Finance

See full summary documents for additional detail

Various Clarifying Changes to the Conservation Tax Credit – House Budget Technical Corrections.

SL 2025-4 (H74), Sec. 9.1

Section 9.1 of S.L. 2025-4 (House Bill 74) makes various stylistic and technical changes to the conservation tax credit as well as the following substantive changes:

- Expands the type of real property interest that may be donated to be eligible for the credit to match the federal definition for a qualified real property interest, which includes an easement.
- Provides a detailed proration formula for reducing the amount of credit to which a taxpayer is entitled when the applications for a credit exceed the maximum overall amount or the maximum amount that is prioritized for forestland or farmland conservation.
- Aligns the "no double benefit" provision in the individual income statute with its corporate counterpart.
- Allows an allocated, but unused, credit to be transferred by will or through intestate succession.

This section is effective for taxable years beginning on or after January 1, 2025, for donations made on or after January 1, 2025, and expires for taxable years beginning on or after January 1, 2027, for donations made on or after January 1, 2027.

2025 State Investment Modernization Act.

SL 2025-6 (H506)

S.L. 2025-6 (House Bill 506) does the following:

- Reorganizes laws concerning the State Treasurer.
- Creates the North Carolina Investment Authority (Investment Authority) as a State agency within the Department of State Treasurer, independent of any fiscal control exercised by the Director of Budget, the Department of Administration, and the Department of State Treasurer, and outlines the powers and duties of the Investment Authority.
- Establishes a Board of Directors to govern the Investment Authority and describes the powers and duties of the Board.
- Clarifies that rules, codes of ethics, policies and procedures adopted by the State Treasurer in effect on June 30, 2025, that are impacted by the provisions pertaining to the creation of the North Carolina Investment Authority Act must remain in authority until repealed or amended by law or the Investment Authority.

- Allows funds appropriated and available to the Department of State Treasurer to be used to pay expenses of the Investment Authority until the Investment Authority begins to manage investments on January 1, 2026.
- Adds the Investment Authority as an entity to advise the Governor and Council of State with investments.
- Requires the Investment Authority to invest the excess cash of the General Fund, the Highway Fund, the Highway Trust Fund, and special funds held by the State Treasurer.
- Removes the public procurement process to select a third-party professional investment management firm and authorizes the Investment Authority to select the third-party professional investment firm to invest the assets of the Escheat Fund.
- Allows the Investment Authority to charge administrative fees for the operation of investment programs.
- Requires the Investment Authority's designated attorneys to review all proposed investment contracts and all proposed contracts for investment-related services and confirm that the contracts meet specified criteria.
- Permits the Supplemental Retirement Board of Trustees to request support or assistance from the Investment Authority.
- Amends the laws governing reports and audits of the State Treasurer by transferring authority from the State Treasurer to the Investment Authority and requiring the Investment Authority to report monthly on the performance of all investments.
- Requires the Board of Directors to ensure a portion of the Retirement Systems' invested assets are always available to be converted to cash proceeds sufficient to meet projected net benefit payments and highly probable contractual obligations.
- Directs the Chief Investment Officer to manage the Retirement Systems' investments to remain within the approved risk operating range set by the Board of Directors.
- Clarifies that rules adopted by the State Treasurer in effect as of December 31, 2025, that are impacted by the provisions pertaining to the duties and start date of the Investment Authority must remain in effect until repealed or amended by law or the Investment Authority, and makes further technical and conforming changes.

The provisions pertaining to the creation of the North Carolina Investment Authority became effective July 1, 2025. The provisions pertaining to the duties and start date of the Investment Authority become effective January 1, 2026. Certain technical and conforming changes have various effective dates. Except as otherwise provided, this act became effective June 13, 2025.

Define Armed Forces/Religious Property Tax Exclusion.

SL 2025-20 (H91)

S.L. 2025-20 (House Bill 91) does the following:

- Amends references to the United States Armed Forces in the General Statutes by including the newly established United States Space Force.
- Authorizes the governing board of a local unit to release any unpaid property taxes levied on property owned by a religious entity during the previous five calendar years, if the entity submits an application and the property qualifies for relief.

