-users; rates for manufacturers were further reduced between Oct. 1, 2007 and June 30, 2010.

FY25-26 Estimate (in \$millions): 104.2

FY26-27 Estimate (in \$millions): 108.4

Data Source: Department of Revenue tax databases; Energy Information Administration

Note: Estimates for piped natural gas purchases made on or after July 1, 2014 are based on the 7% State combined tax rate. No deduction to the estimates is made to account for related distributions to municipalities of a share of tax revenues.

111. Other Fuel Used by Manufacturers

Citation: G.S. 105-164.13(57)

Description: Other fuel sold to a manufacturer for use in connection with the operation of a manufacturing plant.

Enacting Legislation: S.L. 2007-397 - effective July 1, 2010; prior to this, fuel for manufacturing had a preferential tax rate of 1% (S.L. 1961-826), which was phased out between Oct. 1, 2007 and June 30, 2010; S.L. 1955-1313 exempted fuel for manufacturing

FY25-26 Estimate (in \$millions): 15.2

FY26-27 Estimate (in \$millions): 15.6

Data Source: Department of Revenue tax databases; Energy Information Administration

Note: Estimates are based on the 4.75% State sales and use tax rate.

112. Disaster Assistance Debit Card Purchases

Citation: G.S. 105-164.13(58)

Description: Tangible personal property purchased with a client assistance debit card issued for disaster assistance relief by a State agency or a federal agency or instrumentality.

Enacting Legislation: S.L. 2008-107 - effective Aug. 1, 2008

FY25-26 Estimate (in \$millions): Unavailable

FY26-27 Estimate (in \$millions): Unavailable

113. Interior Design Services

Citation: G.S. 105-164.13(59)

Description: Interior design services provided in conjunction with the sale of tangible personal property.

Enacting Legislation: S.L. 2008-107 - effective Aug. 1, 2008

FY25-26 Estimate (in \$millions): 2.9

FY26-27 Estimate (in \$millions): 3.0

Data Source: County Business Patterns and Nonemployer Statistics for the relevant industry subsector

Note: The estimate assumes 10% of estimated services would be taxable. The estimate does not factor in sales of decorator charges by other types of businesses, such as furniture stores. In general, charges by retailers for services necessary to complete a sale of tangible personal property are considered part of the sales price and are therefore taxable. The Department of Revenue issued a technical bulletin related to interior design services prior to this exemption setting out guidelines for taxpayers regarding when the services would be taxable.

114. Motor Vehicle Service Contract

Citation: G.S. 105-164.13(61)

Description: A motor vehicle service contract is exempt.

Enacting Legislation: S.L. 2015-259 - effective March 1, 2016 (re-codified by S.L. 2017-204)

FY25-26 Estimate (in \$millions): Unavailable

FY26-27 Estimate (in \$millions): Unavailable

Sales and Use Tax

Note: Service contracts on motor vehicles were taxable as of Jan. 1, 2014 and prior to March 1, 2016. Repair & maintenance services related to service contracts (except manufacturer or dealer warranties) were taxable as of March 1, 2016.

115. Service Contracts or RMI Services on Exempt Items

Citation: G.S. 105-164.13(61a)a

Description: Receipts from service contracts and RMI services related to an item exempt from tax under this Article are exempt. Also, property and services used to fulfill a service or contract for this item are exempt. This exemption does not apply to water for a pool, fish tank or similar aquatic feature or to a motor vehicle, except as provided under G.S. 105-164.13(62a).

Enacting Legislation: S.L. 2013-316 - effective Jan. 1, 2014 for service contracts; effective March 1, 2016 for RMI services

FY25-26 Estimate (in \$millions): 188.3

FY26-27 Estimate (in \$millions): 193.0

Data Source: Based on this report's estimates of the following exempt items: equipment exempt by G.S. 105.164.13(5a) through G.S. 105-164.13(5o); durable medical equipment; commercial logging machinery; and datacenter equipment. The estimate of service contract rate is derived from the "service contract" product line for retailers in 2012 Economic Census, US Census Bureau; repair and maintenance costs are estimated based on Annual Survey of Manufacturers (US Census Bureau)

116. Motor Vehicle Emissions and Safety Inspection Fee

Citation: G.S. 105-164.13(61a)b

Description: A motor vehicle emissions and safety inspection fee imposed pursuant to G.S. 20-183.7, provided the fee is separately stated on the invoice or other documentation provided to the purchaser at the time of sale.

Enacting Legislation: S.L. 2017-204 - effective Jan. 1, 2017

FY25-26 Estimate (in \$millions): 7.9

FY26-27 Estimate (in \$millions): 8.0

Data Source: Estimates based on NC DOT Highway Fund financial statements

117. Services Performed by a Related Person

Citation: G.S. 105-164.13(61a)c

Description: Services performed for a person by a related member.

Enacting Legislation: S.L. 2016-94 - effective Jan. 1, 2017

FY25-26 Estimate (in \$millions): Unavailable

FY26-27 Estimate (in \$millions): Unavailable

118. Services Related to Cleaning of Real Property

Citation: G.S. 105-164.13(61a)d

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

Enacting Legislation: S.L. 2016-94 - effective Jan. 1, 2017

FY25-26 Estimate (in \$millions): 89.7

FY26-27 Estimate (in \$millions): 94.2

Data Source: 2012, 2017 & 2022 Economic Censuses; County Business Patterns (US Census); Nonemployer Statistics (US Census)

119. Services on Roads, Driveways, Parking Lots, & Sidewalks

Citation: G.S. 105-164.13(61a)e

Description: Services on roads, driveways, parking lots, and sidewalks.

Enacting Legislation: S.L. 2016-94 - effective Jan. 1, 2017

FY25-26 Estimate (in \$millions): Unavailable

FY26-27 Estimate (in \$millions): Unavailable

120. Removal of Waste and Debris

Citation: G.S. 105-164.13(61a)f

Description: Removal of waste, trash, debris, grease, snow, and other similar items from property, other than a motor vehicle. The exemption applies to household and commercial trash collection and removal services. The exemption applies to the removal of septage from property, including motor vehicles, but does not include removal of septage from portable toilets.

Enacting Legislation: S.L. 2016-94 - effective Jan. 1, 2017

FY25-26 Estimate (in \$millions): 65.5

FY26-27 Estimate (in \$millions): 68.8

Data Source: 2012, 2017 & 2022 Economic Censuses; County Business Patterns (US Census); Nonemployer Statistics (US Census)

121. Certain Real Property Inspections

Citation: G.S. 105-164.13(61a)g

Description: An inspection performed where the results are included in a report for the sale or financing of real property; an inspection of the structural integrity of real property; an inspection to a system that is a capital improvement under G.S. 105-164.3(2c)f., provided the inspection is to fulfill a safety requirement.

Enacting Legislation: S.L. 2016-94 - effective Jan. 1, 2017

FY25-26 Estimate (in \$millions): 5.0

FY26-27 Estimate (in \$millions): 5.3

Data Source: 2012, 2017 & 2022 Economic Censuses; County Business Patterns (US Census); Nonemployer Statistics (US Census)

122. Alterations & Clothing Repairs

Citation: G.S. 105-164.13(61a)h

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

Enacting Legislation: S.L. 2016-94 - effective Jan. 1, 2017

FY25-26 Estimate (in \$millions): 23.3

FY26-27 Estimate (in \$millions): 24.8

Data Source: 2012, 2017 & 2022 Economic Censuses; County Business Patterns (US Census); Nonemployer Statistics (US Census)

123. Pest Control Service

Citation: G.S. 105-164.13(61a)i

Description: Pest control services.

Enacting Legislation: S.L. 2016-94 - effective Jan. 1, 2017

FY25-26 Estimate (in \$millions): 29.1

FY26-27 Estimate (in \$millions): 31.0

Data Source: 2012, 2017 & 2022 Economic Censuses; County Business Patterns (US Census); Nonemployer Statistics (US Census) and Quarterly Census of Wages and Employment (BLS)

124. Moving Services

Citation: G.S. 105-164.13(61a)j

Description: Moving services.

Enacting Legislation: S.L. 2016-94 - effective Jan. 1, 2017

FY25-26 Estimate (in \$millions): 30.0

FY26-27 Estimate (in \$millions): 32.1

Data Source: 2012, 2017 & 2022 Economic Censuses; County Business Patterns (US Census); Nonemployer Statistics (US Census)

125. Self-Service & Limited-Service Vehicle Washes

Citation: G.S. 105-164.13(61a)k

Description: Self-service vehicle washes and vacuums and limited-service vehicle washes.

Enacting Legislation: S.L. 2016-94 - effective Jan. 1, 2017; for limited-service vehicle washes, S.L. 2019-169, effective Oct. 1, 2019

FY25-26 Estimate (in \$millions): 11.0

FY26-27 Estimate (in \$millions): 11.5

Data Source: 2012, 2017 & 2022 Economic Censuses; County Business Patterns (US Census); Nonemployer Statistics (US Census)

126. Utility Network Assets

Citation: G.S. 105-164.13(61a)ℓ

Description: Exempts tax on RMI and service contracts for a transmission, distribution, or other network asset contained on utility-owned land, right-of-way, or easement.

Enacting Legislation: S.L. 2013-316 - effective Jan. 1, 2014 for service contracts; effective March 1, 2016 for RMI services

FY25-26 Estimate (in \$millions): Unavailable

FY26-27 Estimate (in \$millions): Unavailable

127. Qualified Aircraft or Jet Engine

Citation: G.S. 105-164.13(61a)m.1&2

Description: Exempts tax on RMI and service contracts for a qualified aircraft or qualified jet engine. A qualified aircraft has a maximum take-off weight of more than 9,000 pounds but not in excess of 15,000 pounds.

Enacting Legislation: 2015-259 - effective Oct. 1, 2015

FY25-26 Estimate (in \$millions): Unavailable

FY26-27 Estimate (in \$millions): Unavailable

128. RMI & Service Contracts for Other Aircraft

Citation: G.S. 105-164.13(61a)m.3

Description: Exempts tax on RMI services and service contracts on an aircraft with a gross take-off weight of more than 2000 pounds.

Enacting Legislation: S.L. 2017-204 - effective July 1, 2019

FY25-26 Estimate (in \$millions): Unavailable

FY26-27 Estimate (in \$millions): Unavailable

129. Funeral-Related Services

Citation: G.S. 105-164.13(61a)n

Description: Funeral-related services, including services for the burial of remains. This exemption does not apply to the sale of tangible personal property, such as caskets, headstones, and monuments.

Enacting Legislation: S.L. 2017-204 - effective Jan. 1, 2017

FY25-26 Estimate (in \$millions): 16.4

FY26-27 Estimate (in \$millions): 16.7

Data Source: 2012, 2017 & 2022 Economic Censuses; County Business Patterns (US Census); Nonemployer Statistics (US Census)

130. Services Performed on an Animal

Citation: G.S. 105-164.13(61a)o

Description: Services performed on an animal, such as hoof shoeing and microchipping a pet.

Enacting Legislation: S.L. 2017-204 - effective Jan. 1, 2017

FY25-26 Estimate (in \$millions): 22.1

FY26-27 Estimate (in \$millions): 23.7

Data Source: 2012, 2017 & 2022 Economic Censuses; County Business Patterns (US Census); Nonemployer Statistics (US Census)

131. Security Service Contract for Real Property

Citation: G.S. 105-164.13(61a)p

Description: A security or similar monitoring contract for real property. The exemption does not apply to charges for repair, maintenance, and installation services to repair security, alarm, and other similar monitoring systems for real property.

Enacting Legislation: S.L. 2014-3, sec. 6.1(c) - effective Oct. 1, 2014

FY25-26 Estimate (in \$millions): 27.5

FY26-27 Estimate (in \$millions): 28.0

Data Source: 2012, 2017 & 2022 Economic Censuses; County Business Patterns (US Census); Nonemployer Statistics (US Census)

Note: This item was formerly listed as G.S. 105-164.4I(c)(1)

132. Service Contract for a Wastewater System

Citation: G.S. 105-164.13(61a)q

Description: A contract to provide a certified operator for a wastewater system.

Enacting Legislation: S.L. 2017-204 - effective Jan. 1, 2017

FY25-26 Estimate (in \$millions): Unavailable

FY26-27 Estimate (in \$millions): Unavailable

Note: This item was formerly listed as G.S. 105-164.4I(c)(2)

133. Items Used to Fulfill Taxable Service Contracts

Citation: G.S. 105-164.13(62)

Description: An item used to fulfill a taxable service contract if the purchaser of the contract is not charged the item or services. The exemption does not include a tool, equipment, supply or similar item that is not a component or repair part of the property for which a service contract is sold to a purchaser.

Enacting Legislation: S.L. 2013-316 - effective Jan. 1, 2014

FY25-26 Estimate (in \$millions): Unavailable

FY26-27 Estimate (in \$millions): Unavailable

134. RMI Services Used to Fulfill Taxable Service Contracts

Citation: G.S. 105-164.13(62)

Description: Repair, maintenance, and installation services purchased or used to fulfill a service contract taxable under this Article if the purchaser of the contract is not charged for the services.

Enacting Legislation: S.L. 2015-241 - effective March 1, 2016 (modified by SL 2015-259)

FY25-26 Estimate (in \$millions): Unavailable

FY26-27 Estimate (in \$millions): Unavailable

135. Repair Parts and RMI Services on Items Covered by a Warranty

Citation: G.S. 105-164.13(62a)

Description: Repair parts or repair, maintenance, and installation services used to maintain or repair property or a motor vehicle covered by a manufacturer's warranty or a dealer's warranty.

Enacting Legislation: S.L. 2015-259 - effective March 1, 2016

FY25-26 Estimate (in \$millions): Unavailable

FY26-27 Estimate (in \$millions): Unavailable

136. Modular & Manufactured Homes

Citation: G.S. 105-164.13(64)

Description: Fifty percent of the sales price of a modular or manufactured home, including all accessories attached when delivered to the purchaser.

