

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1997

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SENATE BILL 1226
Finance Committee Substitute Adopted 6/11/98

Short Title: Revenue Laws Technical Changes.

(Public)

Sponsors:

Referred to:

May 21, 1998

1 A BILL TO BE ENTITLED
2 AN ACT TO MAKE TECHNICAL AND CONFORMING CHANGES TO THE
3 REVENUE LAWS AND RELATED STATUTES.
4 The General Assembly of North Carolina enacts:

5
6 PART I. GENERAL TECHNICAL CHANGES.

7 Section 1(a). Article 8D of Chapter 105 of the General Statutes is repealed.

8 Section 1(b). G.S. 105-130.11(a)(2) reads as rewritten:

9 "(2) ~~Building and loan associations and savings and loan associations subject to~~
10 ~~tax under Article 8D of this Chapter; cooperative~~ Cooperative banks
11 without capital stock organized and operated for mutual purposes and
12 without profit; and electric and telephone membership corporations
13 organized under Chapter 117 of the General Statutes."

14 Section 1(c). G.S. 105-130.5(c) is amended by adding a new subdivision to
15 read:

16 "(5) A savings and loan association may deduct interest earned on deposits at
17 the Federal Home Loan Bank of Atlanta, or its successor, to the extent
18 included in federal taxable income."

19 Section 1(d). G.S. 105-228.24A is recodified as G.S. 105-130.43.

1 Section 1(e). G.S. 105-130.43, as recodified by this section, reads as rewritten:
2 "**§ 105-130.43. ~~Income tax credit for~~ Credit for savings and loan supervisory fees.**

3 Every savings and loan association is allowed a credit against the ~~income tax imposed~~
4 ~~on it under Article 4 of this Chapter tax imposed by this Part~~ for a taxable year equal to the
5 amount of supervisory fees, paid by the association during the taxable year, that were
6 assessed by the Administrator of the Savings Institutions Division of the Department of
7 Commerce for the State fiscal year beginning ~~on or~~ during that taxable year. This credit
8 may not exceed the amount of ~~income tax payable by the association imposed by this Part~~
9 for the taxable year for which the credit is claimed, year, reduced by the sum of all ~~income~~
10 ~~tax credits~~ allowed against the tax, except tax payments made by or on behalf of the
11 association. ~~The supervisory fees shall not be an allowable deduction in determining taxable~~
12 ~~income for any association claiming the credit allowed under this section. taxpayer. A~~
13 taxpayer that claims the credit allowed under this section may not deduct the supervisory
14 fees in determining taxable income."

15 Section 1 (f). G.S. 105-83(d) reads as rewritten:

16 "(d) This section does not apply to corporations liable for the tax levied under G.S.
17 ~~105-102.3. 105-102.3~~ or to savings and loan associations."

18 Section 1(g). G.S. 105-88(b) reads as rewritten:

19 "(b) ~~Nothing in this section shall be construed to~~ This section does not apply to banks,
20 industrial banks, trust companies, ~~building savings~~ and loan associations, ~~or~~ cooperative
21 credit unions, ~~nor shall it apply to~~ the business of negotiating loans on real estate as
22 described in G.S. 105-41, ~~nor to~~ pawnbrokers lending or advancing money on specific
23 articles of personal property, ~~nor to or~~ insurance premium finance companies licensed
24 under Article 35 of Chapter 58 of the General Statutes. ~~It shall apply~~ This section applies
25 to those persons or concerns operating what are commonly known as loan companies or
26 finance companies and whose business is as hereinbefore described, and those persons,
27 firms, or corporations pursuing the business of lending money and taking as security for
28 the payment of ~~such the~~ loan and interest an assignment of wages or an assignment of
29 wages with power of attorney to collect ~~same, the amount due,~~ or other order or chattel
30 mortgage or bill of sale upon household or kitchen furniture. No real estate mortgage
31 broker ~~shall be~~ is required to obtain a privilege license under this section merely because
32 ~~he advances his~~ the broker advances the broker's own funds and takes a security interest in
33 real estate to secure ~~such the~~ advances and when, at the time of ~~such advance of his own~~
34 ~~funds, he~~ the advance, the broker has already made arrangements with others for the sale
35 or discount of the obligation at a later date and does so sell or discount ~~such the~~ obligation
36 within the period specified in ~~said the~~ arrangement or extensions thereof; or when, at the
37 time of the advance of ~~his own funds, he~~ the broker intends to sell the obligation to others
38 at a later date and does, within 12 months from date of initial advance, make
39 arrangements with others for the sale of ~~said the~~ obligation and does sell the obligation
40 within the period specified in ~~said the~~ arrangement or extensions thereof; or because ~~he~~
41 ~~advances his~~ the broker advances the broker's own funds in temporary financing directly
42 involved in the production of permanent-type loans for sale to others; and no real estate

1 mortgage broker whose mortgage lending operations are essentially as described above
2 ~~shall be~~ is required to obtain a privilege license under this section."

3 Section 1(h). G.S. 105-102.3 reads as rewritten:

4 "**§ 105-102.3. Banks.**

5 There is hereby imposed upon every bank or banking association, including each
6 national banking association, that is operating in this State as a commercial bank, an
7 industrial bank, a savings bank created other than under Chapter 54B or 54C of the
8 General Statutes or the Home Owners' Loan Act of 1933 (12 U.S.C. §§ 1461-68), a trust
9 company, or any combination of such facilities or services, and whether such bank or
10 banking association, hereinafter to be referred to as a bank or banks, be organized, under
11 the laws of the United States or the laws of North Carolina, in the corporate form or in
12 some other form of business organization, an annual privilege tax in the amount of thirty
13 dollars (\$30.00) for each one million dollars (\$1,000,000) or fractional part thereof of
14 total assets held as hereinafter provided. The assets upon which the tax is levied shall be
15 determined by averaging the total assets shown in the four quarterly call reports of
16 condition (consolidating domestic subsidiaries) for the preceding calendar year as
17 required by bank regulatory authorities; provided, however, where a new bank
18 commences operations within the State there shall be levied and paid an annual privilege
19 tax of one hundred dollars (\$100.00) until such bank shall have made four quarterly call
20 reports of condition (consolidating domestic subsidiaries) for a single calendar year;
21 provided further, however, where a bank operates an international banking facility, as
22 defined in G.S. 105-130.5(b)(13), the assets upon which the tax is levied shall be reduced
23 by the average amount for the taxable year of all assets of the international banking
24 facility which are employed outside the United States, as computed pursuant to G.S. 105-
25 130.5(b)(13)c. For an out-of-state bank with one or more branches in this State, or for an
26 in-state bank with one or more branches outside this State, the assets of the out-of-state
27 bank or of the in-state bank upon which the tax is levied shall be reduced by the average
28 amount for the taxable year of all assets of the out-of-state bank or of the in-state bank
29 which are employed outside this State. The tax imposed hereunder shall be for the
30 privilege of carrying on the businesses herein defined on a statewide basis regardless of
31 the number of places or locations of business within the State. Counties, cities and towns
32 shall not levy a license or privilege tax on the businesses taxed under this section, nor on
33 the business of an international banking facility as defined in subsection (b)(13) of G.S.
34 105-130.5."

35 Section 1(i). This section repeals any law that would otherwise exempt
36 savings and loan associations, as defined in G.S. 54B-4, from the franchise tax imposed
37 in Article 3 of Chapter 105 of the General Statutes.

38 Section 1(j). This section becomes effective for taxable years beginning on or
39 after January 1, 1999.

40 Section 2. G.S. 105-17 is repealed.

41 Section 3. G.S. 105-25 is repealed.

42 Section 4. G.S. 105-130.5(a)(10) reads as rewritten:

1 "(10) The total amounts allowed under this ~~Article~~ Chapter during the
2 taxable year as a credit against the taxpayer's income tax. A
3 corporation that apports part of its income to this State shall make
4 the addition required by this subdivision after it determines the
5 amount of its income that is apportioned and allocated to this State
6 and shall not apply to a credit taken under this ~~Article~~ Chapter the
7 apportionment factor used by it in determining the amount of its
8 apportioned income."

9 Section 5. G.S. 105-131.1(b) reads as rewritten:

10 "(b) Each shareholder's pro rata share of an S Corporation's income attributable to
11 the State and each resident shareholder's pro rata share of income not attributable to the
12 State, shall be taken into account by the shareholder in the manner and subject to the
13 adjustments provided in ~~Division II~~ Parts 2 and 3 of this Article and section 1366 of the
14 Code and shall be subject to the tax levied under ~~Division II~~ Parts 2 and 3 of this Article."

15 Section 6. G.S. 105-131.6 reads as rewritten:

16 "**§ 105-131.6. Distributions.**

17 (a) Subject to the provisions of subsection (c) of this section, a distribution made
18 by an S Corporation with respect to its stock to a resident shareholder ~~shall be~~ is taxable
19 to the shareholder as provided in ~~Division II~~ Parts 2 and 3 of this Article to the extent that
20 the distribution is characterized as a dividend or as gain from the sale or exchange of
21 property pursuant to section 1368 of the Code.

22 (b) Subject to the provisions of subsection (c) of this section, any distribution of
23 money made by a corporation with respect to its stock to a resident shareholder during a
24 post-termination transition period ~~shall not be~~ is not taxable to the shareholder as provided
25 in ~~Division II~~ Parts 2 and 3 of this Article to the extent the distribution is applied against
26 and reduces the adjusted basis of the stock of the shareholder in accordance with section
27 1371(e) of the Code.

28 (c) In applying sections 1368 and 1371(e) of the Code to any distribution referred
29 to in this section:

30 (1) The term "adjusted basis of the stock" means the adjusted basis of the
31 shareholder's stock as determined under G.S. ~~105-131.3; and~~ 105-131.3.

32 (2) The accumulated adjustments account maintained for each resident
33 shareholder ~~shall~~ must be equal to, and ~~shall be~~ adjusted in the same
34 manner as, the corporation's accumulated adjustments account defined
35 in section 1368(e)(1)(A) of the Code, except that:

36 a. The accumulated adjustments account shall be modified in the
37 manner provided in G.S. ~~105-131.3(b)(1); and~~ 105-131.3(b)(1).

38 b. The amount of the ~~Corporation's~~ corporation's federal
39 accumulated adjustments account that existed on the day this
40 State began to measure the S Corporation shareholders' income
41 by reference to the income of the S Corporation ~~shall be~~ is
42 ignored and ~~shall be~~ is treated for purposes of ~~Divisions I and II~~ of

1 this Article as additional accumulated earnings and profits of the
2 corporation."

3 Section 7. G.S. 105-131.7(e) reads as rewritten:

4 "(e) Amounts paid to the Department on account of the corporation's shareholders
5 under subsections (b) and (c) shall constitute payments on their behalf of the income tax
6 imposed on them under ~~Division II Parts 2 and 3~~ of this Article for the taxable period."

7 Section 8. G.S. 105-131.8 reads as rewritten:

8 **"§ 105-131.8. Tax credits.**

9 (a) For purposes of G.S. ~~405-151, 105-151~~ and G.S. 105-160.4, each resident
10 shareholder shall be is considered to have paid a tax imposed on the shareholder in an
11 amount equal to the shareholder's pro rata share of any net income tax paid by the S
12 Corporation to a state ~~which~~ that does not measure the income of S Corporation
13 shareholders by the income of the S Corporation. For purposes of the preceding
14 sentence, the term "net income tax" means any tax imposed on or measured by a
15 corporation's net income.

16 (b) ~~Each~~ Except as otherwise provided in G.S. 105-160.3, each shareholder of an S
17 Corporation is allowed as a credit against the tax imposed by ~~Division II Parts 2 and 3~~ of
18 this Article an amount equal to the shareholder's pro rata share of the tax credits for
19 which the S Corporation is eligible."