This act became effective June 26, 2025.

The P.A.V.E. Act.

SL 2025-39 (H948)

S.L. 2025-39 (House Bill 948):

- Amends laws that relate to Mecklenburg County sales tax for public transportation, which include the incorporation of a metropolitan public transportation authority authorized by this act.
- Amends laws that relate to Mecklenburg County U-Drive-It Tax to include a metropolitan public transportation authority authorized by this act.
- Authorizes Mecklenburg County to levy an additional sales and use tax, under the enacted Mecklenburg County Roadway Systems and Public Transportation Systems Sales Tax Act, and outlines use criteria, for roadway systems and public transportation systems.
    - Mecklenburg County must distribute forty percent (40%) of the net proceeds to eligible municipalities which include the City of Charlotte and the Towns of Cornelius, Davidson, Huntersville, Matthews, Mint Hill, and Pineville.
    - Mecklenburg County must distribute sixty percent (60%) of the net proceeds of the tax to a metropolitan public transportation authority authorized by this act.
- Authorizes the creation of a Metropolitan Public Transportation Authority, in areas that, at the time of creation of the authority, meet all of the following criteria:
    - The area consists of a single county that has a population greater than one million.
    - The county borders another state.
    - The county includes at least one unit of local government that operates a light rail system.
- Imposes additional requirements for establishment of a Metropolitan Public Transportation Authority by Mecklenburg County.
- Authorizes the utilization of sales and use tax and other taxes received by a municipality in connection with revenue bond projects, and to finance and refinance public transportation facilities with bonds or notes, in cities meeting certain criteria or metropolitan public transportation authorities.
- Prohibits the North Carolina Department of Transportation from:
    - Reducing funding for any transportation projects as a result of this act without authorization from the General Assembly.
    - Revising highway project selection ratings as provided in North Carolina Strategic Transportation Investments law based on local funding participation by the City of

Charlotte, the Town of Cornelius, the Town of Davidson, the Town of Huntersville, the Town of Matthews, the Town of Mint Hill, or the Town of Pineville.

- Authorizes the State Auditor to conduct audits of a local government or metropolitan public transportation authority in its utilization of net proceeds distributed by the Secretary of Revenue pursuant to the Mecklenburg County Roadway Systems and Public Transportation Systems Sales Tax Act to the extent that a local government or metropolitan public transportation authority uses those net proceeds for local funding shares or local funding contributions for any individual projects which are subject to prioritization pursuant to North Carolina Strategic Transportation Investments law.

Modifications to distribution of tax proceeds and U-Drive-It taxes become effective if Mecklenburg County levies a roadway systems and public transportation systems sales tax as authorized by this act on the date the tax becomes effective. The remainder of this act became effective July 1, 2025.

Modernize NC S.A.F.E. Act/Second Mortgage Fee Act.

SL 2025-43 (H762)

S.L. 2025-43 (House Bill 762) does the following:

Modernization of the North Carolina Secure and Fair Enforcement Mortgage Licensing Act (S.A.F.E. Act) – The act reorganizes the Article, makes technical corrections, adds new language to create efficiencies, and harmonizes servicing provisions with federal program requirements. Specifically, the changes include:

- Creating a Part 1 titled "Application, Licensing, Examination, and Enforcement" comprising the existing sections in Article 19B and creating a Part 2 titled "Prudential Standards for Mortgage Servicers," which strengthens the nonbank mortgage servicing supervision framework for which compliance is required to service Fannie Mae and Freddie Mac loans.
- Removing provisions for the transitional licensing of mortgage loan originators and adding provisions to recognize temporary authority, which are changes to conform to federal law.
- Requiring at least three years of residential mortgage lending or servicing experience to be a "qualifying individual" who operates the business under the supervision and control of a mortgage broker, mortgage lender, or mortgage servicer.
- Requiring registration for a mortgage origination support specialist.
- Removing State and federally chartered credit unions that have filed a notice of exemption from the list of exemptions from this Act.
- Providing a list of additional exemptions from the S.A.F.E. Act, which include:
    - A person who receives three of fewer residential mortgage loans as security for purchase money obligations in one calendar year.
    - An estate or trust that receives no more than one residential mortgage loan as security for a purchase money obligation in one calendar year.