Enacting Legislation: S.L. 2014-100 - effective for sales made on or after Sept. 1, 2014; prior to Jan. 1, 2014, manufactured homes had a preferential tax rate of 2% with a maximum tax of \$300 (S.L. 1957-1340; SL 1989-692) and modular homes had a preferential tax rate of 2.5% (S.L. 2003-400)

FY25-26 Estimate (in \$millions): 22.8

FY26-27 Estimate (in \$millions): 23.7

Data Source: Department of Revenue tax data

137. Motorsports Engine & Related Items

Citation: G.S. 105-164.13(65) & (65a)

Description: The sale, lease or rental of an engine to a professional motorsports racing team or a related member of a team for use in competition in a sanctioned race series; the sales price of or gross receipts derived from a service contract on, or repair, maintenance, and installation services for, a transmission, an engine, rear-end gears, and any other item that is purchased, leased or rented and that is exempt from tax or is allowed a sales tax refund under G.S. 105-164.14A(a)(5); an engine or part to build or rebuild an engine for use in competition in a sanctioned race series.

Enacting Legislation: S.L. 2013-414 - effective Jan. 1, 2014 for service contract; S.L. 2015-259 - effective Sept. 30, 2015

Sunset Date: Jan. 1, 2028

FY25-26 Estimate (in \$millions): Unavailable

FY26-27 Estimate (in \$millions): Unavailable

138. Storage of a Motor Vehicle

Citation: G.S. 105-164.13(66)

Description: Storage of a motor vehicle, provided the charge is separately stated on the invoice or other documentation provided to the purchaser at the time of the sale.

Enacting Legislation: S.L. 2016-94 - effective Jan. 1, 2017

FY25-26 Estimate (in \$millions): 3.3

FY26-27 Estimate (in \$millions): 3.5

Data Source: 2022 Economic Census; County Business Patterns (US Census); Nonemployer Statistics (US Census)

139. Towing Services

Citation: G.S. 105-164.13(67)

Description: Towing services, provided the charge is separately stated on the invoice or other documentation provided to the purchaser at the time of the sales.

Enacting Legislation: S.L. 2016-94 - effective Jan. 1, 2017

FY25-26 Estimate (in \$millions): 20.3

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FY26-27 Estimate (in \$millions): 21.4

Data Source: 2012, 2017 & 2022 Economic Censuses; annual County Business Patterns (US Census); annual Nonemployer Statistics (US Census); annual NC Quarterly Census of Employment and Wages (BLS)

140. Wastewater Dispersal System Items

Citation: G.S. 105-164.13(68)

Description: Sales of products that are made of more than 75% by weight of recycled materials when the products are sold for use in an accepted wastewater dispersal system as defined in G.S. 130A-343. Effective July 1, 2017, other wastewater dispersal systems that are approved the the Department of Health and Human Services were exempted.

Enacting Legislation: S.L. 2016-94 - effective Oct. 1, 2016; S.L. 2017-139 expanded the exemption

FY25-26 Estimate (in \$millions): Unavailable

FY26-27 Estimate (in \$millions): Unavailable

141. Coins, Currency and Bullion Sales

Citation: G.S. 105-164.13(69)

Description: Sales of non-coin currency, investment metal bullion, and investment coins are exempt.

Enacting Legislation: S.L. 2017-181 - effective July 1, 2017

FY25-26 Estimate (in \$millions): 0.9

FY26-27 Estimate (in \$millions): 1.0

Data Source: Bullion sales from the US Mint; Legislative Fiscal Note for HB 434 (2017), adjusted for change in the price of gold

142. North Carolina Life and Health Insurance Guaranty Association

Citation: G.S. 105-164.13(71)

Description: Exemption for sales of items to the North Carolina Life and Health Insurance Guaranty Association.

Enacting Legislation: S.L. 2019-169 - effective July 26, 2019

FY25-26 Estimate (in \$millions): Unavailable

FY26-27 Estimate (in \$millions): Unavailable

143. Educational Service for Home Schools

Citation: G.S. 105-164.13(72)

Description: Exemption for sales of a digital audio work or a digital audiovisual work that is a qualifying education expense under G.S. 115C-595(a)(3) to the operator of a home school as defined in G.S. 115C-563.

Enacting Legislation: S.L. 2020-6 - effective Oct. 1, 2019

FY25-26 Estimate (in \$millions): Unavailable

FY26-27 Estimate (in \$millions): Unavailable

144. Live Services Provided Through Digital Works

Citation: G.S. 105-164.13(73)

Description: Exemption for sales of a digital audio work or digital audiovisual work that consists of nontaxable service content when the electronic transfer of the digital audio work or digital audiovisual work occurs contemporaneously with the provision of the nontaxable service in real time.

Enacting Legislation: S.L. 2020-6 - effective Oct. 1, 2019

FY25-26 Estimate (in \$millions): Unavailable

FY26-27 Estimate (in \$millions): Unavailable

145. Continuing Care Retirement Communities

Citation: G.S. 105-164.13(74)

Description: Exemption for sales of items by a provider of continuing care to its residents, other than sales of alcoholic beverages. A provider of continuing care must pay sales and use tax on the purchase price of an item that is exempt from tax under this subdivision as if the provider is the user of the item. As a result, the provider of continuing care is not required to pay sales or use tax if the purchase would be exempt if purchased for use, not resale, by the provider.

Enacting Legislation: S.L. 2023-134, effective for sales occurring on or after Nov. 1, 2023

FY25-26 Estimate (in \$millions): 8.7

FY26-27 Estimate (in \$millions): 9.1

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Data Source: 2022 Economic Census; Legislative Fiscal Note for HB 259 (2023), adjusted for change in effective date

146. Breast Pumps and Related Items

Citation: G.S. 105-164.13(74)

Description: Exemption for sales of breast pumps, including repair and replacement parts, breast pump kits, and breast pump collection and storage supplies.

Enacting Legislation: S.L. 2023-134, effective for sales occurring on or after Nov. 1, 2023.

FY25-26 Estimate (in \$millions): 3.1

FY26-27 Estimate (in \$millions): 3.2

Data Source: Legislative Fiscal Note for HB 259 (2023)

147. Service Charges on Meals and Beverages

Citation: G.S. 105-164.13A

Description: Service charges, considered tips, imposed on food, beverages or prepared food that do not exceed 20% of the sale price. The charges must be stated on the menu or price list and also in the invoice or bill. The charges must be given to the personnel directly involved in providing the service.

Enacting Legislation: S.L. 1979-801; S.L. 1998-438 expanded the exemption by increasing the tip percentage maximum from 15% to 20%.

FY25-26 Estimate (in \$millions): 2.8

FY26-27 Estimate (in \$millions): 2.9

Data Source: 2012, 2017 & 2022 Economic Censuses; Retail Trade Report, U.S. Census Bureau

148. Food for Home Consumption

Citation: G.S. 105-164.13B

Description: Food is exempt from sales and use taxes unless the food is in one of the following categories: (1) dietary supplements, (2) food sold through a vending machine, (3) prepared food, other than bakery items sold by an artisan bakery, (4) soft drinks, (5) candy.

Enacting Legislation: S.L. 1998-212 - effective for sales made on or after May 1, 1999; food was subject to the State sales tax beginning in 1961; the State tax on food for home consumption was phased out between Jan. 1, 1997 and May 1, 1999

FY25-26 Estimate (in \$millions): 1,460.0

FY26-27 Estimate (in \$millions): 1,552.3

Data Source: Department of Revenue data on 2% Local Sales Tax on food through June 2025

Note: Food for home consumption remains subject to a 2% local sales tax.

149. Certain Artisan Bakery Items

Citation: G.S. 105-164.13B

Description: Exempts bakery items sold without eating utensils by an artisan bakery. An artisan bakery is a bakery that (a) derives over 80% of its receipts from bakery items, and (b) has annual gross receipts of no more than \$1.8 million.

Enacting Legislation: S.L. 2008-107 - effective for sales on or after Jan. 1, 2009

FY25-26 Estimate (in \$millions): 4.9

FY26-27 Estimate (in \$millions): 5.2

Data Source: 2022 Economic Censuses. NC data on number of establishments through 2024 were obtained from US Bureau of Labor Statistics Quarterly Census of Employment and Wages

150. Fuel and Electricity for Farming

Citation: G.S. 105-164.13E(a)(1)

Description: Qualifying farmers are allowed an exemption for fuel and electricity that is measured by a separate meter or another device and used for a purpose other than preparing food, heating dwellings, and other household purposes. For periods on or after July 1, 2014, a qualifying farmer has gross annual income from farming of at least \$10,000 in the prior calendar year or an average of \$10,000 in the prior 3 years.

Enacting Legislation: S.L. 2005-276 - effective Jan. 1, 2006; fuel had previously been exempt (S.L. 1949-392) before becoming subject to a 1% preferential tax rate (S.L. 1961-826); electricity was not exempt until July 1, 2010, although it was previously taxed at a preferential rate.

FY25-26 Estimate (in \$millions): 25.8

FY26-27 Estimate (in \$millions): 26.3

Data Source: Farm Production Expenditure report for North Carolina (through 2024), National Agricultural Statistics Service, United States Department of Agriculture; Energy Information Administration

151. Fertilizers, Seeds and Related Items Sold to a Farmer

Citation: G.S. 105-164.13E(a)(2)

Description: Qualifying farmers are allowed an exemption for commercial fertilizer, lime, land plaster, plastic mulch, plant bed covers, potting soil, baler twine, and seeds. For periods on or after July 1, 2014, a qualifying farmer has gross annual income from farming of at least \$10,000 in the prior calendar year or an average of \$10,000 in the prior 3 years. . Compost was added to this list, effective October 1, 2023.

Enacting Legislation: S.L. 1939-158 exempted fertilizers; S.L. 1945-708 exempted seeds; S.L. 2001-514 limited the exemption of fertilizers and seeds to farmers; S.L. 2004-124 and S.L. 2005-276, and S.L. 2007-500 added items to the list of exemptions.

FY25-26 Estimate (in \$millions): 59.1

FY26-27 Estimate (in \$millions): 62.9

Data Source: Farm Production Expenditure report for North Carolina (through 2024), National Agricultural Statistics Service, United States Department of Agriculture

152. Farm Machinery and Related Parts and Lubricants

Citation: G.S. 105-164.13E(a)(3)

Description: Qualifying farmers are allowed an exemption for farm machinery, attachment and repair parts for farm machinery, and lubricants applied to farm machinery. For periods on or after July 1, 2014, a qualifying farmer has gross annual income from farming of at least \$10,000 in the prior calendar year or an average of \$10,000 in the prior 3 years

Enacting Legislation: S.L. 2005-276 - effective Jan. 1, 2006; these items had been subject to a 1% preferential tax rate, with a \$80 cap per item (S.L. 1961-826); they were previously exempt (S.L. 1955-1313)

FY25-26 Estimate (in \$millions): 19.6

FY26-27 Estimate (in \$millions): 20.1

Data Source: Farm Production Expenditure report for North Carolina (through 2024), National Agricultural Statistics Service, United States Department of Agriculture; Energy Information Administration

153. Certain Containers Sold to a Farmer

Citation: G.S. 105-164.13E(a)(4)

Description: Qualifying farmers are allowed an exemption for containers 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. For periods on or after July 1, 2014, a qualifying farmer has gross annual

income from farming of at least \$10,000 in the prior calendar year or an average of \$10,000 in the prior 3 years.

Enacting Legislation: S.L. 2005-276 - effective Jan. 1, 2006; these items were previously subject to a 1% preferential tax rate, with a \$80 cap, effective July 1, 1982 (S.L. 1981-1273)

FY25-26 Estimate (in \$millions): 1.1

FY26-27 Estimate (in \$millions): 1.1

Data Source: Farm Production Expenditure report for North Carolina (through 2024), National Agricultural Statistics Service, United States Department of Agriculture

154. Certain Storage Facilities Sold to a Farmer

Citation: G.S. 105-164.13E(a)(5)

Description: Qualifying farmers are allowed an exemption for a grain, feed, or soybean storage facility and parts and accessories attached to the facility. For periods on or after July 1, 2014, a qualifying farmer has gross annual income from farming of at least \$10,000 in the prior calendar year or an average of \$10,000 in the prior 3 years.

Enacting Legislation: S.L. 2005-276 - effective Jan. 1, 2006; these items were previously subject to a 1% preferential tax rate, with a \$80 cap, effective July 1, 1979 (S.L. 1979-801)

FY25-26 Estimate (in \$millions): 3.2

FY26-27 Estimate (in \$millions): 3.3

Data Source: Farm Production Expenditure report for North Carolina (through 2024), National Agricultural Statistics Service, United States Department of Agriculture

155. Feeds, Litter and Medications for Farming

Citation: G.S. 105-164.13E(a)(6)a

Description: Qualifying farmers are allowed an exemption for remedies, vaccines, medications, litter materials, and feeds for animals. For periods on or after July 1, 2014, a qualifying farmer has gross annual income from farming of at least \$10,000 in the prior calendar year or an average of \$10,000 in the prior 3 years.

Enacting Legislation: S.L. 1945-708 exempted seeds; S.L. 1977-1219 added the exemption for remedies, vaccines, and medications; S.L. 1995-477 restricted the exemptions to purchases for commercial use

FY25-26 Estimate (in \$millions): 245.1

FY26-27 Estimate (in \$millions): 252.5

Data Source: Farm Production Expenditure report for North Carolina (through 2024), National Agricultural Statistics Service, United States Department of Agriculture

Note: G.S. 105-164.13E(c1), enacted by S.L. 2018-5 and effective retroactively to July 1, 2014, allows this exemption for persons who purchase these items in order to provide a service to a qualified farmer.

156. Certain Substances Used on Animals or Plants for Commercial Purposes

Citation: G.S. 105-164.13E(a)(6)b-e

Description: Qualifying farmers are allowed an exemption for (b) rodenticides, insecticides, herbicides, fungicides, and pesticides; (c) defoliants 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. For periods on or after July 1, 2014, a qualifying farmer has gross annual income from farming of at least \$10,000 in the prior calendar year or an average of \$10,000 in the prior 3 years.