20 Section 9. G.S. 105-134.1(7b) is repealed.

21 Section 10. G.S. 105-160.3(b) reads as rewritten:

22 "(b) The following credits are not allowed to an estate or trust:

- 23 (1) G.S. 105-151. Tax credits for income taxes paid to other states by
24 individuals.
25 (2) G.S. 105-151.11. Credit for child care and certain employment-related
26 expenses.
27 (3) G.S. 105-151.18. Credit for the disabled.
28 (4) G.S. 105-151.24. Credit for children.
29 (5) G.S. 105-151.26. Credit for charitable contributions by nonitemizers."

30 Section 11. G.S. 105-163.3(a) reads as rewritten:

31 "(a) Requirement. – Every payer who pays a contractor more than six hundred
32 dollars (\$600.00) during a calendar year shall deduct and withhold from compensation
33 paid to ~~a~~ the contractor the State income taxes payable by the contractor on the
34 compensation as provided in this section. The amount of taxes to be withheld is four
35 percent (4%) of the compensation paid to the contractor. The taxes a payer withholds are
36 held in trust for the Secretary."

37 Section 12. G.S. 105-163.3(b) reads as rewritten:

38 "(b) Exemptions. – The withholding requirement does not apply to the following:

- 39 (1) Compensation that is subject to the withholding requirement of G.S.
40 105-163.2.
41 (2) Compensation paid to an ordained or licensed member of the clergy.
42 (3) Compensation paid to an entity exempt from tax under G.S. 105-
43 130.11."

1 Section 13. G.S. 105-163.3(e) reads as rewritten:

2 "(e) Records. – If a payer does not withhold from payments to a nonresident entity
3 because the entity is exempt from tax under G.S. 105-130.11, the payer shall obtain from
4 the entity documentation proving its exemption from tax. If a payer does not withhold
5 from payments to a nonresident corporation or a nonresident limited liability company
6 because the entity has obtained a certificate of authority from the Secretary of State, the
7 payer shall obtain from the entity its corporate identification number issued by the
8 Secretary of State. If a payer does not withhold from payments to an individual because
9 the individual is a resident, the payer shall obtain the individual's address and social
10 security number. If a payer does not withhold from a partnership because the partnership
11 has a permanent place of business in this State, the payer shall obtain the partnership's
12 address and taxpayer identification number. The payer shall retain this information with
13 its records."

14 Section 13.1. G.S. 105-164.4(a)(5) reads as rewritten:

15 "(5) **(Effective until July 1, 1998)** The rate of three percent (3%) applies to
16 the sales price of food that is not otherwise exempt pursuant to G.S.
17 105-164.13 but would be exempt pursuant to G.S. 105-164.13 if it were
18 purchased ~~with coupons issued~~ under the Food Stamp Program, 7 U.S.C.
19 § 51.

20 (5) **(Effective July 1, 1998)** The rate of two percent (2%) applies to the
21 sales price of food that is not otherwise exempt pursuant to G.S. 105-
22 164.13 but would be exempt pursuant to G.S. 105-164.13 if it were
23 purchased ~~with coupons issued~~ under the Food Stamp Program, 7 U.S.C.
24 § 51."

25 Section 14. G.S. 105-164.13(11) reads as rewritten:

26 "(11) Any of the following fuel:

- 27 a. Motor fuel, as defined in G.S. 105-449.60, except motor fuel for
28 which a refund of the per gallon excise tax is allowed under ~~G.S.~~
29 ~~105-449.105(e) or (d) or under~~ G.S. 105-449.107.
30 b. Alternative fuel taxed under Article 36D of this Chapter, unless a
31 refund of that tax is allowed under G.S. 105-449.107."

32 Section 14.1. G.S. 105-164.13(38) reads as rewritten:

33 "(38) Food and other items lawfully purchased ~~with coupons issued~~ under
34 the Food Stamp Program, 7 U.S.C. § 51, and supplemental foods
35 lawfully purchased with a food instrument issued under the Special
36 Supplemental Food Program, 42 U.S.C. § 1786, and supplemental
37 foods purchased for direct distribution by the Special Supplemental
38 Food Program."

39 Section 15. G.S. 105-164.14(a) reads as rewritten:

40 "(a) Interstate Carriers. – An interstate carrier is allowed a refund, in accordance
41 with this section, of part of the sales and use taxes paid by it on lubricants, repair parts,
42 and accessories purchased in this State for a motor vehicle, railroad car, locomotive, or
43 airplane the carrier operates. An "interstate carrier" is a person who is engaged in

1 transporting persons or property in interstate commerce for ~~compensation, is subject to~~
2 ~~regulation by, and to the jurisdiction of, the Interstate Commerce Commission or the United~~
3 ~~States Department of Transportation, and is required by either federal agency to keep records~~
4 ~~according to generally accepted accounting principles (GAAP) or, in the case of a small~~
5 ~~certificated air carrier, to make reports of financial and operating statistics.~~ compensation. The
6 Secretary shall prescribe the periods of time, whether monthly, quarterly, semiannually,
7 or otherwise, with respect to which refunds may be claimed, and shall prescribe the time
8 within which, following these periods, an application for refund may be made.

9 An applicant for refund shall furnish the following information and any proof of the
10 information required by the Secretary:

- 11 (1) A list identifying the lubricants, repair parts, and accessories
12 purchased by the applicant inside or outside this State during the
13 refund period.
- 14 (2) The purchase price of the items listed in subdivision (1) of this
15 subsection.
- 16 (3) The sales and use taxes paid in this State on the listed items.
- 17 (4) The number of miles the applicant's motor vehicles, railroad cars,
18 locomotives, and airplanes were operated both inside and outside
19 this State during the refund period.
- 20 (5) Any other information required by the Secretary.

21 For each applicant, the Secretary shall compute the amount to be refunded as follows.
22 First, the Secretary shall determine the ratio of the number of miles the applicant operated
23 its motor vehicles, railroad cars, locomotives, and airplanes in this State during the refund
24 period to the number of miles it operated them both inside and outside this State during
25 the refund period. Second, the Secretary shall determine the applicant's proportional
26 liability for the refund period by multiplying this mileage ratio by the purchase price of
27 the items identified in subdivision (1) of this subsection and then multiplying the
28 resulting product by the tax rate that would have applied to the items if they had all been
29 purchased in this State. Third, the Secretary shall refund to each applicant the excess of
30 the amount of sales and use taxes the applicant paid in this State during the refund period
31 on these items over the applicant's proportional liability for the refund period."

32 Section 15.1. G.S. 105-187.6(a) reads as rewritten:

33 "(a) Full Exemptions. – The tax imposed by this Article does not apply when a
34 certificate of title is issued as the result of a transfer of a motor vehicle:

- 35 (1) To the insurer of the motor vehicle under G.S. 20-109.1 because the
36 vehicle is a salvage vehicle.
- 37 (2) To either a manufacturer, as defined in G.S. 20-286, or a motor
38 vehicle retailer for the purpose of resale.
- 39 (3) To the same owner to reflect a change or correction in the owner's
40 name.
- 41 (4) By will or intestacy.
- 42 (5) By a gift between a husband and wife, a parent and child, or a
43 stepparent and a stepchild.

- 1 (6) By a distribution of ~~marital~~ property as a result of a divorce.
- 2 (7) To a handicapped person from the Department of Health and Human
3 Services after the vehicle has been equipped by the Department for
4 use by the handicapped.
- 5 (8) To a local board of education for use in the driver education program
6 of a public school when the motor vehicle is transferred:
- 7 a. By a retailer and is to be transferred back to the retailer within
8 300 days after the transfer to the local board.
- 9 b. By a local board of education."

10 Section 16. G.S. 105-197 reads as rewritten:

11 **"§ 105-197. When return required; due date of tax and return.**

12 (a) When Return Required. – Anyone who, during the calendar year, gives to a
13 donee a gift of a future interest or one or more ~~gifts~~ taxable gifts whose total value
14 exceeds the amount of the annual exclusion set in G.S. 105-188(d) must file a gift tax
15 return, under oath or affirmation, with the Secretary on a form prescribed by the
16 Secretary. For the purpose of this section, a taxable gift is a gift that is not exempt under
17 G.S. 105-188(h) or (i).

18 (b) Due Date. – The tax is due on April 15th following the end of the calendar
19 year. A return must be filed on or before the due date of the tax. A taxpayer may ask the
20 Secretary of Revenue for an extension of time for filing a return under G.S. 105-263."

21 Section 17. G.S. 105-228.5(d) reads as rewritten:

22 "(d) Tax Rates; Disposition. –

- 23 (1) Workers Compensation. – The tax rate to be applied to gross
24 premiums, or the equivalent thereof in the case of self-insurers,
25 ~~collected~~ on contracts applicable to liabilities under the Workers'
26 Compensation Act shall be two and five-tenths percent (2.5%). The
27 net proceeds shall be credited to the General Fund.
- 28 (2) Other Insurance Contracts. – The tax rate to be applied to gross
29 premiums ~~collected~~ on all other insurance contracts issued by
30 insurers shall be one and nine-tenths percent (1.9%). The net
31 proceeds shall be credited to the General Fund.
- 32 (3) Additional Statewide Fire and Lightning Rate. – An additional tax
33 shall be applied to ~~amounts collected~~ gross premiums on contracts of
34 insurance applicable to fire and lightning coverage, except in the
35 case of marine and automobile policies, at the rate of one and thirty-
36 three hundredths percent (1.33%). Twenty-five percent (25%) of the
37 net proceeds of this additional tax shall be deposited in the Volunteer
38 Fire Department Fund established in Article 87 of Chapter 58 of the
39 General Statutes. The remaining net proceeds shall be credited to the
40 General Fund.
- 41 (4) Additional Local Fire and Lightning Rate. – An additional tax shall
42 be applied to ~~amounts collected~~ gross premiums on contracts of
43 insurance applicable to fire and lightning coverage within fire

1 districts at the rate of one-half of one percent (1/2 of 1%). The net
2 proceeds shall be credited to the Department of Insurance for
3 disbursement pursuant to G.S. 58-84-25.

- 4 (5) Article 65 Corporations. – The tax rate to be applied to gross
5 premiums and/or gross collections from membership dues, exclusive
6 of receipts from cost plus plans, received by Article 65 corporations
7 shall be one-half of one percent (1/2 of 1%). The net proceeds shall
8 be credited to the General Fund."

9 Section 18. G.S. 105-228.10 reads as rewritten:

10 **"§ 105-228.10. No additional local taxes.**

11 ~~No county, city, or town shall be allowed to impose any additional tax, license, or fee,~~
12 ~~other than ad valorem taxes, upon any insurance company or association paying the fees~~
13 ~~and taxes.~~ No city or county may levy on a person subject to the tax levied in this Article.
14 Article a privilege tax or a tax computed on the basis of gross premiums."

15 Section 19. G.S. 105-249.3 is repealed.

16 Section 20. G.S. 105-259(b)(3) reads as rewritten:

17 "(b) Disclosure Prohibited. – An officer, an employee, or an agent of the State who
18 has access to tax information in the course of service to or employment by the State may
19 not disclose the information to any other person unless the disclosure is made for one of
20 the following purposes:

- 21 (3) Review by a tax official of another ~~state or the Internal Revenue~~
22 ~~Commissioner of the United States jurisdiction~~ to aid the ~~state or the~~
23 ~~Commissioner jurisdiction~~ in collecting a tax imposed by this State,
24 ~~the other state, or the United States State or the other jurisdiction~~ if
25 the laws of the other ~~state or the United States~~ allow the ~~state or the~~
26 ~~United States jurisdiction~~ allow it to provide similar tax information
27 to a representative of this State."