    - Any agency of the federal government or any state, local, or municipal government, or their subsidiaries, making or servicing residential mortgage loans.
    - Any bona fide nonprofit that makes or services residential mortgage loans to promote home ownership for improvements for disadvantaged homeowners, upon filing a notice of exemption with the Commissioner of Banks (Commissioner), so long as soliciting, brokering, making, or servicing residential mortgage loans is not their primary business.
    - A trust acting in a fiduciary capacity, upon filing a notice of exemption with the Commissioner.
    - A trustee of a trust, created under the laws of this State or the United States, that makes a residential mortgage loan to a qualified beneficiary of the trust or immediate family member, upon filing a notice of exemption with the Commissioner.
- Requiring branch offices of mortgage lenders and brokers to be in the United States and requiring applicants for licensure to have a principal office located in the United States.
- Substituting branch office registration for licensing and eliminating the branch license and associated fees.
- Modernizing mortgage loan origination testing and education provisions to align with national standards.
- Requiring mortgage lenders, brokers, servicers, or registrants to notify the Commissioner where required records will be stored.
- Removing the requirement for each mortgage broker and lender to display its certificate of licensure in public view at the principal and branch offices.
- Making the Commissioner's participation in NMLS discretionary and allowing the Commissioner to determine whether all persons must be licensed or registered through NMLS.
- Creating emergency powers for the Commissioner to waive regulatory requirements on a temporary basis in the event of a natural disaster or other national, regional, State, or local emergency.

Mortgage Fee Alignment – The act provides that the 2% limitation on lender fees and discounts provided by a lender do not apply to a loan secured by a second or junior lien on real property if the total points and fees charged to a borrower by all lenders related to that loan do not exceed the lesser of:

- Amounts specified under federal law.
- 3% of the total loan amount.

The provisions of the act pertaining to mortgage fee alignment became effective July 1, 2025, and applies to loans made on or after that date. The provisions of the act pertaining to the S.A.F.E. Act became effective October 1, 2025.

Protect Certain Tax-Advantaged Accounts – Various Education Law/Tax Accounts/Name, Image, and Likeness Changes.

SL 2025-46 (H378), Part VI

Part VI of S.L. 2025-46 (House Bill 378) exempts the following funds from liens, attachment, garnishment, levy, seizure, any involuntary sale or assignment by operation or execution of law, or the enforcement of any other judgment or claim to pay any debt or liability of any account owner, beneficiary, or contributor to the account:

- Funds located in a 529 Plan or withdrawn from a 529 Plan and used for purposes permitted by section 529 of the Internal Revenue Code. This section's increased protections replace previous exemptions from creditors for 529 Plans.
- Funds located in an ABLE account or withdrawn from the account and used for purposes permitted under section 529A of the Internal Revenue Code.

The protections provided under this Part do not apply to the following:

- Any state claims, following the death of the ABLE account owner, to reimburse the state's Medicaid program for benefits received by the participant after the establishment of the ABLE account.
- Funds that were not used for a qualifying purpose under federal law.
- Funds deposited into a qualifying 529 Plan or ABLE account as a result of fraud, intentional wrongdoing, or other violation of law.

Part VI became effective September 1, 2025, and applies to actions filed on or after that date.

Authorization for Name, Image, and Likeness Agency Contracts – Various Education Law/Tax Accounts/Name, Image, and Likeness Changes.

SL 2025-46 (H378), Part VII

Part VII of S.L. 2025-46 (House Bill 378) modifies the Uniform Athlete Agents Act to allow student-athletes to use registered agents for the purpose of representation in name, image, and likeness contracts (NIL contracts).