Enacting Legislation: S.L. 1945-708 exempted insecticides; S.L. 1949-1271, S.L. 1963-1169 and S.L. 1969-907 added items; S.L. 1995-477 restricted the exemptions to purchases for commercial use.

FY25-26 Estimate (in \$millions): 18.8

FY26-27 Estimate (in \$millions): 19.4

Data Source: Farm Production Expenditure report for North Carolina (through 2024), National Agricultural Statistics Service, United States Department of Agriculture

Note: G.S. 105-164.13E(c1), enacted by S.L. 2018-5 and effective retroactively to July 1, 2014, allows this exemption for persons who purchase these items in order to provide a service to a qualified farmer.

157. Fowl Sold to a Farmer

Citation: G.S. 105-164.13E(a)(7)a

Description: Qualifying farmers are allowed an exemption for purchases of fowl. (Prior to the enactment of S.L. 2021-180, this item referred to “baby chicks and poults”.)

Enacting Legislation: S.L. 2020-6, effective July 1, 2020. A similar exemption existed prior to July 1, 2014.

FY25-26 Estimate (in \$millions): 67.9

FY26-27 Estimate (in \$millions): 69.9

Data Source: North Carolina 2022 Census of Agriculture & Farm Production Expenditure report for North Carolina (through 2024), National Agricultural Statistics Service, United States Department of Agriculture

158. Livestock Sold to a Farmer – Cattle, Sheep, Goats and Swine

Citation: G.S. 105-164.13E(a)(7)b

Description: Qualifying farmers are allowed an exemption for livestock, as defined by G.S. 105-164.3. This item only includes the sale of cattle, sheep, goats and swine under the livestock exemption.

Enacting Legislation: S.L. 2020-6, effective July 1, 2020. Many of these sales would have been exempt under G.S. 105-164.13(4b).

FY25-26 Estimate (in \$millions): 36.5

FY26-27 Estimate (in \$millions): 37.6

Data Source: North Carolina 2022 Census of Agriculture & Farm Production Expenditure report for North Carolina (through 2024), National Agricultural Statistics Service, United States Department of Agriculture

159. Livestock Sold to a Farmer – Horses and Mules

Citation: G.S. 105-164.13E(a)(7)b

Description: Qualifying farmers are allowed an exemption for livestock, as defined by G.S. 105-164.3. This item only includes the sale of horses and mules under the livestock exemption.

Enacting Legislation: S.L. 2020-6, effective July 1, 2020. A similar exemption existed prior to July 1, 2014.

FY25-26 Estimate (in \$millions): 0.5

FY26-27 Estimate (in \$millions): 0.4

Data Source: North Carolina 2022 Census of Agriculture, National Agricultural Statistics Service, United States Department of Agriculture

160. Manufactured Facilities, Building Materials, and Related Equipment for Commercial Housing of Animals

Citation: G.S. 105-164.13E(a)(8)

Description: Qualifying farmers are allowed an exemption for (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, as well as equipment, and parts and accessories for the equipment, used in the facility; (b) building materials, supplies, fixtures, and equipment that become a part of or are used in the construction, repair, or improvement of an enclosure or a structure used for housing, raising or feeding animals or for housing equipment necessary for one of these commercial activities. For periods on or after July 1, 2014, a qualifying farmer has

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gross annual income from farming of at least \$10,000 in the prior calendar year or an average of \$10,000 in the prior 3 years.

Enacting Legislation: S.L. 1985-973 - effective Aug. 1, 1986 for construction and repair materials; other items added by S.L. 1987-800; these items had been taxed at a preferential rate of 1%, with a \$80 cap beginning July 1, 1979 (S.L. 1979-801) for swine facilities and July 1, 1983 (S.L. 1983-805) for livestock and poultry facilities.

FY25-26 Estimate (in \$millions): 9.8

FY26-27 Estimate (in \$millions): 10.1

Data Source: Farm Production Expenditure report for North Carolina (through 2024), National Agricultural Statistics Service, United States Department of Agriculture

161. Tobacco Farming Items

Citation: G.S. 105-164.13E(a)(9)

Description: Qualifying farmers are allowed an exemption for 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. For periods on or after July 1, 2014, a qualifying farmer has gross annual income from farming of at least \$10,000 in the prior calendar year.

Enacting Legislation: S.L. 2005-276 - effective Jan. 1, 2006; these items were previously subject to a 1% preferential tax rate, with a \$80 cap per item (S.L. 1971-887)

FY25-26 Estimate (in \$millions): 0.2

FY26-27 Estimate (in \$millions): 0.2

Data Source: Farm Production Expenditure report for North Carolina (through 2024), National Agricultural Statistics Service, United States Department of Agriculture

162. RMI Services for Farmers

Citation: G.S. 105-164.13E(a)(10)

Description: Repair, maintenance and installation services purchased by a qualifying or conditional farmer and for use by the farmer in farming operations.

Enacting Legislation: S.L. 2016-94 - effective Jan. 1, 2017

FY25-26 Estimate (in \$millions): 10.6

FY26-27 Estimate (in \$millions): 11.2

Data Source: Farm Production Expenditure report for North Carolina (through 2024), National Agricultural Statistics Service, United States Department of Agriculture; Energy Information Administration

163. Items for a Zoo Operated by Farmer

Citation: G.S. 105-164.13E(a1)

Description: Exemption for qualifying farmer or conditional farmer who operates a zoo in addition to the farmer's farming operations for the items listed in subsection (a) of this section and primarily used in the farmer's zoo operations..

Enacting Legislation: S.L. 2022-45 - effective for purchases made on or after Jan. 1, 2023

FY25-26 Estimate (in \$millions): Unavailable

FY26-27 Estimate (in \$millions): Unavailable

164. Items for a Wildlife Manager

Citation: G.S. 105-164.13F

Description: Exemption for certain items purchased by a wildlife manager and used primarily for wildlife management activities on wildlife conservation land. The exemption also includes repair, maintenance and installation services for items exempt from sales tax.

Enacting Legislation: S.L. 2022-45 - effective for purchases made on or after Oct. 1, 2022

FY25-26 Estimate (in \$millions): Unavailable

FY26-27 Estimate (in \$millions): Unavailable

165. RMI Services for Boats, Aircraft and Jet Engines in Excess of \$25,000

Citation: G.S. 105-164.27A(a3)

Description: The amount of the use tax exemption is the amount of the installation charges and sales price of or gross receipts derived from the repair, maintenance, and installation services for boats, aircraft or a qualified jet engine that exceed \$25,000.

Enacting Legislation: S.L. 2016-94 - effective July 1, 2016

FY25-26 Estimate (in \$millions): Unavailable

FY26-27 Estimate (in \$millions): Unavailable

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166. Use tax on Luxury Liquor capped at \$1,000

Citation: G.S. 105-164.27A(a4)

Description: The maximum use tax on qualifying spirituous liquor is \$1,000. "Qualifying spirituous liquor" is a single container of spirituous liquor, as defined in GS 18B-101, the purchase price of which is equal to or greater than \$50,000.

Enacting Legislation: S.L. 2024-41 - effective for sales on or after Jan. 1, 2025

FY25-26 Estimate (in \$millions): less than 0.1

FY26-27 Estimate (in \$millions): less than 0.1

Refunds

167. Refund to Interstate Carrier

Citation: G.S. 105-164.14(a)

Description: An interstate carrier is allowed a refund of part of the sales and use taxes paid on the purchase in this State of railway cars and locomotives, and fuel, lubricants, repair parts, and accessories for a motor vehicle, railroad car, locomotive, or airplane the carrier operates.

Enacting Legislation: S.L. 1957-1340

FY25-26 Estimate (in \$millions): 3.4

FY26-27 Estimate (in \$millions): 3.5

Data Source: Department of Revenue tax data

Note: Refund requests are made quarterly. Therefore, refunds lag taxes paid by up to 3 months.

168. Partial Refund for Purchases of Railway Cars and Accessories by a Utility

Citation: G.S. 105-164.14(a2)

Description: A utility company may receive a semiannual refund of part of the sales and use taxes it pays on the purchase in this State of railway cars and locomotives and accessories. The refund is based on the percentage of miles that the utility company operated its locomotives and railway cars in North Carolina during the refund period.

Enacting Legislation: S.L. 2006-06 - effective July 1, 2006

FY25-26 Estimate (in \$millions): less than 0.1

FY26-27 Estimate (in \$millions): less than 0.1

Data Source: Department of Revenue tax data

169. Refund of Sales Taxes to Nonprofits

Citation: G.S. 105-164.14(b)

Description: Refunds for sales taxes paid on purchases, other than electricity, telecommunications piped natural gas, video programming and prepaid meal plans, for use in carrying on the work of the nonprofit and indirect purchases of building materials and related equipment. The refund is only for nonprofits in the following categories: (1) hospitals, (2) an entity exempt from income tax under Section 501(c)(3) of the Code, except if they are in the following areas: community improvement and capacity building; public and societal benefit; mutual and membership benefit, (4) qualified retirement facilities, (5) volunteer fire departments and volunteer emergency medical service squads. Tax paid on sales by the nonprofits are not refundable.

Enacting Legislation: S.L. 1961-826 – effective July 1, 1961; this refund provision replaced an existing exemption (S.L. 1943-400)

FY25-26 Estimate (in \$millions): 347.6

FY26-27 Estimate (in \$millions): 356.9

Data Source: Department of Revenue tax data

Note: Effective for purchases made on or after July 1, 2014: the total annual State-related refund allowed an entity for a fiscal year may not exceed \$31,700,000.

170. Refunds of Tax on Medicine and Drug Purchases to Certain Hospitals

Citation: G.S. 105-164.14(b)

Description: Hospitals not eligible for the refund of taxes on all tangible property purchases may receive a refund of tax on purchases of medicines and drugs for use in carrying out the work of such hospitals.

Enacting Legislation: SL 1977-895 - effective for taxes paid on or after July 1, 1977

FY25-26 Estimate (in \$millions): included in Item #169

FY26-27 Estimate (in \$millions): included in Item #169

Data Source: Department of Revenue tax data

171. Refunds to Certain Local Government Entities

Citation: G.S. 105-164.14(c)

Description: Refunds for sales taxes paid on purchases, other than electricity and telecommunications, by certain governmental entities and indirect purchases of building materials for use by those entities.

Enacting Legislation: S.L. 1961-826 - this refund provision replaced an existing exemption

FY25-26 Estimate (in \$millions): 174.9

FY26-27 Estimate (in \$millions): 186.5

Data Source: Department of Revenue tax data

Note: The estimate does not include refunds to the University of North Carolina Health Care System or a constituent institution of the University of North Carolina that were eligible under this provision.

172. Refund for Major Recycling Facilities

Citation: G.S. 105-164.14A(a)(2)

Description: The owner of a major recycling facility is allowed an annual refund of sales and use taxes paid by it on building materials, building supplies, fixtures, and equipment that became a part of the real property of the recycling facility.

Enacting Legislation: S.L. 1998-55 - effective July 1, 1998; this provision was formerly G.S. 105-164.14(g)

FY25-26 Estimate (in \$millions): 0.1

FY26-27 Estimate (in \$millions): 0.1

Data Source: Department of Revenue "Economic Incentive Reports"

173. Refund of Aviation Fuel for Motorsports Events

Citation: G.S. 105-164.14A(a)(4)

Description: A professional motorsports racing team or a motorsports sanctioning body is allowed a refund of the sales and use tax paid by it in this State on aviation fuel that is used to travel to or from a motorsports event in this State, to travel to a motorsports event in another state from a location in this State, or to travel to this State from a motorsports event in another state.

Enacting Legislation: S.L. 2005-435 - effective for purchases made on or after Jan. 1, 2005; this provision was formerly G.S. 105-164.14(l)

Sunset Date: Expires for purchases made on or after Jan. 1, 2029

FY25-26 Estimate (in \$millions): 0.2

FY26-27 Estimate (in \$millions): 0.2

Data Source: Department of Revenue "Economic Incentive Reports"

174. Refund on Professional Motor Racing Vehicle Parts

Citation: G.S. 105-164.14A(a)(5)

Description: A professional motorsports racing team may receive a refund of 50% of the sales tax paid on certain tangible personal property that comprises any part of a professional motor racing vehicle, except tires, instrumentation, telemetry, consumables and paint.

Enacting Legislation: S.L. 2006-66 - effective for purchases made on or after July 1, 2007; this provision was formerly G.S. 105-164.14(m)

Sunset Date: Expires for purchases made on or after Jan. 1, 2028

FY25-26 Estimate (in \$millions): 2.7

FY26-27 Estimate (in \$millions): 2.7

Data Source: Department of Revenue "Economic Incentive Reports"

175. Refund for Railroad Intermodal Facilities

Citation: G.S. 105-164.14A(a)(7)

Description: The owner or lessee of an eligible railroad intermodal facility is allowed an annual refund of sales and use taxes paid by it under this Article on building materials, building supplies, fixtures, and equipment that become a part of the real property of the facility.

Enacting Legislation: S.L. 2007-323 - effective Jan. 1, 2007; this provision was formerly G.S. 105-164.14(o)

Sunset Date: Expires for purchases made on or after Jan. 1, 2038

FY25-26 Estimate (in \$millions): 0.1

FY26-27 Estimate (in \$millions): 0.1

Data Source: Department of Revenue "Economic Incentive Reports"

176. Refund for a Transformative Project

Citation: G.S. 105-164.14A(a)(8)

Description: An owner or lessee of a business that is the recipient of a JDIG grant on or before June 30, 2019, for a transformative project as defined in G.S. 143B-437.51(9a) is allowed a refund of sales and use tax paid by it on building materials, building supplies, fixtures, and equipment that becomes a part of the real property of the facility. An eligible project required an investment of \$1 billion and the creation of 3,000 jobs.