28 Section 21. G.S. 105-264 reads as rewritten:

29 **"§ 105-264. Effect of Secretary's interpretation of revenue laws.**

30 It ~~shall be~~ is the duty of the Secretary to interpret all laws administered by the
31 Secretary. The Secretary's interpretation of these laws shall be consistent with the
32 applicable rules.

33 An interpretation by the Secretary is prima facie correct. When the Secretary
34 interprets a law by adopting a rule or publishing a bulletin or directive on the law, the
35 interpretation is a protection to the officers and taxpayers affected by the interpretation,
36 and taxpayers are entitled to rely upon the interpretation. If the Secretary changes a ~~rule~~
37 ~~or a bulletin, an interpretation,~~ a taxpayer who relied ~~upon the rule or bulletin on it~~ before it
38 was changed is not liable for any penalty or additional assessment on any tax that accrued
39 before the ~~rule or bulletin interpretation~~ was changed and was not paid by reason of
40 reliance upon the ~~rule or bulletin interpretation~~. If a taxpayer requests in writing specific
41 advice from the Department and receives in response erroneous written advice, the
42 taxpayer is not liable for any penalty or additional assessment attributable to the
43 erroneous advice furnished by the Department to the extent the advice was reasonably

1 relied upon by the taxpayer and the penalty or additional assessment did not result from
2 the taxpayer's failure to provide adequate or accurate information.

3 This section does not prevent the Secretary from changing an interpretation and it
4 does not prevent a change in an interpretation from applying on and after the effective
5 date of the change."

6 Section 22. G.S. 105-277.3 reads as rewritten:

7 "**§ 105-277.3. Agricultural, horticultural, and forestland – Classifications.**

8 (a) Classes Defined. – The following classes of property are hereby designated
9 special classes of property under authority of ~~Article V, Sec. 2(2)~~ Section 2(2) of Article V
10 of the North Carolina Constitution and shall be appraised, assessed and taxed as hereinafter
11 provided: assessed, and taxed as provided in G.S. 105-277.2 through G.S. 105-277.7.

12 (1) Agricultural land. – Individually owned agricultural land consisting
13 of one or more tracts, one of which consists of at least 10 acres that
14 are in actual production and that, for the three years preceding
15 January 1 of the year for which the benefit of this section is claimed,
16 have produced an average gross income of at least one thousand
17 dollars (\$1,000). Gross income includes income from the sale of the
18 agricultural products produced from the land and any payments
19 received under a governmental soil conservation or land retirement
20 program. Land in actual production includes land under
21 improvements used in the commercial production or growing of
22 crops, plants, or animals.

23 (2) Horticultural land. – Individually owned horticultural land consisting
24 of one or more tracts, one of which consists of at least five acres that
25 are in actual production and that, for the three years preceding
26 January 1 of the year for which the benefit of this section is claimed,
27 have ~~either:~~ met the applicable minimum gross income requirement.
28 Land in actual production includes land under improvements used in
29 the commercial production or growing of fruits or vegetables or
30 nursery or floral products. Land that has been

31 a- ~~Been~~ used to produce evergreens intended for use as Christmas
32 trees and must have met the qualifying or minimum gross income
33 requirements established by the Department of Revenue for the
34 land; or

35 b- ~~Produced~~ land. All other horticultural land must have produced
36 an average gross income of at least one thousand dollars
37 (\$1,000). Gross income includes income from the sale of the
38 horticultural products produced from the land and any payments
39 received under a governmental soil conservation or land
40 retirement program. Land in actual production includes land under
41 improvements used in the commercial production or growing of fruits
42 or vegetables or nursery or floral products.

1 (3) Forestland. – Individually owned forestland consisting of one or more
2 tracts, one of which consists of at least 20 acres that are in actual
3 production and are not included in a farm unit.

4 (b) Natural Person Ownership Requirements. – In order to come within a
5 classification described in subdivision (a)(1), (2) or (3), above, the property must, subsection
6 (a) of this section, the land must, if owned by ~~natural persons,~~ a natural person, also satisfy
7 one of the following conditions:

8 (1) It is the owner's place of residence.

9 (2) It has been owned by the current owner or a relative of the current
10 owner for the four years preceding January 1 of the year for which the
11 benefit of this section is claimed.

12 (3) At the time of transfer to the current owner, it qualified for classification
13 in the hands of a business entity or trust ~~which~~ that transferred the
14 ~~property~~ land to the current owner who was a member of the business
15 entity or a beneficiary of the trust, as appropriate.

16 (b1) Entity Ownership Requirements. ~~If~~ In order to come within a classification
17 described in subsection (a) of this section, the land must, if owned by a business entity or
18 trust, the property must have been owned by the business entity or trust or by one or more
19 of its members, or by one or more of its creators in the case of a trust, members or creators,
20 respectively, for the four years immediately preceding January 1 of the year for which the
21 benefit of this section is claimed. Notwithstanding the provisions of G.S. 105-277.2(4)b, a
22 business entity qualifying for a classification described in G.S. 105-277.3 shall not lose the
23 benefit of the classification by reason of the death of one of its members if the decedent's
24 ownership passes to and remains in a relative of the decedent.

25 (b2) Exception to Ownership Requirements. ~~Property loses its eligibility for the~~
26 ~~classifications described in subsection (a) of this section if ownership of the property~~
27 ~~passes to anyone other than a relative of the owner or passes to or from a business entity~~
28 ~~or trust from or to anyone other than its members or its creators or beneficiaries,~~
29 ~~respectively, except that property does not lose its eligibility if both of the following~~
30 ~~conditions are met: (i) it~~ G.S. 105-277.4(c) provides that deferred taxes are payable if
31 land fails to meet any condition or requirement for classification. Accordingly, if land
32 fails to meet an ownership requirement due to a change of ownership, G.S. 105-277.4(c)
33 applies. Despite this failure and the resulting liability for taxes under G.S. 105-277.4(c),
34 the land may qualify for classification in the hands of the new owner if both of the
35 following conditions are met, even if the new owner does not meet all of the ownership
36 requirements of subsections (b) and (b1) of this section with respect to the land:

37 (1) The land was appraised at its present use value or was eligible for
38 appraisal at its present use value ~~pursuant to that subsection~~ at the time
39 title to the ~~property~~ land passed to the ~~present~~ new
40 owner.

41 (2) At the time title to the property land passed to the ~~present~~ new owner, the
42 owner owned other ~~property~~ land classified under subsection (a).

1 ~~The fact that property may retain its eligibility because the preceding two conditions were~~
2 ~~met does not affect any liability for deferred taxes under G.S. 105-277.4(c) if those taxes~~
3 ~~were otherwise due at the time title passed to the present owner.~~

4 (c) ~~Repealed by Session Laws 1995, c. 454, s. 2.~~

5 (d) Exception for Conservation Reserve Program. ~~Enrollment Land enrolled in~~
6 ~~the federal Conservation Reserve Program authorized by Title XII of the Food Security~~
7 ~~Act of 1985 (Pub. L. 99-198), as amended, shall not preclude eligibility of land for~~
8 ~~present use value treatment solely on the grounds that the land is no longer 16 U.S.C. §~~
9 ~~1381 is considered to be in actual production, and income derived from participation in~~
10 ~~the federal Conservation Reserve Program may be used in meeting the minimum gross~~
11 ~~income requirements of this section either separately or in combination with income from~~
12 ~~actual production. Land enrolled in the federal Conservation Reserve Program shall be~~
13 ~~assessed as agricultural land if it is planted in vegetation other than trees, or as forest land~~
14 ~~forestland if it is planted in trees.~~

15 (e) Exception for Turkey Disease. ~~Notwithstanding the provisions of subsection~~
16 ~~(a) of this section, agricultural Agricultural land that meets all of the following conditions~~
17 ~~does not lose its eligibility for present use value treatment solely on the grounds that it is~~
18 ~~no longer in actual production, it no longer meets the minimum income requirements, or~~
19 ~~both: is considered to be in actual production and to meet the minimum gross income~~
20 ~~requirements:~~

21 (1) The land was in actual production in turkey growing within the
22 preceding two years and qualified for present use value treatment while
23 it was in actual production.

24 (2) The land was taken out of actual production in turkey growing solely for
25 health and safety considerations due to the presence of Poult Enteritis
26 Mortality Syndrome among turkeys in the same county or a neighboring
27 county.

28 (3) The land is otherwise eligible for present use value treatment."

29 Section 23. G.S. 105-277.4(c) reads as rewritten:

30 "(c) Deferred Taxes. ~~Property Land meeting the conditions for classification under~~
31 ~~G.S. 105-277.3 shall be taxed on the basis of the value of the property land for its present~~
32 ~~use. The difference between the taxes due on the present-use basis and the taxes which~~
33 ~~that would have been payable in the absence of this classification, together with any~~
34 ~~interest, penalties, or costs that may accrue thereon, shall be are a lien on the real property~~
35 ~~of the taxpayer as provided in G.S. 105-355(a). The difference in taxes shall be carried~~
36 ~~forward in the records of the taxing unit or units as deferred taxes, but shall not be payable,~~
37 ~~unless and until the property loses its eligibility for the benefit of this classification. taxes. The~~
38 ~~taxes become due and payable when the land fails to meet any condition or requirement~~
39 ~~for classification. The tax for the fiscal year that opens in the calendar year in which a~~
40 ~~disqualification occurs shall be deferred taxes become due is computed as if the property~~
41 ~~land had not been classified for that year, and taxes for the preceding three fiscal years~~
42 ~~which that have been deferred shall immediately be are immediately payable, together with~~
43 ~~interest thereon as provided in G.S. 105-360 for unpaid taxes which shall accrue taxes.~~

1 Interest accrues on the deferred taxes due as if they had been payable on the dates on
2 which they originally became due. If only a part of the qualifying tract of land loses its
3 eligibility, fails to meet a condition or requirement for classification, a determination shall
4 be made of the amount of deferred taxes applicable to that part and that amount shall
5 become becomes payable with interest as provided above. Upon the payment of any taxes
6 deferred in accordance with this section for the three years immediately preceding a
7 disqualification, all liens arising under this subsection shall be are extinguished."

8 Section 24. G.S. 105-277.2(4)b. reads as rewritten:

9 "b. A business entity having as its principal business one of the
10 activities described in subdivisions (1), (2), and (3) and whose
11 members ~~are all either a natural person~~ are all natural persons who
12 meet one or more of the following conditions:

- 13 1. The member is actively engaged in the business of the
14 entity or a entity.
- 15 2. The member is a relative of a member who is actively
16 engaged in the business of the entity.
- 17 3. The member is a relative of, and inherited the membership
18 interest from, a decedent who met one or both of the
19 preceding conditions after the land qualified for
20 classification in the hands of the business entity."

21 Section 25. G.S. 105-333(14) reads as rewritten:

22 "(14) Public service company. – A railroad company, a pipeline company,
23 a gas company, an electric power company, an electric membership
24 corporation, a telephone company, a telegraph company, a bus line
25 company, an airline company, or a motor freight carrier company.
26 ~~any other~~ The term also includes any company performing a public
27 service that is regulated by the Interstate Commerce Commission, the
28 Federal Power Commission, United States Department of Energy, the
29 United States Department of Transportation, the Federal
30 Communications Commission, the Federal Aviation Agency, or the
31 North Carolina Utilities Commission, except that the term does not
32 include a water company, a radio common carrier company as
33 defined in G.S. 62-119(3), a cable television company, or a radio or
34 television broadcasting company. The term also includes a motor
35 freight carrier company. For purposes of appraisal under this Article, the
36 term also includes a pipeline company whether or not it performs a public
37 service and whether or not it is regulated by one of the regulatory agencies
38 named in this subdivision."