NIL contracts are defined as contracts between the student-athlete and another entity where the student-athlete receives consideration in exchange for use of the student-athlete's name, image, or likeness. The Part authorizes a student-athlete to enter into a contract, called an NIL agency contract, with a registered athlete agent to negotiate NIL contracts. Those contracts must contain a warning to student-athletes that an NIL contract conflicting with law or institutional policies could have negative consequences. The NIL agency contract can be cancelled by the student within 14 days. These contracts are distinguished from professional sports services agency contacts, where an athlete entering into an agreement to negotiate a professional sports contract would lead to the loss of amateur status.

This Part also prohibits athlete agents who currently or within the prior two years have been in an employment or contractual relationship with an educational institution from entering into NIL agency contracts with student-athletes enrolled in that educational institution. Additionally, any NIL agency contract with an athlete agent who has such a connection to an educational institution is void if the student-athlete subsequently enrolls in that educational institution.

Part VII became effective July 1, 2025, and applies to NIL agency contracts entered into on or after that date.

Brownfields Property Reuse Act Revisions.

SL 2025-53 (S387)

S.L. 2025-53 (Senate Bill 387) makes changes to the property tax benefit for and the fees that apply to brownfields property.

With respect to the property tax benefit, the act provides that subsequent improvements to the original "footprint" of the property are subject to a separate five-year exclusionary period once the improvements are completed and as long as the property is the subject of a brownfields agreement, which is consistent with a prior Department of Revenue administrative interpretation. It also extends the property tax exclusion to improvements made after the Department of Environmental Quality (DEQ) provides written confirmation that the property is eligible for a brownfields agreement as long as the property ultimately becomes subject to a completed agreement. This modification is intended to allow improvements for which development began prior to the execution of the agreement to qualify once they are completed. These property tax changes are effective for taxes imposed for taxable years beginning on or after July 1, 2025.

With respect to fees charged to property owners by DEQ, the act:

- Makes various changes to the process and timing of payment of the fees established under current law.
- Allows DEQ to recover the unanticipated costs of implementation and monitoring of a brownfields agreement.
- Establishes a new fee applicable to an owner who is out of compliance with the statutory requirements regarding the Notice of Brownfields Property, which would be payable to DEQ and the Department of Justice in an amount sufficient to cover the costs to the State to enforce or otherwise seek to correct the noncompliance.

These fee modifications became effective July 2, 2025.

Allow Resident Taxpayers to Enroll in the Organ and Tissue Donation Program via their Income Tax Return – Improve Health and Human Services.

SL 2025-60 (S600), Part II

Part II of S.L. 2025-60 (Senate Bill 600) does the following:

- Allows a resident taxpayer or spouse to elect to become an organ and tissue donor through a fillable check box within the organ and tissue donation section of the income tax return. The section explains that the resident taxpayer is not required to record a response to file an income tax return, pay taxes, or receive a refund.
- Authorizes the Secretary of the Department of Revenue to request any information necessary within this section of the income tax return to facilitate a resident taxpayer's or spouse's election as an organ and tissue donor.
- Allows the Department of Revenue to furnish the information of an individual who has elected to become an organ and tissue donor to (i) the Division of Motor Vehicles, Department of Transportation, (ii) any procurement organization, and (iii) any organization responsible for maintaining a list of individuals who have authorized an anatomical gift.
- Adds the election on an income tax return to the methods of making a valid anatomical gift within the Revised Anatomical Gift Act (Act). The election is valid upon the filing of the return and remains valid until revoked by the donor in a manner prescribed by the Act.

This part becomes effective January 1, 2027, and applies to tax returns for taxable years beginning on or after January 1, 2027.

County Waste Management Assistance.