Enacting Legislation: S.L. 2017-57 - effective July 1, 2017

FY25-26 Estimate (in \$millions): 0.0

FY26-27 Estimate (in \$millions): 0.0

Preferential tax rates

177. Preferential Rate and Cap for Aircraft

Citation: G.S. 105-164.4(a)(1a)c

Description: Effective October 1, 2015: Tax rate of 4.75% on the retail sale of each aircraft, including all accessories attached to the item at the time of purchase. The maximum tax is \$2,500 per article. Prior to Oct. 1, 2015, the tax rate was 3% on the retail sale of each aircraft or boat, with a maximum tax of \$1,500 per article.

Enacting Legislation: S.L. 1957-1340 - imposed a tax of 1% with an \$80 cap on airplanes; tax rate and cap were increased at various time intervals; S.L. 1967-1116 added boats, effective July 1, 1967; in 1989, the maximum tax on boats and aircraft was increased from \$300 to \$1,500 (S.L. 1989-692); tax rate was increased from 3.0% to 4.75% with \$2,500 cap, effective October 1, 2015 (S.L. 2015-259)

FY25-26 Estimate (in \$millions): 18.9

FY26-27 Estimate (in \$millions): 19.3

Data Source: Department of Revenue tax data

Note: For the estimates, a price elasticity of demand of -4 was used to reflect a lower demand at a higher rate of tax.

178. Preferential Rate and Cap for Boats

Citation: G.S. 105-164.4(a)(1b)

Description: Tax rate of 3% on the retail sale of each aircraft or boat. The maximum tax is \$1,500 per article.

Enacting Legislation: S.L. 1957-1340 - imposed a tax of 1% with an \$80 cap on airplanes; tax rate and cap were increased at various time intervals; S.L. 1967-1116 added boats, effective July 1, 1967; in 1989, the maximum tax on boats and aircraft was increased from \$300 to \$1,500 (S.L. 1989-692).

FY25-26 Estimate (in \$millions): 22.3

FY26-27 Estimate (in \$millions): 23.0

Data Source: Department of Revenue tax data; National Marine Manufacturers Association

Note: For the estimates, a price elasticity of demand of -2 was used to reflect a lower demand at a higher rate of tax.

Caps

179. Out-of-State Telecommunications Service at Call Centers

Citation: G.S. 105-164.4C(f)

Description: The gross receipts tax on telecommunications service that originates outside this State, terminates in this State, and is provided by a call center that has a direct pay permit may not exceed \$50,000. (S.L. 2001-430)

Enacting Legislation: S.L. 2001-430 - effective Jan. 1, 2002. This is also when the exemption from sales tax for interstate calls was removed.

FY25-26 Estimate (in \$millions): Unavailable

FY26-27 Estimate (in \$millions): Unavailable

Note: There are five taxpayers with direct pay permits for telecommunications services. Not enough information was available to determine cost.

Highway Use Tax (Article 5A)

Tax Base Information

The highway use tax is imposed on the privilege of using the highways of this State. It is imposed on the sale or lease of motor vehicles for which a certificate of title is issued. Trailers pulled by automobiles are included in this tax if they are required to have a title.

Prior to the creation of this tax in 1989, the purchase of motor vehicles was taxed under the sales & use tax at a rate of 2%, with a \$300 maximum. S.L. 1995-390 removed the \$40 minimum tax, effective July 1, 1996. S.L. 2001-424 removed the cap from non-commercial vehicles, effective Oct. 1, 2001. (S.L. 2001-497 restored the cap for recreational vehicles.)

The base rate is 3% on the sales of motor vehicles and on long-term leases and rentals; short-term leases are taxed at 8%. As of October 1, 2019, vehicle subscription services are taxed at 5%, as authorized by Session Law 2019-69.

In Fiscal Year 2024-25, approximately \$1.1 billion was collected under the 3% tax, net of refunds. Approximately \$117 million was collected from the 8% short term lease and 5% subscription service, which are collected under the sales and use tax and transferred to the Highway Fund during each fiscal year.

Tax Expenditures

1. Maximum Tax of \$2,000 for Class A or Class B Commercial Motor Vehicles

Citation: G.S. 105-187.3(a)

Description: Effective Jan. 1, 2016, the tax on each title issued for a Class A or Class B commercial motor vehicles is capped at \$2,000. Prior to Jan. 1, 2016, the maximum tax was \$1,000.

Enacting Legislation: S.L. 1989-692, effective Oct. 1, 1989; there was a cap for motor vehicles under the sales tax prior to the creation of the Highway Use Tax.

FY25-26 Estimate (in \$millions): 33.9

FY26-27 Estimate (in \$millions): 34.9

Data Source: Estimates based on data from N.C. Department of Transportation

2. Maximum Tax of \$2,000 for Recreational Vehicles

Citation: G.S. 105-187.3(a)

Description: Effective Jan. 1, 2016, the tax on each title issued for a recreational vehicles is capped at \$2,000. Prior to Jan. 1, 2016, the maximum tax was \$1,500.

Enacting Legislation: S.L. 1989-692, effective Oct. 1, 1989; the cap rose from \$1,000 in 1989 to \$1,500 on July 1, 1993; there was a cap for motor vehicles under the sales tax prior to the creation of the Highway Use Tax.

FY25-26 Estimate (in \$millions): 7.7

FY26-27 Estimate (in \$millions): 7.9

Data Source: Estimates based on data from N.C. Department of Transportation

3. Trade-In Allowance on Sales of Motor Vehicles

Citation: G.S. 105-187.3(b)

Description: The retail value of a motor vehicle for which a certificate of title is issued is reduced by the amount of any allowance given by the seller for a motor vehicle taken in trade as a full or partial payment for the purchased motor vehicle.

Enacting Legislation: S.L. 1989-692, effective Oct. 1, 1989; a trade-in allowance was added in the sales tax statutes for motor vehicles by S.L. 1983-713, effective Aug. 1, 1983, when the maximum tax was raised from \$120 to \$300.

FY25-26 Estimate (in \$millions): 195.1

FY26-27 Estimate (in \$millions): 200.9

Data Source: N.C. Department of Transportation; Virginia Department of Motor Vehicles; National Automobile Dealers Association; RL Polk & Co. (as used by NADA)

4. Trade-In Allowance on Leases of Motor Vehicles

Citation: G.S. 105-187.5(b)

Description: The gross receipts tax on a lease or rental of a motor vehicle does not include the amount of any allowance given for a motor vehicle taken in trade as a partial payment.

Enacting Legislation: S.L. 1995-410 - effective Oct. 1, 1995

FY25-26 Estimate (in \$millions): 3.3

FY26-27 Estimate (in \$millions): 3.3

Highway Use Tax

Data Source: N.C. Department of Transportation; Virginia Department of Motor Vehicles; National Automobile Dealers Association; RL Polk & Co. (as used by NADA)

5. Title Issued by Will or Intestacy

Citation: G.S. 105-187.6(a)(4)

Description: Full exemption when a certificate of title is issued by will or intestacy.

Enacting Legislation: S.L. 1989-692, effective Oct. 1, 1989

FY25-26 Estimate (in \$millions): Unavailable

FY26-27 Estimate (in \$millions): Unavailable

6. Gift Between Close Family Members

Citation: G.S. 105-187.6(a)(5)

Description: Full exemption when a certificate of title is issued by a gift between a husband and wife, a parent and child, or a stepparent and a stepchild.

Enacting Legislation: S.L. 1989-692, effective Oct. 1, 1989

FY25-26 Estimate (in \$millions): Unavailable

FY26-27 Estimate (in \$millions): Unavailable

7. Vehicles Leased to Public School Driver Education Programs

Citation: G.S. 105-187.6(a)(8)

Description: Full exemption when a certificate of title is issued to a local board of education for use in a driver education program when the vehicle is transferred back to retailer within 300 days or from another board of education.

Enacting Legislation: S.L. 1993-467 - effective Aug. 1, 1993

FY25-26 Estimate (in \$millions): Unavailable

FY26-27 Estimate (in \$millions): Unavailable

8. Volunteer Fire and Rescue Squad Vehicles

Citation: G.S. 105-187.6(a)(9)

Description: Full exemption for volunteer fire department or rescue squad, when the vehicle is either (1) a fire truck, a pump truck, a tanker truck, or a ladder truck used to suppress fire, (2) a four-wheel drive vehicle intended to be mounted with a water tank and used to fight forest fires, (3) an emergency service vehicle.

Enacting Legislation: S.L. 2001-424, section 34.24, effective October 1, 2001

FY25-26 Estimate (in \$millions): Unavailable

FY26-27 Estimate (in \$millions): Unavailable

9. Transfer to a Revocable Trust

Citation: G.S. 105-187.6(a)(11)

Description: Full exemption for transfer to a revocable trust from an owner who is the sole beneficiary of the trust.

Enacting Legislation: S.L. 2010-95 - effective July 17, 2010

FY25-26 Estimate (in \$millions): Unavailable

FY26-27 Estimate (in \$millions): Unavailable

10. Charities Related to Vehicle Donations

Citation: G.S. 105-187.6(a)(12)

Description: Full exemption when a certificate of title is issued as the result of a transfer of a vehicle to a charitable 501(c)(3) organization, where the vehicle was donated solely for purposes of resale.

Enacting Legislation: S.L. 2018-43 - effective June 22, 2018

FY25-26 Estimate (in \$millions): Unavailable

FY26-27 Estimate (in \$millions): Unavailable

11. Secured Party with Perfected Interest

Citation: G.S. 105-187.6(b)(1)

Description: Maximum tax of \$40 when a certificate is issued to a secured party who has a perfected interest in the motor vehicle.

Enacting Legislation: S.L. 1989-692, effective Oct. 1, 1989

FY25-26 Estimate (in \$millions): Unavailable

FY26-27 Estimate (in \$millions): Unavailable

Highway Use Tax

12. Sales to Related Businesses

Citation: G.S. 105-187.6(b)(2)

Description: Maximum of \$40 when a certificate of title is issued to a business that is not a separate entity from the seller.

Enacting Legislation: S.L. 1989-692, effective Oct. 1, 1989

FY25-26 Estimate (in \$millions): Unavailable

FY26-27 Estimate (in \$millions): Unavailable

13. Vehicles Titled in Another State

Citation: G.S. 105-187.6(c)

Description: Maximum tax of \$250 if vehicle has been titled in another state for at least 90 days. Prior to Jan. 1, 2016, the maximum tax was \$150.

Enacting Legislation: S.L. 1989-692, effective Oct. 1, 1989

FY25-26 Estimate (in \$millions): 5.2

FY26-27 Estimate (in \$millions): 5.3

Data Source: Estimates based on data from N.C. Department of Transportation

14. Credit for Tax Paid in Another State

Citation: G.S. 105-187.7(a)

Description: Credit for amount of tax paid in another state within 90 days of applying for title.

Enacting Legislation: S.L. 1989-692, effective Oct. 1, 1989

FY25-26 Estimate (in \$millions): Unavailable

FY26-27 Estimate (in \$millions): Unavailable

15. Credit for Tax Paid in Another State if Previously Titled in NC

Citation: G.S. 105-1987.7(b)

Description: Credit for amount paid in another state within 1 year if vehicle was previously titled in NC.

Enacting Legislation: S.L. 1995-512 - effective Oct. 1, 1995

FY25-26 Estimate (in \$millions): Unavailable

FY26-27 Estimate (in \$millions): Unavailable

16. Return of Purchased Vehicle

Citation: G.S. 105-187.8

Description: Refund for return of purchased vehicle within 90 days of purchase.

Enacting Legislation: S.L. 1989-692, effective Oct. 1, 1989

FY25-26 Estimate (in \$millions): Unavailable

FY26-27 Estimate (in \$millions): Unavailable

Scrap Tire Disposal Tax (Article 5B)

Tax Base Information

This privilege tax is imposed on a tire retailer on the sale price of each new tire sold at retail and on a retailer or wholesaler on the price of each new tire sold for placement on a vehicle offered for sale, lease or rental. The tax is also applicable to new tires that are purchased for storage, use or consumption in this State or for placement in this State on a vehicle offered for sales, lease or rental.

This tax was enacted by S.L. 1991-221 and became effective on July 1, 1991. (It replaced a similar provision that had been enacted in 1989 under Chapter 130A, effective Jan. 1, 1990.)

The base tax rate is 2%.

For Fiscal Year 2013-14 and forward, 30% of net revenues are transferred to the General Fund and the remaining 70% is distributed to counties on a per capita basis.

In Fiscal Year 2024-25, \$29.2 million was collected from this tax, net of refunds. Of this amount, approximately \$20.1 million was transferred to local governments. Net General Fund collections were approximately \$8.6 million in Fiscal Year 2024-25 after these and other transfers.

Tax Expenditures

1. Lower Tax Rate for Large Tires

Citation: G.S. 105-187.16

Description: The tax rate on tires with a bead diameter of 20 inches or more is 1%.

Enacting Legislation: S.L. 1993-548 - the tax rate on tires with a bead diameter of less than 20 inches was increased from 1% to 2% effective October 1, 1993. A sunset of July 1, 1997 was in effect for the original legislation. This sunset was extended by subsequent legislation and later repealed by S.L. 2002-10.

FY25-26 Estimate (in \$millions): 1.0

FY26-27 Estimate (in \$millions): 1.0

Data Source: Department of Revenue tax database

Note: The estimate does not include additional revenues that would be distributed to the counties, which is 70% of net revenues.

2. Exemption for Certain Tire Sales

Citation: G.S. 105-187.18

Description: Exemption for bicycle tires, recapped tires, tires sold for placement on new vehicle.

Enacting Legislation: S.L. 1991-221 – effective July 1, 1991

FY25-26 Estimate (in \$millions): Unavailable

FY26-27 Estimate (in \$millions): Unavailable

White Goods Disposal Tax (Article 5C)

Tax Base Information

The tax is imposed on a white goods retailer at a flat rate of \$3 for each new white good sold. The tax is imposed on a new white good purchased outside the State for storage, use, or consumption in this State. Examples of white goods are refrigerators, ranges, water heaters, freezers, unit air conditioners, washing machines, clothes dryers, and dishwashers.

This tax was enacted by S.L. 1993-471 and became effective on January 1, 1994.

The base tax rate is \$3 for each new white good sold.