39 Section 26. G.S. 105-378(e) is repealed.

40 Section 27. G.S. 105-395(b) is repealed.

41 Section 28. G.S. 105-449.88(2) reads as rewritten:

42 "(2) Motor fuel sold to the federal ~~government~~ government for its use."

43 Section 29. G.S. 105-449.105(d) is repealed.

1 Section 30. G.S. 105-449.110(b) reads as rewritten:

2 "(b) Interest. – The rate of interest payable on a refund is the rate set in ~~G.S. 105-~~
3 ~~242.1(i)-~~G.S. 105-241.1(i). Interest accrues on a refund from the date that is 90 days after
4 the later of the following:

5 (1) The date the application for refund was filed.

6 (2) The date the application for refund was due."

7 Section 30.1. G.S. 105-467(5) reads as rewritten:

8 "(5) The sales price of food that is not otherwise exempt from tax
9 pursuant to G.S. 105-164.13 but would be exempt from the State
10 sales and use tax pursuant to G.S. 105-164.13 if it were ~~purchased~~
11 ~~with coupons~~ issued under the Food Stamp Program, 7 U.S.C. § 51."

12 Section 31. G.S. 105-487 reads as rewritten:

13 "**§ 105-487. Use of additional tax revenue by ~~counties and municipalities~~. counties.**

14 (a) Except as provided in subsection (c), forty percent (40%) of the revenue
15 received by a county from additional one-half percent (1/2%) sales and use taxes levied
16 under this Article during the first five fiscal years in which the additional taxes are in
17 effect in the county and thirty percent (30%) of the revenue received by a county from
18 these taxes in the next 10 fiscal years in which the taxes are in effect in the county may
19 be used by the county only for public school capital outlay purposes or to retire any
20 indebtedness incurred by the county for these purposes.

21 ~~(b) Except as provided in subsection (c), forty percent (40%) of the revenue~~
22 ~~received by a municipality from additional one-half percent (1/2%) sales and use taxes~~
23 ~~levied under this Article during the first five fiscal years in which the additional taxes are~~
24 ~~in effect in the municipality and thirty percent (30%) of the revenue received by a~~
25 ~~municipality from these taxes in the second five fiscal years in which the taxes are in~~
26 ~~effect in the municipality may be used by the municipality only for water and sewage~~
27 ~~capital outlay purposes or to retire any indebtedness incurred by the municipality for~~
28 ~~these purposes.~~

29 (c) The Local Government Commission may, upon petition by a ~~county or~~
30 ~~municipality~~, authorize a county or municipality ~~county~~, authorize the county to use part or
31 all its tax revenue, otherwise required by subsection (a) ~~or (b) of this section~~ to be used
32 for public schools ~~or water and sewage~~ school capital needs, for any lawful purpose. The
33 petition shall be in the form of a resolution adopted by the ~~City Council or Board of~~
34 County Commissioners and transmitted to the Local Government Commission. The
35 petition shall demonstrate that the county ~~or municipality~~ can provide for its public school
36 ~~or water and sewage~~ capital needs without restricting the use of part or all of the designated
37 amount of the additional one-half percent (1/2%) sales and use tax revenue for ~~these~~
38 ~~purposes.~~ that purpose.

39 In making its decision, the Local Government Commission shall consider information
40 contained in the petition concerning not only the public school ~~or water and sewage~~ capital
41 needs, but also the other capital needs of the petitioning ~~county or municipality~~. county.
42 The Commission may also consider information from sources other than the petition.
43 The Commission shall issue a written decision on each petition stating the findings of the

1 Commission concerning the public school ~~or water and sewage~~ capital needs of the
2 petitioning county ~~or municipality~~ and the percentage of revenue otherwise restricted by
3 subsection (a) ~~or (b)~~ of this section that may be used by the petitioning county ~~or~~
4 ~~municipality~~ for any lawful purpose.

5 Decisions of the Commission allowing counties ~~or municipalities~~ to use a percentage of
6 their tax revenue that would otherwise be restricted under subsection (a) ~~or (b)~~ of this
7 section for any lawful purpose are final and shall continue in effect until the restrictions
8 imposed by ~~those subsections~~ that subsection expire. A county ~~or municipality~~ whose
9 petition is denied, in whole or in part, by the Commission may subsequently submit a
10 new petition to the Commission.

11 (d) For purposes of determining the number of fiscal years in which one-half
12 percent (1/2%) sales and use taxes levied under this Article have been in effect in a ~~county~~
13 ~~or municipality~~, county, these taxes are considered to be in effect only from the effective
14 date of the levy of these taxes and are considered to be in effect for a full fiscal year
15 during the first year in which these taxes were in effect, regardless of the number of
16 months in that year in which the taxes were actually in effect.

17 (e) A county ~~or municipality~~ may expend part or all of the revenue restricted for
18 public school ~~or water and sewage~~ capital needs pursuant to ~~subsections (a) and (b)~~
19 subsection (a) of this section in the fiscal year in which the revenue is received, or the
20 county ~~or municipality~~ may place part or all of this revenue in a capital reserve fund and
21 shall specifically identify this revenue in accordance with Chapter 159 of the General
22 Statutes."

23 Section 32. G.S. 105-504 is repealed.

24 Section 33. G.S. 105-550 reads as rewritten:

25 **"§ 105-550. Definitions.**

26 The definitions in G.S. 105-164.3 and the following definitions apply in this Article:

- 27 (1) Authority. – A regional public transportation authority or a regional
28 transportation authority created pursuant to Article 26 or Article 27
29 of Chapter 160A of the General Statutes.
- 30 (2) Long-term lease or rental. – Defined in G.S. 105-187.1.
- 31 (3) Motorcycle. – Defined in G.S. 20-4.01.
- 32 (4) ~~Private passenger vehicle. – Defined in G.S. 20-4.01.~~
- 33 (5) Public transportation system. – Any combination of real and
34 personal property established for purposes of public transportation.
35 The systems may include one or more of the following: structures,
36 improvements, buildings, equipment, vehicle parking or passenger
37 transfer facilities, railroads and railroad rights-of-way, rights-of-way,
38 bus services, shared-ride services, high-occupancy vehicle facilities,
39 carpool and vanpool programs, voucher programs,
40 telecommunications and information systems, integrated fare
41 systems, bus lanes, and busways. The term does not include,
42 however, streets, roads, or highways except to the extent they are
43 dedicated to public transportation vehicles or to the extent they are

1 necessary for access to vehicle parking or passenger transfer
2 facilities.

3 (6) Short-term lease or rental. – A lease or rental that is not a long-term
4 lease or rental.

5 (7) U-drive-it passenger vehicle. – Defined in G.S. 20-4.01."

6 Section 34. G.S. 105-551(a) reads as rewritten:

7 "(a) Tax. – The board of trustees of an Authority may levy a privilege tax on a
8 retailer who is engaged in the business of leasing or renting ~~private-U-drive-it~~ passenger
9 vehicles or motorcycles based on the gross receipts derived by the retailer from the short-
10 term lease or rental of these vehicles. The tax rate must be a percentage and may not
11 exceed five percent (5%). A tax levied under this section applies to short-term leases or
12 rentals made by a retailer whose place of business or inventory is located within the
13 territorial jurisdiction of the Authority. This tax is in addition to all other taxes."

14 Section 35. G.S. 105-552(b) reads as rewritten:

15 "(b) Collection. – A tax levied by an Authority under this Article shall be collected
16 by the Authority but shall otherwise be administered in the same manner as the optional
17 gross receipts tax levied by G.S. 105-187.5. Like the optional gross receipts tax, a tax
18 levied under this Article is to be added to the lease or rental price of a ~~private-U-drive-it~~
19 passenger vehicle or motorcycle and thereby be paid by the person to whom it is leased or
20 rented.

21 A tax levied under this Article applies regardless of whether the retailer who leases or
22 rents the ~~private-U-drive-it~~ passenger vehicle or motorcycle has elected to pay the
23 optional gross receipts tax on the lease or rental receipts from the vehicle. A tax levied
24 under this Article must be paid to the Authority that levied the tax by the date an optional
25 gross receipts tax would be payable to the Secretary of Revenue under G.S. 105-187.5 if
26 the retailer who leases or rents the ~~private-U-drive-it~~ passenger vehicle or motorcycle had
27 elected to pay the optional gross receipts tax."

28 Section 36. S.L. 1997-139 is reenacted.

29 Section 37. Article 3 of Chapter 66 of the General Statutes is repealed.

30 Section 38(a). G.S. 105A-2(2)e. reads as rewritten:

31 "e. A sum owed as a result of having obtained public assistance
32 payments under any of the following programs through an
33 intentional false statement, intentional misrepresentation,
34 intentional failure to disclose a material fact, or inadvertent
35 household error:

36 1. ~~The Aid to Families with Dependent Children Work First~~
37 ~~Program or the Aid to Families with Dependent Children~~
38 ~~– Emergency Assistance Program, enabled by provided in~~
39 ~~Article 2 of Chapter 108A, Article 2, Part 2. 108A of the~~
40 ~~General Statutes.~~

41 2. ~~The Work First Cash Assistance State-County~~
42 ~~Special Assistance for Adults Program established~~
43 ~~pursuant to federal waivers received by the Department~~

1 ~~of Health and Human Services on February 5, 1996.~~
2 ~~enabled by Part 3 of Article 2 of Chapter 108A of the~~
3 ~~General Statutes.~~

4 3. ~~The State-County Special Assistance for Adults Program,~~
5 ~~enabled by Chapter 108A, Article 2, Part 3. A successor~~
6 ~~program of one of these programs.~~

7 4. ~~A successor program of one of these programs.~~
8 ~~of the General Statutes or"~~

9 Section 38(b). This section becomes effective January 1, 2000.

10 Section 39. G.S. 120-70.105 reads as rewritten:

11 "**§ 120-70.105. Creation and membership of the Revenue Laws Study Committee.**

12 (a) Membership. – The Revenue Laws Study Committee is established. The
13 Committee consists of 16 members as follows:

14 (1) Eight members appointed by the President Pro Tempore of the
15 Senate; the persons appointed may be members of the Senate or
16 public members.

17 (2) Eight members appointed by the Speaker of the House of
18 Representatives; the persons appointed may be members of the
19 House of Representatives or public members.

20 (b) Terms. – Terms on the Committee are for two years and begin on January 15
21 of each odd-numbered year, except the terms of the initial members, which begin on
22 appointment. Legislative members may complete a term of service on the Committee
23 even if they do not seek reelection or are not reelected to the General Assembly, but
24 resignation or removal from service in the General Assembly constitutes resignation or
25 removal from service on the Committee.

26 A member continues to serve until ~~his~~a successor is appointed. A vacancy shall be
27 filled within 30 days by the officer who made the original appointment."

28 Section 40. Article 8 of Chapter 136 of the General Statutes is repealed.
29

30 PART II. CONFORM STATUTORY NOMENCLATURE.

31 Section 41. The designation of G.S. 105-103 through G.S. 105-113 as
32 Division I of Article 2 of Chapter 105 of the General Statutes is eliminated, so that
33 Article 2 contains G.S. 105-33 through G.S. 105-113 without any subdivision into Parts.