SL 2025-66 (S706)

S.L. 2025-66 (Senate Bill 706) does the following:

- Requires that 30% of the net proceeds of the scrap tire disposal tax be credited to the Scrap Tire Disposal Account (Account) and that excess funds must be credited to the Highway Fund if the amount in the Account exceeds $300,000 at the end of a fiscal year.
- Reenacts the Account as it existed immediately before its repeal and locates the Account within the Department of Environmental Quality (DEQ). DEQ can use funds in the Account as follows:
    - 75% of the revenue for grants to units of local government to assist them in disposing of scrap tires.
    - 15% of the revenue for grants to encourage the use of processed scrap tire materials. The grants can be made to encourage the use of tire-derived fuel, crumb rubber, carbon black, or other components of tires for use in products such as fuel, tires, mats, auto parts, gaskets, flooring material, or other applications of processed tire materials.

    - Up to $175,000 for administrative costs and to support a DEQ position to implement the requirements of the scrap tire program.
    - The remaining revenue to fund the clean up of illegal scrap tire collection sites that DEQ has determined are nuisances.
- Removes the deadline for DEQ's report to the Environmental Review Commission (ERC) on the implementation of the North Carolina Scrap Tire Disposal Act.
- Requires DEQ to include in its annual report to the ERC and the Fiscal Research Division the beginning and ending balances of the Account for the reporting period and the amount credited to the Account during the reporting period.
- Provides that local governments that do not comply with requirements to (i) make a good faith effort to achieve the States' 40% municipal solid waste reduction goal and comply with the State's comprehensive solid waste plan, (ii) annually report on solid waste management programs and waste reduction activities within the unit of local government, and (iii) establish and maintain a solid waste reduction program are not eligible for grants from the Account and cannot receive the proceeds of the scrap tire disposal tax or white goods disposal tax. The proceeds of the taxes withheld from units of local government must be credited to the Highway Fund.
- Limits the use of the tax on new tires to the disposal of scrap tires.

The act became effective October 1, 2025, and applies to quarterly crediting of the proceeds of the scrap tire disposal tax occurring on or after that date.

Department of Revenue Authorization to Force Collect Debts – Clarify Powers of State Auditor.

SL 2025-83 (H549), Part III

Part III of S.L. 2025-83 (House Bill 549) authorizes the Department of Revenue to collect certain debts owed to State agencies that are uncovered through an audit by the Office of the State Auditor and are the result of fraud, misrepresentation, or other deceptive acts or practices by a private person or entity while doing business with a State agency through a new "forced collection" process. The forced collection process authorized by Part III of the act is in addition to the current debt setoff process allowing tax refunds to be applied to the debt and other remedies available by law. A debt subject to forced collection may be recovered through levy and sale or attachment and garnishment in the same manner as a debt for nonpayment of taxes. A debtor is allowed to contest the validity of the debt by filing a notice of hearing with the Auditor. A debtor is allowed to appeal to the General Court of Justice a final decision made after an administrative hearing with the Auditor.

This bill was vetoed by the Governor on July 2, 2025, and that veto was overridden by the General Assembly on July 29, 2025. This Part becomes effective December 1, 2025.

Gross Premium Tax Offset Changes – Continuing Budget Operations.

SL 2025-89 (H125), Sec. 2B.12

Section 2B.12 of S.L. 2025-89 (House Bill 125) requires the gross premiums tax revenue amounts that are used to pay for the State share of costs of NC Health Works Medicaid coverage to be transferred from the Department of Revenue to a Special Fund in the Department of Health and Human Services rather than to the General Fund. The section also makes conforming changes necessary for implementation of this change.

The conforming change to the hospital assessment statutes is effective on the first day of the next assessment quarter after this act becomes law and applies to assessments imposed on or after that date. The remainder of this section became effective July 1, 2025.

Expand Definition of Local Agency to Include Public Works Authority for the Purposes of the Setoff Debt Collection Act – Regulatory Reform Act of 2025.

SL 2025-94 (H926), Sec. 28

Section 28 of S.L. 2025-94 (House Bill 926) expands the definition of "local agency" to include a "public works authority or public utilities commission created pursuant to a local act of the General Assembly" for the purposes of qualifying for the Setoff Debt Collection Act.

This section became effective October 6, 2025.