For Fiscal Year 2013-14 and forward, 28% of net revenues are transferred to the General Fund and 72% is distributed to counties on a per capita basis (unless the county is disallowed a distribution under G.S. 130A-309.87).

In Fiscal Year 2024-25, \$8.2 million was collected from this tax, net of refunds. Of this amount, approximately \$4.3 million was distributed to local governments. Net General Fund collections were approximately \$3.5 million in Fiscal Year 2024-25 after these and other transfers.

Tax Expenditures

1. Refund for Large Purchases

Citation: G.S. 105-187.23

Description: Refund of 60% for person who buys at least 50 new white goods of any kind in the same sale.

Enacting Legislation: S.L. 1993-471 - effective Jan. 1, 1994

FY25-26 Estimate (in \$millions): less than 0.1

FY26-27 Estimate (in \$millions): less than 0.1

Data Source: Department of Revenue tax database

Note: The estimate does not include additional revenues that would be distributed to the counties.

Severance Tax (Article 5I)

Tax Base Information

The tax is imposed on all energy minerals severed from the soil and water of this State when sold.

This tax was enacted by S.L. 2014-4 and became effective July 1, 2015.

For oil and condensates, the tax rate is 2% between July 1, 2015 and Dec. 31, 2018; 3.5% between Jan. 1, 2019 and Dec. 31, 2020; and 5% on or after Jan. 1, 2021.

For gas, the tax rate ranges from 0.9% to 2.9% between July 1, 2015 and Dec. 31, 2018. The tax rate depends on the delivered to market value of the gas sold. Between Jan. 1, 2019 and Dec. 31, 2020, the tax rate ranges between 0.9% and 5%. On or after Jan. 1, 2021, the rate ranges from 0.9% to 9%.

The tax rate from a marginal gas well is 0.4% between July 1, 2015 and Dec. 31, 2018; 0.6% between Jan. 1, 2019 and Dec. 31, 2020; and 0.8% on or after Jan. 1, 2021.

In Fiscal Year 2024-25, there were no net collections from this tax.

Tax Expenditures

1. Delivered to Market Adjustment

Citation: G.S. 105-187.78(a)

Description: A producer may deduct the actual costs of delivering the gas to market incurred from the gross receipts of a cost reimbursement.

Enacting Legislation: S.L. 2014-4 - effective July 1, 2015

FY25-26 Estimate (in \$millions): less than 0.1

FY26-27 Estimate (in \$millions): less than 0.1

Note: It is estimated that little to no activity will occur during the relevant time period.

2. On-Site Use Exemption

Citation: G.S. 105-187.79

Description: On-site use is exempt from the severance tax. On-site use refers to energy minerals that are used on the land from which they are taken by the producer and which have a yearly cumulative delivered to market value of not greater than \$1,200.

Enacting Legislation: S.L. 2014-4 - effective July 1, 2015

FY25-26 Estimate (in \$millions): less than 0.1

FY26-27 Estimate (in \$millions): less than 0.1

Note: It is estimated that little to no activity will occur during the relevant time period.

Transportation Commerce Tax (Article 5J)

Tax Base Information

This excise tax is imposed on all for-hire ground transport service providers for which a passenger is charged a fee.

This tax was enacted by S.L. 2023-134. It is effective July 1, 2025, and applies to for-hire ground transport services occurring on or after that date.

For exclusive-ride services, the tax rate is 1.5%. For shared-ride service, the tax rate is 1%.

The net tax proceeds are credited to the Highway Fund. The cost of administration of the tax is retained by the Department of Revenue. In Fiscal Year 2024-25, there were no net collections from this tax.

Tax Expenditures

1. Lower tax rate for shared-ride service

Citation: G.S. 105-187.91(a)(2)

Description: The tax rate on shared-ride service is 2/3 the rate for exclusive-ride service.

Enacting Legislation: S.L. 2014-4 - effective July 1, 2015

FY25-26 Estimate (in \$millions): less than 0.1

FY26-27 Estimate (in \$millions): less than 0.1

Data Source: Department of Revenue tax database

2. Exempt for-hire transport used as public transportation

Citation: G.S. 105-187.94(2)

Description: The tax does not apply to for-hire ground transport service provided by a for-hire ground transport service provider as public transportation on behalf of a State agency, a governmental entity listed in G.S. 105-164.14(c), or a local board of education.

Enacting Legislation: S.L. 2014-4 - effective July 1, 2015

FY25-26 Estimate (in \$millions): less than 0.1

FY26-27 Estimate (in \$millions): less than 0.1

Data Source: Reports from local governments with expected type of services

Taxes on Insurance Companies (Article 8B)

Tax Base Information

The tax on an insurer is measured by gross premiums from business done in this State during the calendar year. The base tax rate is 1.9%. However, premiums on worker compensation plans are taxed at 2.5%. There is an additional 0.74% tax on property coverage contracts.

There is also an insurance regulatory charge, which is a percentage of the insurer's gross premiums tax liability. The percentage has been set at 6.5% for recent calendar years. However, for calendar years 2024 and 2025, the regulatory charge was changed to 2.0% by S.L. 2023-134.

In Fiscal Year 2024-25, \$1.5 billion was collected from the tax and regulatory fee, net of refunds. Net General Fund collections were approximately \$1.43 billion in Fiscal Year 2024-25 after certain transfers.

Tax Expenditures

1. Foreign Captive Insurance Company

Citation: G.S. 105-228.4A(a)

Description: The tax on captive insurance companies does not apply to a foreign captive insurance company.

Enacting Legislation: S.L. 2018-5, effective June 12, 2018

FY25-26 Estimate (in \$millions): Unavailable

FY26-27 Estimate (in \$millions): Unavailable

2. Captive Insurance Company Cap

Citation: G.S. 105-228.4A(f)

Description: The aggregate amount of tax payable may not exceed \$100,000. If the company is a protected cell captive insurance company with more than 10 cells, the tax may not exceed \$100,000 plus \$5,000 times the number of cells in excess of 10.

Enacting Legislation: S.L. 2013-116, effective July 1, 2013

FY25-26 Estimate (in \$millions): Unavailable

FY26-27 Estimate (in \$millions): Unavailable

3. Limited Definition of Tax Base for Bail Bonds

Citation: G.S. 105-228.5(b1)

Description: Gross premiums from business done in this State in the case of an insurer of bail bonds means only the amounts received by the insurer from a surety bondsman during the calendar year for bail bonds written on behalf of the insurer.

Enacting Legislation: S.L. 2021-180 -- effective for tax years beginning on or after Jan. 1, 2022

FY25-26 Estimate (in \$millions): 1.0

FY26-27 Estimate (in \$millions): 1.0

Data Source: Fiscal note prepared by General Assembly staff for SB 105 (2021)

4. Federally Tax-Exempt Pensions, Annuities or Profit-Sharing Plan

Citation: G.S. 105-228.5(c)(1)

Description: Excludes premiums connected with funding a pension, annuity or profit-sharing plan qualified or exempt under section 401, 403, 404, 408, 457 or 501 of the Code.

Enacting Legislation: S.L. 1973-142 - effective July 1, 1973

FY25-26 Estimate (in \$millions): Unavailable

FY26-27 Estimate (in \$millions): Unavailable

5. Premiums Received from Annuities

Citation: G.S. 105-228.5(c)(2)

Description: Excludes premiums if received from annuities, as defined in G.S. 58-7-15.

Enacting Legislation: S.L. 1993-600 - effective Jan. 1, 1995

FY25-26 Estimate (in \$millions): 251.5

FY26-27 Estimate (in \$millions): 249.0

Data Source: North Carolina Department of Insurance

6. Premiums Related to Funding Agreements

Citation: G.S. 105-228.5(c)(3)

Description: Excludes premiums if connected with funding agreements defined in G.S. 58-7-16.

Enacting Legislation: S.L. 1993-600 - effective Jan. 1, 1995

FY25-26 Estimate (in \$millions): 16.0

Taxes on Insurance Companies

FY26-27 Estimate (in \$millions): 16.3

Data Source: Estimates based on data from N.C. Department of Insurance

7. **Automobile Premiums for Additional Rate on Property Coverage Contracts**

Citation: G.S. 105-228.5(d)(3)

Description: Only 10% of the gross premiums from insurance contracts for automobile physical damage coverage are taxed compared to 100% of all other types of property coverage. This provision refers to the additional tax on property coverage contracts.

Enacting Legislation: S.L. 2006-196 - effective for taxable years beginning on or after Jan. 1, 2008. This provision replaced a tax on fire and lightning coverage that had excluded automobile and marine contracts.

FY25-26 Estimate (in \$millions): 36.9

FY26-27 Estimate (in \$millions): 39.3

Data Source: Estimates based on data from N.C. Department of Insurance

Note: Only a fraction of the revenues of the additional tax on property coverage contracts are credited to the General Fund. The estimates, however, represent 100% of the foregone revenues.

8. **Farmers' Mutual Assessment Fire Insurance Companies and Fraternal Organizations**

Citation: G.S. 105-228.5(g)

Description: Excludes farmers' mutual assessment fire insurance companies and nonprofit fraternal organizations.

Enacting Legislation: This is a longstanding provision in the insurance statutes.

FY25-26 Estimate (in \$millions): 4.0

FY26-27 Estimate (in \$millions): 4.2

Data Source: Estimates based on data from N.C. Department of Insurance

Note: Includes an estimate for the additional 0.74% rate on property coverage contracts (for the farmers' mutuals only).

9. **Assessments paid to Insurance Guaranty Association and Life and Health Insurance Guaranty Association**

Citation: G.S. 105-228.5A

Description: Credit against gross premiums for assessments paid to the Insurance Guaranty Association and the Life and Health Insurance Guaranty Association. (These

organizations require insurers to pay assessments to cover claims against insolvent insurers.)

Enacting Legislation: S.L. 1991-689 - effective Jan. 1, 1991. Prior to this, insurance companies were allowed to increase their premiums to recoup assessment charges.

FY25-26 Estimate (in \$millions): 8.1

FY26-27 Estimate (in \$millions): 8.3

Data Source: Department of Revenue Insurance Tax database; North Carolina Insurance Guaranty Association

Excise Tax on Conveyances (Article 8E)

Tax Base Information

This tax is levied on each instrument by which any interest in real property is conveyed to another person. This tax applies to timber deeds and contracts for the sale of standing timber as if these were transfers of real property.

The tax rate is \$1 on each \$500 of real property value or fractional part thereof.

Fifty percent of the taxes collected are deposited in county funds, and the counties may also retain an additional 2% for administrative costs. The remaining amount is remitted to the State.

In Fiscal Year 2024-25, \$117.0 million was remitted to the State from this tax. All these funds were deposited in the General Fund.

Tax Expenditures

1. Transfers of Property by Operation of Law

Citation: G.S. 105-228.29(1)

Description: The tax does not apply to transfer of real property if by operation of law.

Enacting Legislation: S.L. 1967-986 - effective Jan. 1, 1968

FY25-26 Estimate (in \$millions): Unavailable

FY26-27 Estimate (in \$millions): Unavailable

2. Transfers of Property by Lease

Citation: G.S. 105-228.29(2)

Description: The tax does not apply to a transfer by lease for a term of years.

Enacting Legislation: S.L. 1967-986 - effective Jan. 1, 1968

FY25-26 Estimate (in \$millions): Unavailable

FY26-27 Estimate (in \$millions): Unavailable

3. Transfers of Property Pursuant to a Will

Citation: G.S. 105-228.29(3)

Description: The tax does not apply to transfers pursuant to a will.

Enacting Legislation: S.L. 1967-986 - effective Jan. 1, 1968

FY25-26 Estimate (in \$millions): Unavailable

FY26-27 Estimate (in \$millions): Unavailable

4. Transfers of Property by Intestacy

Citation: G.S. 105-228.29(4)

Description: The tax does not apply to transfers by intestacy.

Enacting Legislation: S.L. 1967-986 - effective Jan. 1, 1968

FY25-26 Estimate (in \$millions): Unavailable

FY26-27 Estimate (in \$millions): Unavailable

5. Transfers of Property by Gift

Citation: G.S. 105-228.29(5)

Description: The tax does not apply to transfers by gift.

Enacting Legislation: S.L. 1967-986 - effective Jan. 1, 1968

FY25-26 Estimate (in \$millions): Unavailable

FY26-27 Estimate (in \$millions): Unavailable

6. Transfers Involving No Payments

Citation: G.S. 105-228.29(6)

Description: The tax does not apply if no consideration in property or money is due or paid by the transferee to the transferor.

Enacting Legislation: S.L. 1967-986 - effective Jan. 1, 1968

FY25-26 Estimate (in \$millions): Unavailable

FY26-27 Estimate (in \$millions): Unavailable

7. Transfers by Merger, Conversion or Consolidation

Citation: G.S. 105-228.29(7)

Description: The tax does not apply if transfer is by merger, conversion or consolidation.

Enacting Legislation: S.L. 1967-986 - effective Jan. 1, 1968

FY25-26 Estimate (in \$millions): Unavailable

FY26-27 Estimate (in \$millions): Unavailable

Excise Tax on Conveyances

8. Transfers by Instrument Securing Debt

Citation: G.S. 105-228.29(8)

Description: The tax does not apply if transfer is by an instrument securing indebtedness.

Enacting Legislation: S.L. 1967-986 - effective Jan. 1, 1968

FY25-26 Estimate (in \$millions): Unavailable

FY26-27 Estimate (in \$millions): Unavailable

Excise Tax on Motor Fuels (Article 36C) and Alternative Fuels (Article 36D)

Tax Base Information

The tax base includes only fuel for vehicles licensed for highway use. Fuels sold for non-highway use are exempt from the Motor Fuels Tax but are subject to the Sales and Use Tax.

The tax rate on Alternative Fuels is set equivalent to the tax on motor fuels, as determined by the Secretary of Revenue.