34 Section 42. Division I of Article 4 of Chapter 105 of the General Statutes is
35 redesignated Part 1.

36 Section 43. Division IS of Article 4 of Chapter 105 of the General Statutes is
37 redesignated Part 1A.

38 Section 44. Division II of Article 4 of Chapter 105 of the General Statutes is
39 redesignated Part 2.

40 Section 45. Division III of Article 4 of Chapter 105 of the General Statutes is
41 redesignated Part 3.

42 Section 46. Division V of Article 4 of Chapter 105 of the General Statutes is
43 redesignated Part 5.

1 Section 47. Division I of Article 5 of Chapter 105 of the General Statutes is
2 redesignated Part 1.

3 Section 48(a). G.S. 105-164.4 through G.S. 105-164.12A are merged into
4 Division II of Article 5 of Chapter 105 of the General Statutes without subdivision into
5 Parts, and the designations for Parts 1 through 4 of that Division are eliminated.

6 Section 48(b). Division II of Article 5 of Chapter 105 of the General Statutes
7 is redesignated Part 2.

8 Section 49. Division III of Article 5 of Chapter 105 of the General Statutes is
9 redesignated Part 3.

10 Section 50. Division IV of Article 5 of Chapter 105 of the General Statutes is
11 redesignated Part 4.

12 Section 51. Division V of Article 5 of Chapter 105 of the General Statutes is
13 redesignated Part 5.

14 Section 52. Division VI of Article 5 of Chapter 105 of the General Statutes is
15 redesignated Part 6.

16 Section 53. Division VII of Article 5 of Chapter 105 of the General Statutes is
17 redesignated Part 7.

18 Section 54. Division VIII of Article 5 of Chapter 105 of the General Statutes is
19 redesignated Part 8.

20 Section 55. The title of Article 1 of Chapter 105 of the General Statutes reads
21 as rewritten:

22 **"ARTICLE 1.**

23 ~~**SCHEDULE A. INHERITANCE TAX."**~~

24 Section 56. The title of Article 2A of Chapter 105 of the General Statutes
25 reads as rewritten:

26 **"ARTICLE 2A.**

27 ~~**SCHEDULE B-A. TOBACCO PRODUCTS TAX."**~~

28 Section 57. The title of Article 2B of Chapter 105 of the General Statutes
29 reads as rewritten:

30 **"ARTICLE 2B.**

31 ~~**SCHEDULE B-B. SOFT DRINK TAX."**~~

32 Section 58. The title of Article 2C of Chapter 105 of the General Statutes
33 reads as rewritten:

34 **"ARTICLE 2C.**

35 ~~**SCHEDULE B-C. ALCOHOLIC BEVERAGE LICENSE AND EXCISE TAXES."**~~

36 Section 59. The title of Article 2D of Chapter 105 of the General Statutes
37 reads as rewritten:

38 **"ARTICLE 2D.**

39 ~~**SCHEDULE B-D. UNAUTHORIZED SUBSTANCES TAXES."**~~

40 Section 60. The title of Article 3 of Chapter 105 of the General Statutes reads
41 as rewritten:

42 **"ARTICLE 3.**

43 ~~**SCHEDULE C. FRANCHISE TAX."**~~

1 Section 61. The title of Article 4 of Chapter 105 of the General Statutes reads
2 as rewritten:

3 **"ARTICLE 4.**
4 **~~SCHEDULE D. INCOME TAX.~~"**

5 Section 62. The title of Article 5 of Chapter 105 of the General Statutes reads
6 as rewritten:

7 **"ARTICLE 5.**
8 **~~SCHEDULE E. SALES AND USE TAX.~~"**

9 Section 63. The title of Article 6 of Chapter 105 of the General Statutes reads
10 as rewritten:

11 **"ARTICLE 6.**
12 **~~SCHEDULE G. GIFT TAXES.~~"**

13 Section 64. The title of Article 8A of Chapter 105 of the General Statutes
14 reads as rewritten:

15 **"ARTICLE 8A.**
16 **~~SCHEDULE I-A. GROSS EARNINGS TAXES ON FREIGHT LINE COMPANIES~~**
17 **~~IN LIEU OF AD VALOREM TAXES.~~"**

18 Section 65. The title of Article 8B of Chapter 105 of the General Statutes
19 reads as rewritten:

20 **"ARTICLE 8B.**
21 **~~SCHEDULE I-B. TAXES UPON INSURANCE COMPANIES.~~"**

22 Section 66. The title of Article 8D of Chapter 105 of the General Statutes
23 reads as rewritten:

24 **"ARTICLE 8D.**
25 **~~SCHEDULE I-D. TAXATION OF SAVINGS AND LOAN~~**
26 **~~ASSOCIATIONS.~~"**

27 Section 67. The title of Article 9 of Chapter 105 of the General Statutes reads
28 as rewritten:

29 **"ARTICLE 9.**
30 **~~SCHEDULE J. GENERAL ADMINISTRATION; PENALTIES AND~~**
31 **~~REMEDIES.~~"**

32 Section 68. The following sections of the General Statutes are amended by
33 deleting the phrase "This Division" each time it occurs and substituting "This Part" :

34 G.S. 105-130
35 G.S. 105-131(a)
36 G.S. 105-131.1(b)
37 G.S. 105-133
38 G.S. 105-160

39 Section 69. The following sections of the General Statutes are amended by
40 deleting the phrase "this Division" or "this division" each time it occurs and substituting
41 "this Part":

42 G.S. 105-130.1
43 G.S. 105-130.2

- 1 G.S. 105-130.4(l)(1)
- 2 G.S. 105-130.4(m)
- 3 G.S. 105-130.5(a)(2)
- 4 G.S. 105-130.5(c)
- 5 G.S. 105-130.6
- 6 G.S. 105-130.8
- 7 G.S. 105-130.11
- 8 G.S. 105-130.12
- 9 G.S. 105-130.15
- 10 G.S. 105-130.16
- 11 G.S. 105-130.18
- 12 G.S. 105-130.22
- 13 G.S. 105-130.23
- 14 G.S. 105-130.25
- 15 G.S. 105-130.34
- 16 G.S. 105-130.41
- 17 G.S. 105-130.42
- 18 G.S. 105-131(b) & (c)
- 19 G.S. 105-134
- 20 G.S. 105-134.1
- 21 G.S. 105-134.3
- 22 G.S. 105-134.6
- 23 G.S. 105-151.1
- 24 G.S. 105-151.2
- 25 G.S. 105-151.11(a)
- 26 G.S. 105-151.12
- 27 G.S. 105-151.18(a) & (b)
- 28 G.S. 105-151.20
- 29 G.S. 105-151.22
- 30 G.S. 105-151.23
- 31 G.S. 105-151.24
- 32 G.S. 105-151.26
- 33 G.S. 105-152(a) through (d)
- 34 G.S. 105-154
- 35 G.S. 105-156
- 36 G.S. 105-158
- 37 G.S. 105-160.1
- 38 G.S. 105-160.2
- 39 G.S. 105-160.4(a)
- 40 G.S. 105-160.5
- 41 G.S. 105-160.8
- 42 G.S. 105-163.010
- 43 G.S. 105-163.013

1 G.S. 105-163.014

2 Section 70. The following sections of the General Statutes are amended by
3 deleting the phrase "Division I" each time it occurs and substituting the phrase "Part 1" :

4 G.S. 105-131(b)(2)

5 G.S. 105-164.44C

6 G.S. 105-275.1(e)

7 G.S. 105-277.001(f)

8 G.S. 105-277.1A(f)

9 Section 71. The following sections of the General Statutes are amended by
10 deleting the phrase "Division II" each time it occurs and substituting the phrase "Part 2" :

11 G.S. 105-160.1

12 G.S. 105-160.4(e)

13 G.S. 105-163.011(b) & (b1)

14 G.S. 105-163.012

15 G.S. 105-163.15

16 G.S. 105-269.6

17 G.S. 105-275.2

18 Section 72. The following sections of the General Statutes are amended by
19 deleting the phrase "Division V" each time it occurs and substituting the phrase "Part 5" :

20 G.S. 105-116(a)

21 G.S. 105-120(a)

22 G.S. 105-120.2(f)

23 G.S. 105-122(d)

24 Section 73. G.S. 105-7 reads as rewritten:

25 **"§ 105-7. Estate tax.**

26 (a) A tax in addition to the inheritance tax imposed by this ~~schedule is hereby~~
27 Article is imposed upon the transfer of the net estate of every decedent, whether a
28 resident or nonresident of the State, where the inheritance tax imposed by this ~~schedule~~
29 Article is less than the maximum state death tax credit allowed by the Federal Estate Tax
30 Act as contained in the Code because of ~~said tax herein imposed. the tax imposed by this~~
31 Article. In such a case, the inheritance tax ~~provided for by this schedule imposed by this~~
32 Article shall be increased by an estate tax on the net estate so that the aggregate amount
33 of tax due this State ~~shall be equals~~ the maximum amount of credit allowed under ~~said the~~
34 Federal Estate Tax Act. ~~Said~~ This additional tax shall be paid out of the same funds as
35 any other tax against the estate.

36 (b) ~~Where~~ If no tax is imposed by this ~~schedule Article~~ because of ~~the~~ exemptions
37 ~~herein~~ or otherwise, and a tax is due the United States under the Federal Estate Tax Act,
38 then a tax ~~shall be~~ is due this State equal to the maximum amount of the credit allowed
39 under ~~said the~~ Federal Estate Tax Act.

40 (c) The administrative provisions of this ~~schedule, Article,~~ wherever applicable,
41 shall apply to the collection of the tax imposed by this section. The amount of the tax as
42 imposed by subsection (a) of this section shall be computed in full accordance with the
43 Federal Estate Tax Act as contained in the Code."

1 Section 74. G.S. 105-8 reads as rewritten:

2 **"§ 105-8. Treatment allowed for gift tax paid.**

3 ~~In case a tax has been imposed under Schedule G of the Revenue Act of 1937, or under~~
4 ~~subsequent acts.~~ If a tax has been imposed under Article 6 of this Chapter upon any gift,
5 and thereafter upon the death of the donor, the amount thereof of the gift is required by
6 any provision of this Article to be included in the gross estate of the decedent, then there
7 shall be credited against and applied in reduction of the tax, which would otherwise be
8 chargeable against the beneficiaries of the estate under the provisions of this Article, an
9 amount equal to the tax paid with respect to such the gift. Any additional tax found to be
10 due because of the inclusion of gifts in the gross estate of the decedent, as provided herein,
11 decedent shall be a tax against the estate and shall be paid out of the same funds as any
12 other tax against the estate."

13 Section 75. The introductory language of G.S. 105-9 reads as rewritten:

14 **"§ 105-9. Deductions.**

15 In determining the clear market value of property taxed under this Article, ~~or schedule,~~
16 the following deductions, and no others, shall be allowed:"

17 Section 76. G.S. 105-114(a)(2) reads as rewritten:

- 18 "(2) Corporations not organized under the laws of this State for doing
19 business in this State and for the benefit and protection which ~~such~~
20 these corporations receive from the government and laws of this
21 State in doing business in this State.

22 If the corporation is organized under the laws of this State, the
23 payment of the taxes levied by this Article shall be a condition
24 precedent to the right to continue in ~~such the corporate~~ form of
25 organization; and if the corporation is not organized under the laws of
26 this State, payment of these taxes shall be a condition precedent to the
27 right to continue to engage in doing business in this State. The taxes
28 levied in this Article ~~or schedule shall be are~~ for the fiscal year of the
29 State in which the taxes become due; except that the taxes levied in G.S.
30 105-122 ~~shall be are~~ for the income year of the corporation in which the
31 taxes become due.

32 G.S. 105-122 does not apply to street transportation systems taxed
33 under G.S. 105-120.1 or holding companies taxed under G.S. 105-
34 120.2. G.S. 105-122 applies to a corporation taxed under another
35 section of this Article only to the extent the taxes levied on the
36 corporation in G.S. 105-122 exceed the taxes levied on the corporation
37 in other sections of this Article."

38 Section 77. G.S. 105-122(a) reads as rewritten:

39 "(a) Every corporation, domestic and foreign, incorporated, or, by an act,
40 domesticated under the laws of this State or doing business in this State, except as
41 otherwise provided in this ~~Article or schedule,~~ Article, shall, on or before the fifteenth day
42 of the third month following the end of its income year, ~~annually,~~ annually make and
43 deliver to the Secretary of Revenue ~~in such form as he may prescribe~~ in the form prescribed

1 by the Secretary a full, ~~accurate~~ accurate, and complete report and statement signed by
2 either its president, vice-president, treasurer, assistant treasurer, secretary or assistant
3 secretary, containing ~~such~~ the facts and information as ~~may be~~ required by the Secretary of
4 Revenue as shown by the books and records of the corporation at the close of ~~such~~ the
5 income year.

6 There shall be annexed to the return required by this subsection the affirmation of the
7 officer signing the return in the following form: "Under penalties prescribed by law, I
8 hereby affirm that to the best of my knowledge and belief this return, including any
9 accompanying schedules and statements, is true and complete. If prepared by a person
10 other than taxpayer, ~~his~~ this affirmation is based on all information of which ~~he~~ the
11 preparer has any knowledge."

12 Section 78. G.S. 105-127(b) is repealed.

13 Section 79. G.S. 105-130.26 reads as rewritten:

14 **"§ 105-130.26. Credit against corporate income tax for conversion of industrial boiler**
15 **to wood fuel.**

16 ~~Any corporation which~~ A corporation that modifies or replaces an oil or gas-fired boiler
17 or kiln and the associated fuel and residue handling equipment used in the manufacturing
18 process of a manufacturing business located in this State with one ~~which~~ that is capable of
19 burning wood ~~shall be~~ is allowed as a credit against the tax imposed by this Division, Part
20 an amount equal to fifteen percent (15%) of the installation and equipment cost of ~~such~~
21 ~~conversion; provided, that in order to secure the conversion paid during the taxable year. In~~
22 ~~order to claim~~ the credit allowed by this section, the taxpayer must own or control the
23 business in which ~~such~~ the boiler or kiln is used at the time of ~~such conversion and payment~~
24 ~~in part or in whole for such installation and equipment must be made by the taxpayer during the~~
25 ~~tax year for which the credit is claimed; and the amount of credit allowed for any one income~~
26 ~~year shall be limited to fifteen percent (15%) of such costs paid during the year; and the~~ the
27 ~~conversion. The credit allowed by this section shall~~ may not exceed the amount of the tax
28 imposed by this Division, Part for the taxable year reduced by the sum of all credits
29 allowable under this Division, ~~allowable~~, except for payments of tax made by or on behalf
30 of the taxpayer. If a credit is granted under this section to a taxpayer engaged in the
31 business of poultry production and that credit exceeds the tax imposed under this
32 Division, Part, the excess may be carried forward ~~and applied to the tax imposed under this~~
33 ~~Division~~ for the succeeding five years."

34 Section 80. G.S. 105-130.27(a) reads as rewritten:

35 "(a) Credit Allowed. ~~Any corporation which~~ A corporation that constructs in North
36 Carolina a distillery to make ethanol from agricultural or forestry products for qualified
37 uses ~~shall be~~ is allowed a credit against the tax imposed by this Division, Part. Subject to
38 the limitation provided in subsection (d) of this section, the amount of the credit shall be
39 equal to twenty percent (20%) of the installation and construction costs of the ~~distillery,~~
40 ~~distillery paid during the year preceding the taxable year,~~ and an additional ten percent
41 (10%) of those costs if the distillery is to be powered by use of an alternative fuel source.
42 No credit is allowed, however, for the costs of purchasing the land or site work, which
43 includes rock, paving, and excavation. In order to secure the credit allowed by this

1 section, the taxpayer must own or control the facility at the time of ~~construction, and~~
2 ~~payment for the installation and construction must be made by the taxpayer during the year~~
3 ~~preceding the year for which the credit is claimed. The amount of the credit allowed for any one~~
4 ~~taxable year shall be limited to twenty percent (20%) of the installation and construction costs~~
5 ~~paid during such year, or thirty percent (30%) if the distillery is to be powered by an alternative~~
6 ~~fuel source.~~ construction. Invoices or receipts shall be furnished to substantiate a claim or
7 a credit under this section if requested by the Secretary of Revenue. Secretary. The credit
8 allowed by this section shall ~~may~~ not exceed the amount of the tax imposed by this
9 Division-Part for the taxable year reduced by the sum of all credits ~~allowable under this~~
10 Division, ~~allowable,~~ except for payments of tax made by or on behalf of the taxpayer."

11 Section 81. G.S. 105-130.27A reads as rewritten:

12 **"§ 105-130.27A. Credit ~~against corporate income tax for construction of a peat facility.~~**

13 (a) ~~Any corporation which~~ A corporation that constructs in North Carolina a facility
14 ~~which that~~ uses peat as the feedstock for the production of a commercially manufactured
15 energy source to replace petroleum, natural gas or other gas, or another nonrenewable
16 energy source ~~shall be~~ source is allowed a credit against the tax imposed by this Division
17 Part equal to twenty percent (20%) of the installation and equipment costs of construction;
18 provided, that the credit shall not be allowed ~~construction paid during the taxable year.~~ No
19 credit is allowed, however, to the extent that any of the cost of the system was provided
20 by federal, State, or local grants. In order to secure the credit allowed by this section, the
21 taxpayer must own or control ~~such the~~ facility at the time of ~~construction, and the credit~~
22 allowed by this section shall not exceed ~~construction.~~ The credit allowed by this section
23 may not exceed the amount of the tax imposed by this Division-Part for the taxable year
24 reduced by the sum of all credits ~~allowable under this Division, allowable,~~ except for
25 payments of tax made by or on behalf of the taxpayer.

26 (b) The amount of unused credit allowed under this section may be carried over
27 for the next succeeding five years."

28 Section 82. G.S. 105-130.28(a) reads as rewritten:

29 "(a) Any corporation that constructs in North Carolina a facility for the production
30 of photovoltaic equipment is allowed a credit against the tax imposed by this Division
31 Part equal to twenty-five percent (25%) of the installation and equipment costs of
32 construction. ~~This credit shall not be allowed ~~construction paid during the taxable year.~~ No~~
33 credit is allowed, however, to the extent that any of the costs of the equipment were
34 provided by federal, State, or local grants. To secure the credit allowed by this section,
35 the taxpayer must own or control the facility at the time of construction. The credit
36 allowed by this section may not exceed the amount of the tax imposed by this Division
37 Part for the taxable year reduced by the sum of all credits ~~allowable under this Division,~~
38 allowable, except payments of tax made by or on behalf of the taxpayer."

39 Section 83. G.S. 105-130.29 reads as rewritten:

40 **"§ 105-130.29. Credit ~~against corporate income tax for construction of an olivine brick~~**
41 **facility.**

42 (a) Any corporation that constructs in North Carolina a facility for the production
43 of olivine bricks for thermal storage ~~shall be~~ is allowed a credit against the tax imposed by

1 this ~~Division-Part~~ equal to twenty percent (20%) of the installation and equipment costs of
2 ~~construction. This credit shall not be allowed~~ construction paid during the taxable year. No
3 credit is allowed, however, to the extent that any of the costs of the system were provided
4 by federal, State, or local grants. To secure the credit allowed by this section, the
5 taxpayer must own or control the facility at the time of construction. The credit allowed
6 by this section may not exceed the amount of the tax imposed by this ~~Division-Part~~ for the
7 taxable year reduced by the sum of all credits ~~allowable under this Division,~~ allowable,
8 except payments of tax made by or on behalf of the taxpayer.

9 (b) The amount of credit allowed under this section may be carried over for the
10 next succeeding five years."

11 Section 84. G.S. 105-130.30 reads as rewritten:

12 **"§ 105-130.30. Credit ~~against corporate income tax for construction of a methane gas~~**
13 **facility.**

14 (a) Any corporation that constructs in North Carolina a facility for the production
15 of methane gas from renewable biomass resources ~~shall be~~ is allowed a credit against the
16 tax imposed by this ~~Division-Part~~ equal to ten percent (10%) of the installation and
17 equipment costs of ~~construction.~~ construction paid during the taxable year. The credit
18 allowed under this section may not exceed two thousand five hundred dollars (\$2,500) for
19 any single installation. ~~This credit shall not be allowed~~ No credit is allowed, however, to the
20 extent that any of the costs of the system were provided by federal, State, or local grants.
21 To secure the credit allowed by this section, the taxpayer must own or control the facility
22 at the time of construction. The credit allowed by this section may not exceed the amount
23 of the tax imposed by this ~~Division-Part~~ for the taxable year reduced by the sum of all
24 credits ~~allowable under this Division,~~ allowable, except payments of tax made by or on
25 behalf of the taxpayer.

26 (b) As used in this section, "renewable biomass resources" means organic matter
27 produced by terrestrial and aquatic plants and animals such as standing vegetation,
28 aquatic crops, forestry and agricultural ~~residues~~ residues, and animal wastes that can be
29 used for the production of energy."

30 Section 85. G.S. 105-130.31 reads as rewritten:

31 **"§ 105-130.31. Credit ~~against corporate income tax for installation of a wind energy~~**
32 **device.**

33 (a) Any corporation that constructs or installs a wind energy device for the
34 production of electricity at a site located in this State ~~shall be~~ is allowed a credit against
35 the tax imposed by this ~~Division-Part~~ equal to ten percent (10%) of the installation and
36 equipment costs of the wind energy ~~device.~~ device paid during the taxable year. The
37 credit allowed under this section may not exceed one thousand dollars (\$1,000) for any
38 single installation. ~~This credit shall not be allowed~~ No credit is allowed, however, to the
39 extent that any of the costs of the system were provided by federal, State, or local grants.
40 To secure the credit allowed by this section, the taxpayer must own or control the site at
41 the time the wind energy device is installed. The credit allowed by this section may not
42 exceed the amount of the tax imposed by this ~~Division-Part~~ for the taxable year reduced

1 by the sum of all credits ~~allowable under this Division,~~ allowable, except payments of tax
2 made by or on behalf of the taxpayer.

3 (b) As used in this section, "wind energy device" means equipment (and parts
4 solely related to the functioning of the equipment) that, when installed on a site, transmits
5 or uses wind energy to generate electricity."

6 Section 86. G.S. 105-130.32 reads as rewritten:

7 **"§ 105-130.32. Credit against corporate income tax for installation of solar energy
8 equipment for the production of heat or electricity in certain processes.**

9 (a) Any corporation that constructs or installs solar energy equipment for the
10 production of heat or electricity in the manufacturing or service processes of its business
11 located in this State is allowed a credit against the tax imposed by this ~~Division-Part~~ Part equal
12 to thirty-five percent (35%) of the installation and equipment costs of the solar energy
13 ~~equipment.~~ equipment paid during the taxable year. The credit allowed under this section
14 may not exceed twenty-five thousand dollars (\$25,000) for any single installation. ~~This~~
15 ~~credit shall not be allowed.~~ No credit is allowed, however, to the extent that any of the costs
16 of the equipment were provided by federal, State, or local grants. To secure the credit
17 allowed by this section, the taxpayer must own or control the business at the time the
18 solar energy equipment is installed. The credit allowed by this section may not exceed the
19 amount of the tax imposed by this ~~Division-Part~~ Part for the taxable year reduced by the sum
20 of all credits ~~allowable under this Division,~~ allowable, except payments of tax made by or
21 on behalf of the taxpayer.

22 (b) As used in this section, "solar energy equipment" means equipment and
23 materials designed to collect, store, transport, or control energy derived directly from the
24 sun."