Beginning Jan. 1, 2017, the tax rate is adjusted each year using a weighted average of the population growth rate and the growth rate of the energy consumer price index. In 2020 and 2021, the tax rate was 36.1¢ per gallon. (S.L. 2020-91, sec. 4.2 set the 2021 tax rate to be the greater of 36.1¢ per gallon and the tax rate obtained from the above calculation. Also, the derivation of the tax rate for 2022 used the 2021 tax rate obtained from the calculation.) In calendar year 2025, the tax rate was 40.3¢ per gallon.

In Fiscal Year 2024-25, approximately \$2.6 billion was collected from the motor fuels excise tax, net of refunds.

Tax Expenditures

1. Sales to the State for its Use

Citation: G.S. 105-449.88(3)

Description: Exemption for motor fuel sales to the State for its use.

Enacting Legislation: S.L. 1991-689

FY25-26 Estimate (in \$millions): 0.0

FY26-27 Estimate (in \$millions): 0.0

Data Source: Motor Fuels Tax Division, Department of Revenue

Note: The loss to the Highway Fund & Highway Trust Fund is approximately \$10 million per year, but there is no net effect on overall State funds.

2. Sales to Local Boards of Education

Citation: G.S. 105-449.88(4)

Description: Exemption for motor fuel sales to local boards of education.

Enacting Legislation: S.L. 1995-390; formerly, there was an exemption for gasoline used in public school transportation (S.L. 1941-119)

Excise Tax on Motor and Alternative Fuels

FY25-26 Estimate (in \$millions): 9.8

FY26-27 Estimate (in \$millions): 10.2

Data Source: Motor Fuels Tax Division, Department of Revenue

3. Sales to Charter Schools

Citation: G.S. 105-449.88(6)

Description: Exemption for motor fuels sales to charter schools.

Enacting Legislation: S.L. 2000-72 - effective Oct. 1, 2000

FY25-26 Estimate (in \$millions): 0.1

FY26-27 Estimate (in \$millions): 0.1

Data Source: Motor Fuels Tax Division, Department of Revenue

4. Sales to Community Colleges

Citation: G.S. 105-449.88(7)

Description: Exemption for motor fuel sales to community colleges.

Enacting Legislation: S.L. 2001-427 - effective Jan. 1, 2003

FY25-26 Estimate (in \$millions): 0.1

FY26-27 Estimate (in \$millions): 0.1

Data Source: Motor Fuels Tax Division, Department of Revenue

5. Sales to County or Municipal Corporation

Citation: G.S. 105-449.88(8)

Description: Exemption for motor fuel sales to county or municipal corporation.

Enacting Legislation: S.L. 2002-108 - effective Jan. 1, 2003; counties and municipal corporations were formerly allowed a refund of all but 1¢ per gallon (S.L. 1957-1226)

FY25-26 Estimate (in \$millions): 30.4

FY26-27 Estimate (in \$millions): 31.6

Data Source: Motor Fuels Tax Division, Department of Revenue

6. Biodiesel Used in the Producer's Vehicle

Citation: G.S. 105-449.88(9)

Description: Exemption for biodiesel that is produced by an individual for use in a private passenger vehicle registered in that individual's name.

Enacting Legislation: S.L. 2007-524 - effective Oct. 1, 2007

FY25-26 Estimate (in \$millions): Unavailable

FY26-27 Estimate (in \$millions): Unavailable

7. Sales to a Hospital Authority

Citation: G.S. 105-449.88(10)

Description: Exemption for motor fuel sold to a hospital authority created under G.S. 131E-17.

Enacting Legislation: S.L. 2016-5 - effective May 11, 2016

FY25-26 Estimate (in \$millions): Unavailable

FY26-27 Estimate (in \$millions): Unavailable

8. Sales to a Joint Agency for Fire, Police or Emergency Services

Citation: G.S. 105-449.88(11)

Description: Exemption for motor fuel sold to a joint agency created by interlocal agreement for the purposes of fire protection, police protection, or emergency services.

Enacting Legislation: S.L. 2018-39 - effective October 1, 2018

FY25-26 Estimate (in \$millions): Unavailable

FY26-27 Estimate (in \$millions): Unavailable

9. Discount for Timely Payment -- Licensed Distributors and Importers

Citation: G.S. 105-449.93(b)

Description: 1% discount to licensed distributor for timely payment.

Enacting Legislation: S.L. 1995-390 - effective Jan. 1, 1996; prior to this, distributors had been allowed a tare deduction for gasoline

FY25-26 Estimate (in \$millions): 25.4

FY26-27 Estimate (in \$millions): 26.2

Data Source: Motor Fuels Tax Division, Department of Revenue

10. Discount for Collection Expense -- Suppliers

Citation: G.S. 105-449.97(b)

Description: 0.1% discount to supplier for timely payment.

Enacting Legislation: S.L. 1995-390 - effective Jan. 1, 1996

FY25-26 Estimate (in \$millions): 1.0

FY26-27 Estimate (in \$millions): 1.0

Data Source: Motor Fuels Tax Division, Department of Revenue

11. Discount for Timely Filing and Payments -- Sales to Unlicensed Distributors or Bulk-End Users

Citation: G.S. 105-449.97(c)

Description: A supplier that sells motor fuel directly to an unlicensed distributor or to the bulk-end user, the retailer, or the user of the fuel may take the same percentage discount on the fuel that a licensed distributor may take under G.S. 105-449.93(b) when making deferred payments of tax to the supplier.

Enacting Legislation: S.L. 1995-390 - effective Jan. 1, 1996

FY25-26 Estimate (in \$millions): included in item #9

FY26-27 Estimate (in \$millions): included in item #9

12. Discount for Timely Filing and Payments -- Certain Returns of Importers

Citation: G.S. 105-449.99(b)

Description: An importer that imports motor fuel received from an elective supplier or a permissive supplier may deduct the percentage discount under G.S. 105-449.93(b) when remitting tax to the supplier, as trustee, for payment to the State.

Enacting Legislation: S.L. 1995-390 - effective Jan. 1, 1996

FY25-26 Estimate (in \$millions): included in item #9

FY26-27 Estimate (in \$millions): included in item #9

13. Damage to Conveyance

Citation: G.S. 105-449.105(b)

Description: Exemption for loss of fuel due to damage to a conveyance transporting the motor fuel, fire, a natural disaster, an act of war, or an accident.

Enacting Legislation: S.L. 1995-390 - effective Jan. 1, 1996

FY25-26 Estimate (in \$millions): less than 0.1

FY26-27 Estimate (in \$millions): less than 0.1

Data Source: Motor Fuels Tax Division, Department of Revenue

14. Accidentally Combining Fuels

Citation: G.S. 105-449.105(c)

Description: Refund for accidentally combining any of the following: (1) dyed diesel fuel with tax-paid motor fuel, (2) gasoline with diesel fuel, or (3) undyed diesel fuel with dyed kerosene.

Enacting Legislation: S.L. 1995-390 - effective Jan. 1, 1996

FY25-26 Estimate (in \$millions): less than 0.1

FY26-27 Estimate (in \$millions): less than 0.1

Data Source: Motor Fuels Tax Division, Department of Revenue

15. Hold Harmless Refunds to Distributors and Importers

Citation: G.S. 105-449.105B

Description: Refund to distributors and importers of the difference between the amount of discount under G.S. 105-449.93(b) for all motor fuel and the amount calculated by the following schedule for gasoline: 2% of the first 150,000 gallons purchased per month; 1.5% of the next 100,000 gallons; and 1% of the amount over 250,000 gallons.

Enacting Legislation: S.L. 1995-390 - effective Jan. 1, 1996

FY25-26 Estimate (in \$millions): 0.1

FY26-27 Estimate (in \$millions): 0.1

Data Source: Motor Fuels Tax Division, Department of Revenue

16. Refund for Nonprofit Transportation Services

Citation: G.S. 105-449.106(a)(2)

Description: Refund of tax less 1 cent per gallon for a private nonprofit organization that transports passengers under contract with or at the express designation of a unit of local government.

Enacting Legislation: S.L. 1977-1215 - effective July 1, 1978

FY25-26 Estimate (in \$millions): 0.2

Excise Tax on Motor and Alternative Fuels

FY26-27 Estimate (in \$millions): 0.2

Data Source: Motor Fuels Tax Division, Department of Revenue

17. Refund for Volunteer Fire Department

Citation: G.S. 105-449.106(a)(3)

Description: Refund of tax less 1 cent per gallon for a volunteer fire department.

Enacting Legislation: S.L. 1971-1160 - effective Oct. 1, 1971

FY25-26 Estimate (in \$millions): 0.4

FY26-27 Estimate (in \$millions): 0.4

Data Source: Motor Fuels Tax Division, Department of Revenue

18. Refund for Volunteer Rescue Squad

Citation: G.S. 105-449.106(a)(4)

Description: Refund of tax less 1 cent per gallon for a volunteer rescue squad.

Enacting Legislation: S.L. 1981-1246 - effective July 1, 1983

FY25-26 Estimate (in \$millions): 0.1

FY26-27 Estimate (in \$millions): 0.1

Data Source: Motor Fuels Tax Division, Department of Revenue

19. Refund for Sheltered Workshop

Citation: G.S. 105-449.106(a)(5)

Description: Refund of tax less 1 cent per gallon for a sheltered workshop recognized by the Department of Human Services.

Enacting Legislation: S.L. 1975-845 - effective July 1, 1975

FY25-26 Estimate (in \$millions): 0.1

FY26-27 Estimate (in \$millions): 0.1

Data Source: Motor Fuels Tax Division, Department of Revenue

20. Partial Refund for Power Takeoff Vehicles

Citation: G.S. 105-449.107(b)

Description: Annual refund of 33.3% of taxes for certain vehicles, less appropriate sales or privilege tax. The vehicles include concrete mixing vehicles; solid waste compacting vehicle; bulk feed vehicle that delivers feed to poultry or livestock and uses a power takeoff to unload the feed; a vehicle that delivers lime or fertilizer in bulk to farms and uses a power takeoff to unload the lime or fertilizer; a tank wagon that delivers alternative fuel or motor fuel or another type of liquid fuel into storage tanks and uses a power takeoff to make the delivery; or a commercial vehicle that delivers and spreads mulch, soils, composts, sand, sawdust, and similar materials and that uses a power takeoff to unload, blow and spread the materials; a septage removal vehicle; and a sweeper.

Enacting Legislation: S.L. 1979-801 - effective Jan. 1, 1980 for concrete mixers; S.L. 1983-1025 added solid waste compactors; S.L. 1985-656 added farm delivery vehicles; S.L. 1997-423 reduced the refund by the amount of sales or privilege tax that would be due on the fuel; S.L. 2001-408 added mulch-blowing equipment; S.L. 2005-377 added septage pumpers and sweepers

FY25-26 Estimate (in \$millions): 1.9

FY26-27 Estimate (in \$millions): 1.9

Data Source: Motor Fuels Tax Division, Department of Revenue

Appendix A: Federal Tax Expenditure Flow-Through Items

The taxable income amounts for North Carolina income taxes are derived in large part from federal rules defining what constitutes taxable income components. As such, most federal exemptions and exclusions “flow through” to State income taxes. The tables in this appendix provide estimates of the North Carolina FY25-26 and FY26-27 tax revenue loss for those federal flow-through provisions. For the individual income tax provision, only those provisions with an estimated impact over \$0.5 million for either fiscal year are presented.

North Carolina’s itemized deductions are based on federal itemized deduction provisions. However, these have been included in the main body of this report since there are specific provisions for each of these in North Carolina’s tax code.

As of the timing of this publication, North Carolina conforms to the Internal Revenue Code (I.R.C.) enacted as of Jan. 1, 2023, as shown in G.S. 105-228.90(b)(7). Therefore, the estimates in this section do not encompass several federal acts, such as the One Big Beautiful Bill Act (OBBBA) of July 2025, that would otherwise have a substantive impact on North Carolina’s flow-through tax expenditures.

North Carolina has decoupled from (or is not directly impacted by) the following federal provisions for recent years:

- Exclusion from income of the discharge of qualified principal residence indebtedness under I.R.C. Section 108 of the Code for tax years through 2025
- Exclusion from income for the employer payments of principal or interest on a taxpayer’s education loan through tax year 2025
- Exclusion from income for the discharge of a student loan under I.R.C. Section 108(f)(5) through tax year 2025
- Deduction for qualified tuition and related expenses
- 20% deduction for qualified business income
- Deferred gains reinvested into an Opportunity Fund under sec. 1400Z-2 of the Code

Several provisions from the OBBBA would have a significant impact on N.C. income tax revenues if conformity were changed to allow these to pass through to N.C. taxable income.

An important provision is the OBBBA section 70301, which will allow a full expensing option for domestic research and development costs beginning in 2025 (with retroactive treatment for certain businesses that incurred R&D expenses during between 2022 and 2024.) This is a change from the general 5-year amortization of R&D expenses, which is not considered to be a tax expenditure.

Another significant provision from the OBBBA is section 70307, which would provide a special depreciation allowance for qualified production property constructed between Jan. 20, 2025, and Dec. 31, 2028.

Estimates for national impacts on federal income taxes of provisions of the OBBBA are available from “Estimated Budgetary Effects of Public Law 119-21, to Provide for Reconciliation Pursuant to Title II of H. Con. Res. 14, Relative to CBO’s January 2025 Baseline,” Congressional Budget Office, July 21, 2025.

Table 4. Federal pass-through tax expenditures for the individual income tax

List Number	Individual Income Tax Expenditure Description	FY25-26 Estimate (\$Millions)	FY26-27 Estimate (\$Millions)
1	Net exclusion of contributions and earnings for defined contribution plans	1,292.4	1,513.4
2	Exclusion of employer contributions for health care, health insurance premiums, and long-term care insurance premiums	1,187.6	1,180.0
3	Net exclusion of contributions and earnings for defined benefit plans	774.6	820.5
4	Exclusion of capital gains at death (step-up basis)	465.5	479.3
5	Exclusion of untaxed Social Security and railroad retirement benefits	417.1	445.2
6	Exclusion of capital gains from sale of principal residences	385.9	408.4
7	Deduction for IRAs (traditional and Roth)	216.0	238.9
8	Exclusion of veterans' benefits (includes veteran's disability compensation, pensions, and readjustment benefits)	102.7	103.4
9	Medical care and Tricare insurance for military dependents and retirees	96.1	94.4
10	Exclusion of benefits and allowances to armed forces personnel (includes exemption for military disability benefits)	95.5	96.5
11	Exclusion of amounts received under life insurance contracts	90.4	92.0
12	Net exclusion of pension contributions and earnings for plans covering partners and sole proprietors ("Keogh" plans)	88.2	96.4
13	Health Savings Accounts	75.0	79.9
14	Deduction for health insurance premiums and long-term care insurance premiums for the self-employed	57.7	63.5
15	Treatment of meals and lodging (other than military)	54.5	53.4
16	Exclusion of miscellaneous fringe benefits	52.8	52.7
17	Exclusion of scholarship and fellowship income	49.4	51.8
18	Carryover basis of appreciated property transferred by gift	40.6	41.5
19	Deferral of gain on like-kind exchanges	37.9	35.3
20	Exclusion for employer paid accident and disability premiums	36.9	37.8

Appendix

List Number	Individual Income Tax Expenditure Description	FY25-26 Estimate (\$Millions)	FY26-27 Estimate (\$Millions)
21	Exclusion for employer-paid transportation benefits and employer-provided transit and vanpool benefits	33.6	33.5
22	Exclusion of workers' compensation benefits (disability and survivors payments)	32.7	34.8
23	Exclusion of earnings of qualified tuition programs (including prepaid tuition programs and savings account programs)	31.1	29.9
24	Depreciation of rental housing in excess of alternative depreciation system	29.8	28.4
25	Exclusion of workers' compensation benefits (medical benefits)	26.9	28.6
26	Exclusion for employer contributions for premiums on group long-term life insurance	23.3	23.9
27	Exclusion of gain for certain small business stock	22.5	22.9
28	Special treatment of employee stock ownership plans	21.3	22.0
29	Deduction for interest on student loans	15.7	16.3
30	Exclusion of income earned by voluntary employees' beneficiary associations	15.4	18.6
31	Cash accounting, other than agriculture	14.7	15.7
32	Exclusion of health insurance benefits for military retirees and retiree dependents enrolled in Medicare	14.2	15.2
33	Exclusion of combat pay	13.9	14.8
34	Exclusion of compensatory damages on account of personal physical injuries or physical sickness	10.5	10.1
35	Deferral of gain on non-dealer installment sales	10.5	10.8
36	Exclusion of employer-provided (on-site) gyms	10.0	10.1
37	Exclusion of certain allowances for federal employees abroad	9.4	9.2
38	Exclusion of cash public assistance benefits	9.2	9.3
39	Exclusion of employer-provided education assistance benefits	7.5	6.7
40	Exclusion of housing allowances for ministers	6.1	5.9
41	Exemption from imputed interest rules	6.0	6.6
42	Exclusion of employer-provided child care	6.0	6.6
43	Deferral of taxation on spread on acquisition of stock under incentive stock option rules	5.9	6.2

List Number	Individual Income Tax Expenditure Description	FY25-26 Estimate (\$Millions)	FY26-27 Estimate (\$Millions)
44	Depreciation of buildings other than rental housing in excess of alternative depreciation system	3.4	3.8
45	Exclusion of certain foster care payments	3.1	3.1
46	Deduction for expenditures on energy-efficient commercial building property	2.6	2.5
47	Exclusion of employee awards	2.5	2.4
48	Inventory methods of valuation, including last in first out, lower of cost or market, specific identification for homogeneous products	2.0	1.9
49	Exclusion for employer-provided education & tuition reduction benefits	1.9	1.9
50	Deduction for overnight expenses for National Guard and Reserve members	1.6	1.5
51	Deduction for teacher classroom expenses	1.5	1.5
52	Amortization of business start-up costs	1.0	1.4
53	Deferral of taxation on spread on employee stock purchase plans	1.0	1.0
54	Completed contract rules	0.9	1.0
55	Exclusion for employer-provided adoption assistance	0.7	0.7
56	Distributions in redemption of stock to pay various taxes imposed at death	0.5	0.5

Sources: *Estimates of Federal Tax Expenditures for Fiscal Years 2024-2028* (JCX-48-24), Joint Committee on Taxation, December 11, 2024. The reference tax law includes changes through November 1, 2024. Federal tax expenditures are also measured by *Tax Expenditures Fiscal Year 2026*, Office of Tax Analysis, US Department of the Treasury, November 27, 2024

These sources may differ on how a tax expenditure is defined. For example, the Office of Tax Analysis considers “exclusion of net imputed rental income” for owner-occupied housing as a tax expenditure, but the Joint Committee on Taxation does not. Generally, this table uses the estimates from the Joint Committee on Taxation.

Note: Descriptions of federal tax expenditures can be found in *Tax Expenditures: Compendium of Background Material on Individual Provisions*, Congressional Research Service, December 2024.

Table 5. Federal Pass-through tax expenditures for the corporate income tax

List Number	Corporate Income Tax Expenditure Description	FY25-26 Estimate (\$Millions)	FY26-27 Estimate (\$Millions)
1	Deferral of gain on non-dealer installment sales	15.6	15.3
2	Deferral of gain on like-kind exchanges	8.1	7.5
3	Special tax provisions for employee stock ownership plans	7.6	7.7
4	Special rules for IC-DISCs	7.1	6.6
5	Inventory methods and valuation, including last in first out, lower of cost or market, specific identification for homogeneous products	5.0	4.5
6	Completed contract rules	2.4	2.3
7	Cash accounting, other than agriculture	1.8	1.7
8	Depreciation of rental housing in excess of alternative depreciation system	1.8	1.4
9	Eliminate requirement that financial institutions allocate interest expense attributable to tax-exempt interest	1.5	1.4
10	Expensing of timber-growing costs	0.9	0.8
11	Depreciation of buildings other than rental housing in excess of alternative depreciation system	0.9	0.8
12	Amortization and expensing of reforestation expenses	0.3	0.3
13	Deduction for certain energy efficient commercial building property	0.3	0.3
14	Amortization of business start-up costs	0.1	0.1
15	Amortization of air pollution control facilities	0.1	0.1

Sources: *Estimates of Federal Tax Expenditures for Fiscal Years 2024-2028* (JCX-48-24), Joint Committee on Taxation, December 11, 2024. The reference tax law includes changes through November 1, 2024. Federal tax expenditures are also measured by *Tax Expenditures Fiscal Year 2026*, Office of Tax Analysis, US Department of the Treasury, November 27, 2024.

Note: Items are included in this table if the State impact is measured to be at least \$100,000. Items with negative amounts (meaning that the provision would increase tax revenues) are excluded.

Appendix B: Other Tax Exclusions and Exemptions

This section contains a list of additional provisions that are not included in the main body of the report's text because they are considered necessary for the ordinary functioning of the tax system.

Tobacco Tax

1. Sales to Distributors

Description: Manufacturers shipping cigarettes to other distributors are exempt.

Citation: G.S. 105-113.1

Reason for Excluding from Tax Expenditure List: Avoid Double Taxation

2. Out-of-State Shipments

Description: A distributor is exempt from tax if possession is for out-of-state shipments.

Citation: G.S. 105-113.9

Reason for Excluding from Tax Expenditure List: Not in Taxable Base

3. Out-of-State Sales

Description: Exemption for tobacco products sold outside the State.

Citation: G.S. 105-113.36A(d)(1) [formerly G.S. 105-113.35(a2)(1)]

Reason for Excluding from Tax Expenditure List: Not in Taxable Base

4. Sales to Federal Government

Description: Exemption for tobacco products sold to the federal government.

Citation: G.S. 105-113.36A(d)(2) [formerly G.S. 105-113.35(a2)(2)]

Reason for Excluding from Tax Expenditure List: Constitutional Restrictions

Alcoholic Beverage License and Excise Taxes

5. Sales to U.S. Armed Forces

Description: Exemption if beverage is sold to the U.S. Armed Forces.

Citation: G.S. 105-113.81(c)

Reason for Excluding from Tax Expenditure List: Constitutional Restrictions

6. Out-of-State Sales

Description: Exemption if beverage is sold outside the State.

Citation: G.S. 105-113.81(d)

Reason for Excluding from Tax Expenditure List: Not in Taxable Base

Franchise Tax

7. Insurance Companies

Description: Exemption for an insurance company subject to tax under Article 8B of this Chapter.

Citation: G.S. 105-125(a)(2)

Reason for Excluding from Tax Expenditure List: Avoid Double Taxation

8. Transfers of Debt

Description: For debtor corporations, a proportionate part of debt determined on the bases of the ratio of capital borrowed by a creditor corporation from a source other than a parent, subsidiary or affiliate to the total assets of the creditor corporation. For creditor corporations, the amount of any debt owed to it by a parent, subsidiary, or affiliated corporation to the extent that such debt has been included in the tax base of the parent, subsidiary, or affiliated debtor corporation reporting for taxation under the provisions of this section.

Citation: G.S. 105-122(b)

Reason for Excluding from Tax Expenditure List: Avoid Double Taxation

Corporation Income Tax

9. U.S. Obligation Interest

Description: Deductions for interest upon the obligations of the U.S. or its possessions, to the extent included in federal taxable income.

Citation: G.S. 105-130.5(b)(1)

Reason for Excluding from Tax Expenditure List: Intergovernmental Reciprocity

10. Payments Received from an Affiliated Company That Paid Tax on Payment

Description: Payment received from a parent, subsidiary or affiliated corporation in excess of fair compensation in inter-company transactions which in the determination of the net income or net loss of such corporation were not allowed as a deduction.

Citation: G.S. 105-130.5(b)(2)

Reason for Excluding from Tax Expenditure List: Avoid Double Taxation

11. Adjustment for Federal Tax Credits

Description: Deduction for business expenses when a federal tax credit was taken in lieu of a deduction.

Citation: G.S. 105-130.5(b)(11)

Reason for Excluding from Tax Expenditure List: Not in Taxable Base: In the Code, there are some activities that may receive either a tax credit or a deduction from taxable income, but not both. A taxpayer that chooses to take the credit may deduct the alternative allowable Federal deduction when calculating North Carolina taxable income. Many of these deductions are related to the federal Work Opportunity, Welfare-to-Work, and fuel tax credits.

12. Royalty Payments Taxed by Related Member

Description: Exemption for royalty payments received from a related member who added the payments to income.

Citation: G.S. 105-130.5(b)(20)

Reason for Excluding from Tax Expenditure List: Avoid Double Taxation

13. Discharge of Certain Indebtedness

Description: Section 108(i) of the Code allowed a business to cancel debt in 2009 and 2010, but defer paying taxes on the resultant income until a 5-year period beginning in 2014. NC decoupled from this provision. This deduction allows them to remove this amount from their NC taxable income in tax years 2014-2018.

Citation: G.S. 105-130.5(b)(25)

Reason for Excluding from Tax Expenditure List: Avoid Double Taxation

14. Exemption for Adding Back Paid Royalties to Taxable Income

Description: A taxpayer that pays royalties to a related member that does not include this income on a North Carolina income tax return must add these payments to their taxable income. However, the addback may be foregone if the recipient of the payment is organized under the laws of another country that has a tax treaty with the U.S. and the country imposes a tax on the royalty income of the recipient at a rate that is equal to or exceeds the State's corporate income tax rate.

Citation: G.S. 105-130.7A(c)(3)

Reason for Excluding from Tax Expenditure List: Constitutional Restrictions

15. Certain Charitable Organizations

Description: Exemption for cemetery corporations and corporations organized for religious, charitable, scientific, literary, or educational purposes, or for the prevention of cruelty to children or animals.

Citation: G.S. 105-130.11(a)(3)

Reason for Excluding from Tax Expenditure List: Not in Taxable Base - following the Joint Committee on Taxation's argument that the nonbusiness activities of charities predominate and unrelated business activities are subject to tax.

16. Nonprofit Business Associations

Description: Exemption for business leagues, chambers of commerce, merchants' associations or boards of trade not organized for profit.

Citation: G.S. 105-130.11(a)(4)

Reason for Excluding from Tax Expenditure List: Not in Taxable Base

17. Nonprofit Promoters of Social Welfare

Description: Exemption for civic leagues or organizations not organized for profit, but operated for the promotion of social welfare.

Citation: G.S. 105-130.11(a)(5)

Reason for Excluding from Tax Expenditure List: Not in Taxable Base

18. Nonprofit Agricultural Marketing Memberships

Description: Exemption for farmers', fruit growers' or like organization for the purposes of marketing member products.

Citation: G.S. 105-130.11(a)(8)

Reason for Excluding from Tax Expenditure List: Not in Taxable Base

19. Certain Agricultural Associations

Description: Exemption for mutual associations formed under G.S. 54-111 through 54-128 to conduct agricultural business on the mutual plan and marketing associations organized under GS 54-129 through 54-158.

Citation: G.S. 105-130.11(a)(9)

Reason for Excluding from Tax Expenditure List: Not in Taxable Base

20. Real Estate Mortgage Investment Conduits

Description: An entity that qualifies as a real estate mortgage investment conduit, per Section 860D of the Code is exempt.

Citation: G.S. 105-130.11(d)

Reason for Excluding from Tax Expenditure List: Avoid Double Taxation

21. Distributed Earnings of Regulated Investment Companies and Real Estate Investment Trusts

Description: A regulated investment company or real estate investment trust shall be taxed only on that part of its net income which is not distributed or declared for distribution to shareholders.

Citation: G.S. 105-130.12

Reason for Excluding from Tax Expenditure List: Avoid Double Taxation

22. S-Corporation Shareholders

Description: Credits shall be given to prevent double taxation of S-Corporation shareholders.

Citation: G.S. 105-131.8

Reason for Excluding from Tax Expenditure List: Avoid Double Taxation

Individual Income Tax

23. Right of Claim Itemized Deduction

Description: Deduction for repayment in the current year of an amount included in an earlier taxable year because it appeared that the taxpayer had an unrestricted right to such item.