25 Section 87. G.S. 105-130.33(a) reads as rewritten:

26 "(a) Any corporation that constructs or installs a hydroelectric generator with a
27 capacity of at least three kilowatts (3KW) at an existing dam or free flowing stream
28 located in this State shall be allowed a credit against the tax imposed by this ~~Division-Part~~
29 Part equal to ten percent (10%) of the installation and equipment costs of the hydroelectric
30 ~~generator.~~ paid during the taxable year. The credit allowed under this section may not
31 exceed five thousand dollars (\$5,000) for any single installation. ~~This credit shall not be~~
32 ~~allowed.~~ No credit is allowed, however, to the extent that any of the costs of the system
33 were provided by federal, State, or local grants. To secure the credit allowed by this
34 section, the taxpayer must own or control the site at the time the hydroelectric generator
35 is installed. The credit allowed by this section may not exceed the amount of the tax
36 imposed by this ~~Division-Part~~ Part for the taxable year reduced by the sum of all credits
37 allowable under this ~~Division,~~ Part, except payments of tax made by or on behalf of the
38 taxpayer."

39 Section 88. G.S. 105-130.36(a) reads as rewritten:

40 "(a) Any corporation that purchases conservation tillage equipment for use in a
41 farming business, including tree farming, shall be allowed a credit against the tax
42 imposed by this ~~Division-Part~~ Part equal to twenty-five percent (25%) of the cost of the
43 ~~equipment.~~ equipment paid during the taxable year. This credit may not exceed two

1 thousand five hundred dollars (\$2,500) for any ~~income-taxable~~ year for any taxpayer. The
2 credit may ~~only~~ be claimed only by the first purchaser of the equipment and may not be
3 claimed by a corporation that purchases the equipment for resale or for use outside this
4 State. This credit may not exceed the amount of tax imposed by this ~~Division-Part~~ for the
5 taxable year reduced by the sum of all credits ~~allowable under this Division,~~ allowable,
6 except tax payments made by or on behalf of the taxpayer. If the credit allowed by this
7 section exceeds the tax imposed under this ~~Division,~~ Part, the excess may be carried
8 forward ~~and applied to the tax imposed under this Division~~ for the succeeding five years. The
9 basis in any equipment for which a credit is allowed under this section shall be reduced
10 by the amount of credit allowable."

11 Section 89. G.S. 105-130.37(a) reads as rewritten:

12 "(a) Any corporation that grows a crop and permits the gleaning of the crop during
13 the taxable year is ~~shall be~~ allowed a credit against the tax imposed by this ~~Division-Part~~
14 equal to ten percent (10%) of the market price of the quantity of the gleaned crop. This
15 credit may not exceed the amount of tax imposed by this ~~Division-Part~~ for the taxable year
16 reduced by the sum of all credits ~~allowable under this Division,~~ allowable, except tax
17 payments made by or on behalf of the taxpayer. No deduction is allowed under G.S. 105-
18 130.5(b)(5) for the items for which a credit is claimed under this section. Any unused
19 portion of the credit may be carried forward for the succeeding five years."

20 Section 90. G.S. 105-130.39 reads as rewritten:

21 "**§ 105-130.39. Credit for certain telephone subscriber line charges.**

22 (a) A corporation that provides local telephone service to low-income residential
23 consumers at reduced rates pursuant to an order of the North Carolina Utilities
24 Commission is allowed a credit against the tax imposed by this ~~Division-Part~~ equal to the
25 difference ~~between:~~ between the following:

26 (1) The amount of receipts the corporation would have received
27 during the taxable year from those low-income customers had the
28 customers been charged the regular rates for local telephone service
29 and ~~fees;~~ and fees.

30 (2) The amount billed those low-income customers for local
31 telephone service during the taxable year.

32 (b) This credit is allowed only for a reduction in local telephone service rates and
33 fees and is not allowed for any reduction in interstate subscriber line charges. This credit
34 may not exceed the amount of tax imposed by this ~~Division-Part~~ for the taxable year
35 reduced by the sum of all credits ~~allowed under this Division,~~ allowable, except tax
36 payments made by or on behalf of the corporation."

37 Section 91. G.S. 105-134.7(a)(7) reads as rewritten:

38 "(7) The transitional adjustments provided in ~~Division I-S-Part 1A~~ of this
39 Article shall be made with respect to a shareholder's pro rata share of
40 S Corporation income."

41 Section 92. G.S. 105-151 reads as rewritten:

42 "**§ 105-151. Tax credits for income taxes paid to other states by individuals.**

1 (a) An individual who is a resident of this State is allowed a credit against the
2 taxes imposed by this ~~Division-Part~~ for income taxes imposed by and paid to another state
3 or country on income taxed under this ~~Division-Part~~, subject to the following conditions:

4 (1) The credit ~~shall be~~ is allowed only for taxes paid to another state or
5 country on income derived from sources within that state or country
6 that is taxed under its laws irrespective of the residence or domicile
7 of the ~~recipient; provided, recipient, except~~ that whenever a taxpayer
8 who is deemed to be a resident of this State under the provisions of
9 this ~~Division-Part~~ is deemed also to be a resident of another state or
10 country under the laws of that state or country, the Secretary ~~may, in~~
11 ~~his discretion, may~~ allow a credit against the taxes imposed by this
12 ~~Division-Part~~ for taxes imposed by and paid to the other state or
13 country on income taxed under this ~~Division-Part~~.

14 (2) The fraction of the gross income, as calculated under the Code and
15 adjusted as provided in G.S. 105-134.6 and G.S. 105-134.7, that is
16 subject to income tax in another state or country shall be ascertained,
17 and the North Carolina net income tax before credit under this
18 section shall be multiplied by that fraction. The credit allowed ~~shall~~
19 ~~be~~ is either the product thus calculated or the income tax actually
20 paid the other state or country, whichever is smaller.

21 (3) Receipts showing the payment of income taxes to another state or
22 country and a true copy of a return or returns upon the basis of
23 which the taxes are assessed shall be filed with the Secretary ~~at, or~~
24 ~~prior to, the time when the~~ credit is claimed. If credit is claimed on
25 account of a deficiency assessment, a true copy of the notice
26 assessing or proposing to assess the deficiency, as well as a receipt
27 showing the payment of the deficiency, shall be filed.

28 (b) If any taxes paid to another state or country for which a taxpayer has been
29 allowed a credit under this section are at any time credited or refunded to the taxpayer, a
30 tax equal to that portion of the credit allowed for the taxes so credited or refunded ~~shall be~~
31 is due and payable from the taxpayer and ~~shall be~~ is subject to the penalties and interest
32 provided in Subchapter I of this Chapter."

33 Section 93. G.S 105-151.5 reads as rewritten:

34 **"§ 105-151.5. Credit for conversion of industrial boiler to wood fuel.**

35 A ~~person-taxpayer~~ who modifies or replaces an oil or gas-fired boiler or kiln and the
36 associated fuel and residue handling equipment used in the manufacturing process of a
37 manufacturing business located in this State with one that is capable of burning wood
38 ~~shall be~~ is allowed as a credit against the tax imposed by this ~~Division-Part~~ an amount
39 equal to fifteen percent (15%) of the installation and equipment cost of the ~~conversion;~~
40 ~~provided, that in order to secure conversion paid during the taxable year. In order to claim~~
41 the credit allowed by this section, the taxpayer must own or control the business in which
42 the boiler or kiln is used at the time of the ~~conversion and payment in part or in whole for the~~
43 ~~installation and equipment must be made by the taxpayer during the taxable year for which the~~

1 credit is claimed. ~~The amount of credit allowed for any one taxable year may not exceed fifteen~~
2 ~~percent (15%) of the costs paid during the year.~~ conversion. The credit allowed by this
3 section may not exceed the amount of the tax imposed by this ~~Division-Part~~ for the
4 taxable year reduced by the sum of all credits ~~allowable under this Division,~~ allowable,
5 except for payments of tax made by or on behalf of the taxpayer. If a credit is granted
6 under this section to a taxpayer engaged in the business of poultry production and that
7 credit exceeds the tax imposed under this ~~Division-Part,~~ the excess may be carried
8 forward ~~and applied to the tax imposed under this Division~~ for the succeeding five years."

9 Section 94. G.S. 105-151.6(a) reads as rewritten:

10 "(a) Credit Allowed. – Any person who constructs in North Carolina a distillery to
11 make ethanol from agricultural or forestry products for qualified uses ~~shall be~~ is allowed a
12 credit against the tax imposed by this ~~Division-Part.~~ Subject to the limitation provided in
13 subsection (d) of this section, the amount of the credit ~~shall be equal to~~ is twenty percent
14 (20%) of the installation and construction costs of the ~~distillery,~~ distillery paid during the
15 year preceding the taxable year, and an additional ten percent (10%) of those costs if the
16 distillery is to be powered by use of an alternative fuel source. No credit is allowed,
17 however, for the costs of purchasing the land or site work, which includes rock, paving,
18 and excavation. In order to secure the credit allowed by this section, the taxpayer must
19 own or control the facility at the time of ~~construction,~~ and payment for the installation and
20 ~~construction must be made by the taxpayer during the year preceding the year for which the~~
21 ~~credit is claimed. The amount of the credit allowed for any one taxable year shall be limited to~~
22 ~~twenty percent (20%) of the installation and construction costs paid during such year, or thirty~~
23 ~~percent (30%) if the distillery is to be powered by an alternative fuel source.~~ construction.
24 Invoices or receipts shall be furnished to substantiate a claim or a credit under this section
25 if requested by the ~~Secretary of Revenue.~~ Secretary. The credit allowed by this section ~~shall~~
26 may not exceed the amount of the tax imposed by this ~~Division-Part~~ for the taxable year
27 reduced by the sum of all credits ~~allowable under this Division,~~ allowable, except for
28 payments of tax made by or on behalf of the taxpayer."

29 Section 95. G.S. 105-151.7(a) reads as rewritten:

30 "(a) A person who constructs or installs a hydroelectric generator with a capacity of
31 at least three kilowatts (3KW) at an existing dam or free flowing stream located in this
32 State ~~shall be~~ is allowed as a credit against the tax imposed by this ~~Division-Part~~ an
33 amount equal to ten percent (10%) of the installation and equipment costs of the
34 hydroelectric ~~generator.~~ generator paid during the taxable year. The credit allowed under
35 this section may not exceed five thousand dollars (\$5,000) for any single installation. ~~This~~
36 ~~credit shall not be allowed.~~ No credit is allowed, however, to the extent that any of the costs
37 of the system were provided by federal, State, or local grants. To secure the credit
38 allowed by this section, the taxpayer must own or control the site at the time the
39 hydroelectric generator is installed. The credit allowed by this section may not exceed the
40 amount of the tax imposed by this ~~Division-Part~~ for the taxable year reduced by the sum
41 of all credits ~~allowable under this Division,~~ allowable, except payments of tax made by or
42 on behalf of the taxpayer."

43 Section 96. G.S. 105-151.8(a) reads as rewritten:

1 (a) A person who constructs or installs solar energy equipment for the production
2 of heat or electricity in the manufacturing or service processes of the person's business
3 located in this State is allowed a credit against the tax imposed by this ~~Division-Part~~ equal
4 to thirty-five percent (35%) of the installation and equipment costs of the solar energy
5 ~~equipment. equipment paid during the taxable year.~~ The credit allowed under this section
6 may not exceed twenty-five thousand dollars (\$25,000) for any single installation. ~~This~~
7 ~~credit shall not be allowed.~~ No credit is allowed, however, to the extent that any of the costs
8 of the equipment were provided by federal, State, or local grants. To secure the credit
9 allowed by this section, the taxpayer must own or control the business at the time the
10 solar energy equipment is installed. The credit allowed by this section may not exceed the
11 amount of tax imposed by this ~~Division-Part~~ for the taxable year reduced by the sum of all
12 credits ~~allowable under this Division,~~ allowable, except payments of tax made by or on
13 behalf of the taxpayer. In no case ~~shall a tax credit be~~ is a credit allowed under both this
14 section and G.S. 105-151.2."