Citation: G.S. 105-153.5(a)(2)d

Reason for Excluding from Tax Expenditure List: Avoid double taxation

24. U.S. Obligation Interest

Description: Deductions for interest upon the obligations of the U.S. or its possessions, to the extent included in federal taxable income.

Citation: G.S. 105-153.5(b)(1)

Reason for Excluding from Tax Expenditure List: Intergovernmental Reciprocity

- 25. Refunds of State, Local or Foreign Taxes in Federal AGI**
Description: Refunds of state, local, and foreign income taxes included in the taxpayer's federal adjusted gross income are exempt.
Citation: G.S. 105-153.5(b)(4)
Reason for Excluding from Tax Expenditure List: Avoid Double Taxation
- 26. Income from Federally-Recognized Indian Reservation**
Description: Exemption for income that is (1) earned or received by an enrolled member of a federally recognized Indian Tribe and (2) derived from activities on a federally recognized Indian reservation while the member resides on the reservation.
Citation: G.S. 105-153.5(b)(6)
Reason for Excluding from Tax Expenditure List: Constitutional Restrictions
- 27. Adjustment to the Basis of Property**
Description: Deduction for the amount by which the basis of property exceeds the basis of property under the Code, in the year the taxpayer disposes of the property.
Citation: G.S. 105-153.5(b)(7)
Reason for Excluding from Tax Expenditure List: The basis needs to be adjusted in order to apply the correct amount of taxation on capital gains and capital losses.
- 28. Discharge of Certain Indebtedness**
Description: Deduction for the amount added to federal taxable income under section 108(i)(1) of the Code.
Citation: G.S. 105-153.5(b)(10)
Reason for Excluding from Tax Expenditure List: Avoid Double Taxation.
- 29. Business-Related Deduction in Lieu of a Tax Credit**
Description: A taxpayer may deduct an ordinary and necessary business expense that was not deducted from federal income due to the taxpayer taking a federal tax credit.
Citation: G.S. 105-153.5(b)(11)
Reason for Excluding from Tax Expenditure List: Business expenses are deductible as a normal part of the income tax.
- 30. Income Taxes Paid to Other States**
Description: Individuals residing in North Carolina may receive a tax credit for income taxes paid to other states. The tax credit may not exceed the amount of income tax that would have been paid to North Carolina on the relevant income.
Citation: G.S. 105-105.153.9
Reason for Excluding from Tax Expenditure List: Avoid Double Taxation: The income has been taxed by another State

Sales and Use Tax

31. Instructional Seminars and Workshops

Description: Tuition, registration fees, or charges to attend instructional seminars, conferences, or workshops for educational purposes are excluded from sales tax on entertainment activities.

Citation: G.S. 105-164.4G(e)(2)

Effective Date: admissions sold on or after May 29, 2014 (S.L. 2014-3)

Reason for Excluding from Tax Expenditure List: Not in tax base

32. Political Contributions Related to an Entertainment Activity

Description: A political contribution is excluded from the sales tax on entertainment activities.

Citation: G.S. 105-164.4G(e)(3)

Effective Date: admissions sold on or after May 29, 2014 (S.L. 2014-3)

Reason for Excluding from Tax Expenditure List: Not in tax base

33. Transportation Related to an Amusement

Description: An amount paid solely for transportation is excluded from the sales tax on entertainment activities.

Citation: G.S. 105-164.4G(e)(5)

Effective Date: admissions sold on or after May 29, 2014 (S.L. 2014-3)

Reason for Excluding from Tax Expenditure List: Not in tax base

34. Farm Products Requiring Further Processing

Description: Exemption for sales of cotton, tobacco, peanuts or other farm products sold to manufacturers for further manufacturing or processing.

Citation: G.S. 105-164.13(4)

Reason for Excluding from Tax Expenditure List: Purchase of Intermediate Good

35. Manufactured Products Sold for Resale

Description: Exemption for sales of manufactured products produced and sold by manufacturers or producers to other manufacturers, producers, or registered retailers or wholesale merchants, for the purpose of resale.

Citation: G.S. 105-164.13(5)

Reason for Excluding from Tax Expenditure List: Purchase of Intermediate Good

36. Ingredients in Manufacturing Process

Description: Exemption for sales to a manufacturer of tangible personal property that enters into or becomes an ingredient or component part of tangible personal property that is manufactured.

Citation: G.S. 105-164.13(8)

Reason for Excluding from Tax Expenditure List: Purchase of Intermediate Good

37. Articles Repossessed by Vendor

Description: Exemption for sales of an article repossessed by the vendor if the tax was paid on the sales price of the article.

Citation: G.S. 105-164.13(16)

Reason for Excluding from Tax Expenditure List: Not in the Tax Base

38. Sales with Constitutional Protection

Description: Sales which a state would be without power to tax under the limitations of the Constitution or laws of the United States or under the Constitution of this State.

Citation: G.S. 105-164.13(17)

Reason for Excluding from Tax Expenditure List: Constitutional Restrictions

39. Items for Use on Ocean-Going Vessels

Description: Sales of fuel and other items for use or consumption by or on ocean-going vessels.

Citation: G.S. 105-164.13(24)

Reason for Excluding from Tax Expenditure List: Sales for Use Outside North Carolina

40. Sales on Cherokee Indian Reservation

Description: Exemption for sales by merchants on the Cherokee Indian Reservation.

Citation: G.S. 105-164.13(25)

Reason for Excluding from Tax Expenditure List: Constitutional Restrictions

41. Articles Purchased for Export to a Foreign Country

Description: Exemption for tangible property purchased solely for the purpose of export to a foreign country for exclusive use or consumption in that or some other foreign country.

Citation: G.S. 105-164.13(33)

Reason for Excluding from Tax Expenditure List: Sales for Use Outside North Carolina

42. Purchases Delivered Outside N.C.

Description: Exemption for tangible property sold by a retailer to purchasers within or without this State, when the property is delivered in this State to a common carrier or to the United States Postal Service for delivery to the purchaser or the purchaser's designees outside this State and the purchaser does not subsequently use the property in this State.

Citation: G.S. 105-164.13(33a)

Reason for Excluding from Tax Expenditure List: Sales for Use Outside North Carolina

43. Food Stamp Purchases

Description: Exemption for food and other items lawfully purchased under the Food Stamp Program or WIC.

Citation: G.S. 105-164.13(38)

Reason for Excluding from Tax Expenditure List: Federal law prohibits state or local taxation.

44. Deposit on Returnable Beverage Container

Description: Exemption for an amount charged as a deposit on a beverage container that is returnable to the vendor for reuse when the amount is refundable or creditable to the vendee.

Citation: G.S. 105-164.13(47)

Reason for Excluding from Tax Expenditure List: Not a Final Sale

45. Deposit on Returnable Replacement Part

Description: Exemption for an amount charged as a deposit on an aeronautic, automotive, industrial, marine or farm replacement part that is returnable to the vendor for rebuilding or remanufacturing when the amount is refundable or creditable to the vendee. This exemption does not include tires or batteries.

Citation: G.S. 105-164.13(48)

Reason for Excluding from Tax Expenditure List: Not a Final Sale

46. Resold Telecommunications Services

Description: Telecommunications service that is a component part of or is integrated into a telecommunications service that is resold.

Citation: G.S. 105-164.13(54)a

Reason for Excluding from Tax Expenditure List: Not a Final Sale

47. Repair, Maintenance and Installation Services Purchased for Resale

Description: Exemption for repair, maintenance and installation services purchased for resale. (Enacting Legislation: S.L. 2015-241)

Citation: G.S. 105-164.13(61b)

Reason for Excluding from Tax Expenditure List: Not a Final Sale

48. Food, Prepared Food and Related Items Covered under a Prepaid Meal Plan

Description: Exemption for food and prepared food to be provided to a person entitled to the food under a prepaid meal plan subject to tax under G.S. 105-164.4(a)(12). (Enacting Legislation: S.L. 2014-3)

Citation: G.S. 105-164.13(63)

Reason for Excluding from Tax Expenditure List: Avoid Double Taxation

Highway Use Tax

49. Salvage Vehicles

Description: Full exemption when a certificate of title is issued to the insurer of the motor vehicle because the vehicle is a salvage vehicle.

Citation: G.S. 105-187.6(a)(1)

Reason for Excluding from Tax Expenditure List: Not a Final Sale

50. Resale of Automobile by Manufacturer or Retailer

Description: Full exemption when a certificate of title is issued to either a manufacturer or a motor vehicle retailer for the purpose of resale.

Citation: G.S. 105-187.6(a)(2)

Reason for Excluding from Tax Expenditure List: Not a Final Sale

51. Correction in Owner's Name on Title

Description: Full exemption when a certificate of title is issued to the same owner to reflect a change or correction in the owner's name.

Citation: G.S. 105-187.6(a)(3)

Reason for Excluding from Tax Expenditure List: Avoid Double Taxation

52. Removal of a Co-Owner's Name from Title

Description: Full exemption when a certificate of title is issued to one or more of the same co-owners to reflect the removal of one or more other co-owners.

Citation: G.S. 105-187.6(a)(3a)

Reason for Excluding from Tax Expenditure List: Avoid Double Taxation

53. Change in Title Due to Marital Separation or Divorce

Description: Full exemption when a certificate of title is issued by a distribution of marital or divisible property incident to a marital separation or divorce.

Citation: G.S. 105-187.6(a)(6)

Reason for Excluding from Tax Expenditure List: Avoid Double Taxation

54. Transfer of Government-Operated Vehicle Through a State Agency

Description: Full exemption for sale to a State agency from a unit of local government, volunteer fire department, or volunteer rescue squad to enable the State agency to transfer the vehicle to another unit of local government, volunteer fire department, or volunteer rescue squad.

Citation: G.S. 105-187.6(a)(10)

Reason for Excluding from Tax Expenditure List: Not a Final Sale

55. Vehicle Donations to Charities Solely for Resale

Description: Full exemption when a certificate of title is issued as the result of a transfer of a vehicle to a charitable 501(c)(3) organization, where the vehicle was donated solely for purposes of resale.

Citation: G.S. 105-187.6(a)(12)

Enacting Legislation: S.L. 2018-43 - effective June 22, 2018

Reason for Excluding from Tax Expenditure List: Not a Final Sale

Gross Premiums Tax on Insurance Companies

56. Premiums from Federal Employees Health Benefits Plan and Medicare or Medicaid

Description: Excludes premiums to the extent prohibited by federal law from Federal Employees Health Benefits Plan and Medicare or Medicaid.

Citation: G.S. 105-228.5(c)(4)

Reason for Excluding from Tax Expenditure List: Constitutional Restrictions

Excise Tax on Motor Fuels and Alternative Fuels

57. Sales for Out-of-State Use

Description: The excise tax on motor fuel does not apply to motor fuel removed from a terminal for export if the motor fuel is removed by a licensed distributor or a licensed exporter and the supplier of the motor fuel collects tax on it at the rate of the motor fuel's destination state.

Citation: G.S. 105-449.88(1)

Reason for Excluding from Tax Expenditure List: Sale for Use Outside North Carolina

58. Sales to Out-of-State Suppliers

Description: The tax does not apply to motor fuel removed by transport truck from a terminal for export if the motor fuel is removed by a licensed distributor or licensed exporter, the supplier that is the position holder for the motor fuel sells the motor fuel to another supplier as the motor fuel crosses the terminal rack, the purchasing supplier or its customer receives the motor fuel at the terminal rack for export, and the supplier that is the position holder collects the tax on the motor fuel at the rate of the motor fuel's destination state.

Citation: G.S. 105-449.88(1a)

Reason for Excluding from Tax Expenditure List: Sale for Use Outside North Carolina

59. Sales to the Federal Government

Description: The tax does not apply to motor fuel sold to the federal government for its use.

Citation: G.S. 105-449.88(2)

Reason for Excluding from Tax Expenditure List: Constitutional Restrictions

60. Diesel Sold to an Airport

Description: Exemption for sales of diesel that is kerosene and sold to an airport.

Citation: G.S. 105-449.88(5)

Reason for Excluding from Tax Expenditure List: Not in Taxable Base

61. Refunds for Sale to Exempt Entity

Description: An entity whose use of motor fuel is exempt from tax may obtain a refund of any motor fuel excise tax the entity pays. The person who sells the fuel to the exempt entity is also allowed to obtain a refund of any taxes paid on the fuel.

Citation: G.S. 105-449.105(a)

Reason for Excluding from Tax Expenditure List: Not in Taxable Base

62. Sale of Kerosene for Uses Not Related to Motor Vehicles

Description: A distributor who sells kerosene may obtain a refund for the excise tax paid on the kerosene if the distributor dispenses the kerosene into a storage facility for use in: (1) heating, (2) drying crops, (3) a manufacturing process. The storage facility must be installed in a manner that makes use of the fuel for any other purpose improbable.

Citation: G.S. 105-449.105A

Reason for Excluding from Tax Expenditure List: Not in Taxable Base

63. Motor Fuel for Off-Highway Equipment

Description: Quarterly refunds of the estimated entire tax to a person who purchases and uses motor fuel to operate special mobile equipment off-highway. (Special mobile equipment is a vehicle that has a permanently attached crane, mill, ditch-digging apparatus, or similar attachment. It is not designed or used primarily for the transportation of persons or property.)

Citation: G.S. 105-449.106(c)

Reason for Excluding from Tax Expenditure List: Not in Taxable Base

64. Sale of Motor Fuel for Uses Not Related to Highway Vehicle

Description: Refund for purchases and uses of motor fuel for a purpose other than to operate a licensed highway vehicle.

Citation: G.S. 105-449.107(a)

Reason for Excluding from Tax Expenditure List: Not in Taxable Base

65. Sales to Cherokee Indian Reservation

Description: Refund for motor fuels and special fuels taxes to the Cherokee Indians on behalf of its members who reside on or engage in otherwise taxable transactions within Cherokee trust lands.

Citation: G.S. 105-449.114

Reason for Excluding from Tax Expenditure List: Constitutional Restrictions

End of Report