15 Section 97. G.S. 105-151.9(a) reads as rewritten:

16 (a) A person who constructs or installs a wind energy device for the production of
17 electricity at a site located in this State ~~shall be~~ is allowed as a credit against the tax
18 imposed by this ~~Division-Part~~ an amount equal to ten percent (10%) of the installation and
19 equipment costs of the wind energy ~~device. device paid during the taxable year.~~ The credit
20 allowed under this section may not exceed one thousand dollars (\$1,000) for any single
21 installation. ~~This credit shall not be allowed.~~ No credit is allowed, however, to the extent
22 that any of the costs of the system were provided by federal, State, or local grants. To
23 secure the credit allowed by this section, the taxpayer must own or control the site at the
24 time the wind energy device is installed. The credit allowed by this section may not
25 exceed the amount of the tax imposed by this ~~Division-Part~~ for the taxable year reduced
26 by the sum of all credits ~~allowable under this Division,~~ allowable, except payments of tax
27 made by or on behalf of the taxpayer."

28 Section 98. G.S. 105-151.10(a) reads as rewritten:

29 (a) A ~~person-taxpayer~~ who constructs in North Carolina a facility for the
30 production of methane gas from renewable biomass resources shall be allowed as a credit
31 against the tax imposed by this ~~Division-Part~~ an amount equal to ten percent (10%) of the
32 installation and equipment costs of ~~construction. construction paid during the taxable year.~~
33 The credit allowed under this section may not exceed two thousand five hundred dollars
34 (\$2,500) for any single installation. ~~This credit shall not be allowed.~~ No credit is allowed,
35 however, to the extent that any of the costs of the system were provided by federal, State,
36 or local grants. To secure the credit allowed by this section, the taxpayer must own or
37 control the facility at the time of construction. The credit allowed by this section may not
38 exceed the amount of the tax imposed by this ~~Division-Part~~ for the taxable year reduced
39 by the sum of all credits ~~allowable under this Division,~~ allowable, except payments of tax
40 made by or on behalf of the taxpayer."

41 Section 99. G.S. 105-151.11(c) reads as rewritten:

42 (c) Limitations. – No credit shall be allowed under this section for
43 amounts deducted from gross income in calculating taxable income under the Code. The

1 credit allowed by this section may not exceed the amount of tax imposed by this ~~Division~~
2 ~~Part~~ for the taxable year reduced by the sum of all credits ~~allowable under this Division,~~
3 allowable, except for payments of tax made by or on behalf of the taxpayer. No credit
4 shall be allowed under this section with respect to employment-related expenses paid by
5 a nonresident of this State."

6 Section 100. G.S. 105-151.13(a) reads as rewritten:

7 "(a) A ~~person-taxpayer~~ who purchases conservation tillage equipment for use in a
8 farming business, including tree farming, shall be allowed as a credit against the tax
9 imposed by this ~~Division-Part~~ an amount equal to twenty-five percent (25%) of the cost of
10 the ~~equipment.~~ equipment paid during the taxable year. This credit may not exceed two
11 thousand five hundred dollars (\$2,500) for any taxable year. The credit may be claimed
12 only by the first purchaser of the equipment and may not be claimed by a person who
13 purchases the equipment for resale or for use outside this State. This credit may not
14 exceed the amount of tax imposed by this ~~Division-Part~~ for the taxable year reduced by
15 the sum of all credits ~~allowable under this Division,~~ allowable, except tax payments made
16 by or on behalf of the taxpayer. If the credit allowed by this section exceeds the tax
17 imposed under this ~~Division-Part~~, the excess may be carried forward ~~and applied to the tax~~
18 ~~imposed under this Division~~ for the next succeeding five years. The basis in any equipment
19 for which a credit is allowed under this section shall be reduced by the amount of the
20 credit allowable."

21 Section 101. G.S. 105-151.14(a) reads as rewritten:

22 "(a) A ~~person-taxpayer~~ who grows a crop and permits the gleaning of the crop
23 during the taxable year shall be allowed as a credit against the tax imposed by this
24 ~~Division-Part~~ an amount equal to ten percent (10%) of the market price of the quantity of
25 the gleaned crop. This credit may not exceed the amount of tax imposed by this ~~Division~~
26 ~~Part~~ for the taxable year reduced by the sum of all credits ~~allowable under this Division,~~
27 allowable, except tax payments made by or on behalf of the taxpayer. In order to claim
28 the credit allowed under this section, the taxpayer must add the market price of the
29 gleaned crop to taxable income as provided in G.S. 105-134.6(c). Any unused portion of
30 the credit may be carried forward for the next succeeding five years."

31 Section 102. G.S. 105-151.18(d) reads as rewritten:

32 "(d) Limitations. – A nonresident or part-year resident who claims the credit
33 allowed by this section shall reduce the amount of the credit by multiplying it by the
34 fraction calculated under G.S. 105-134.5(b) or (c), as appropriate. The credit allowed
35 under this section may not exceed the amount of tax imposed by this ~~Division-Part~~ for the
36 taxable year reduced by the sum of all credits ~~allowed under this Division,~~ allowable,
37 except payments of tax made by or on behalf of the taxpayer."

38 Section 103. G.S. 105-151.21(a) reads as rewritten:

39 "(a) Credit. – An individual engaged in the business of farming is allowed a credit
40 against the tax imposed by this ~~Division-Part~~ equal to the amount of property taxes the
41 individual paid at par during the taxable year on farm machinery and on attachments and
42 repair parts for farm machinery. In addition, an individual shareholder of an S
43 Corporation engaged in the business of farming is allowed a credit against the tax

1 imposed by this ~~Division-Part~~ equal to the shareholder's pro rata share of the amount of
2 property taxes the S Corporation paid at par during the taxable year on farm machinery
3 and on attachments and repair parts for farm machinery. The total credit allowed under
4 this section may not exceed one thousand dollars (\$1,000) for the taxable year and may
5 not exceed the amount of tax imposed by this ~~Division-Part~~ for the taxable year reduced
6 by the sum of all credits ~~allowed under this Division,~~ allowable, except payments of tax
7 made by or on behalf of the taxpayer. To claim the credit, the taxpayer shall attach to the
8 return a copy of the tax receipt for the property taxes for which credit is claimed. The
9 receipt must indicate that the taxes have been paid and the amount and date of the
10 payment."

11 Section 104. G.S. 105-152(e) reads as rewritten:

12 "(e) Joint Returns. – A husband and wife shall file a single income tax return jointly
13 if (i) their federal taxable income is determined on a joint federal return and (ii) both
14 spouses are residents of this State or both spouses have North Carolina taxable income.
15 Except as otherwise provided in this ~~Division, Part,~~ a wife and husband filing jointly are
16 treated as one taxpayer for the purpose of determining the tax imposed by this ~~Division-~~
17 Part. A husband and wife filing jointly are jointly and severally liable for the tax imposed
18 by this ~~Division-Part~~ reduced by the sum of all credits ~~allowable under this Division~~
19 allowable including tax payments made by or on behalf of the husband and wife.
20 However, if a spouse has been relieved of liability for federal tax attributable to a
21 substantial understatement by the other spouse pursuant to section 6013 of the Code, that
22 spouse is not liable for the corresponding tax imposed by this ~~Division-Part~~ attributable to
23 the same substantial understatement by the other spouse. A wife and husband filing
24 jointly have expressly agreed that if the amount of the payments made by them with
25 respect to the taxes for which they are liable, including withheld and estimated taxes,
26 exceeds the total of the taxes due, refund of the excess may be made payable to both
27 spouses jointly or, if either is deceased, to the survivor alone."

28 Section 105. G.S. 105-160.3(a) reads as rewritten:

29 "(a) Except as otherwise provided in this section, the credits allowed to an
30 individual against the tax imposed by ~~Division H-Part 2~~ of this Article shall be allowed to
31 the same extent to an estate or a trust against the tax imposed by this ~~Division-Part.~~ Any
32 credit computed as a percentage of income received shall be apportioned between the
33 estate or trust and the beneficiaries based on the distributions made during the taxable
34 year. No credit may exceed the amount of the tax imposed by this ~~Division-Part~~ for the
35 taxable year reduced by the sum of all credits ~~allowable under this Division,~~ allowable,
36 except for payments of tax made by or on behalf of the estate or trust."

37 Section 106. G.S. 105-164.3(22) reads as rewritten:

38 "(22) "Use tax" means ~~and includes~~ the tax imposed by Part 3 in ~~Division H-2~~
39 of this Article."

40 Section 107. G.S. 105-164.13(5) reads as rewritten:

41 "(5) Manufactured products produced and sold by manufacturers or
42 producers to other manufacturers, producers, or registered ~~wholesale~~
43 ~~or retail~~ retailers or wholesale merchants, for the purpose of resale

1 except as modified by ~~Division I, G.S. 105-164.3, subdivision (23).~~
2 ~~Provided, however, this exemption shall G.S. 105-164.3(23). This~~
3 ~~exemption does not extend to or include retail sales to users or~~
4 ~~consumers not for resale."~~

5 Section 108. G.S. 105-164.26 reads as rewritten:

6 "**§ 105-164.26. Presumption that sales are taxable.**

7 For the purpose of the proper administration of ~~this division of~~ this Article and to
8 prevent evasion of the retail sales tax, it shall be presumed that all gross receipts of
9 wholesale merchants and retailers are subject to the retail sales tax until the contrary is
10 established by proper records as required ~~herein~~ in this Article. It shall be prima facie
11 presumed that tangible personal property sold by any person for delivery in this State,
12 however made, and by carrier or otherwise, is sold for storage, ~~use~~ use, or other
13 consumption in this State, and a like presumption shall apply to tangible personal
14 property delivered ~~without~~ outside this State and brought to this State by the ~~purchaser~~
15 thereof, purchaser."

16 Section 109. G.S. 105-228.1 reads as rewritten:

17 "**§ 105-228.1. Defining taxes levied and assessed in this Article.**

18 The purpose of this Article is to levy a fair and equal tax under authority of ~~Article V,~~
19 ~~Sec. 3 of the Constitution of North Carolina Section 2(2)~~ of Article V of the North Carolina
20 Constitution and to provide a practical means for ascertaining and collecting it. The taxes
21 levied and assessed in this ~~schedule shall be upon the gross earnings~~ Article are on gross
22 earnings, as defined in the Article, and ~~shall be~~ are in lieu of ad valorem taxes upon the
23 properties of ~~individuals, firms, or corporations so taxed herein~~ persons taxed in this
24 Article."

25 Section 110. G.S. 105-266(c) reads as rewritten:

26 "(c) Statute of Limitations. – The period in which a refund must be demanded or
27 discovered under this section is determined as follows:

- 28 (1) General Rule. – No overpayment shall be refunded, whether upon
29 discovery or receipt of written demand, if the discovery is not made
30 or the demand is not received within three years after the date set by
31 the statute for the filing of the return or within six months after the
32 payment of the tax alleged to be an overpayment, whichever is later.
- 33 (2) Worthless Debts or Securities. – Section 6511(d)(1) of the Code
34 applies to an overpayment of the tax levied in ~~Division II or III Part 2~~
35 or 3 of Article 4 of this Chapter to the extent the overpayment is
36 attributable to either of the following:
- 37 a. The deductibility by the taxpayer under section 166 of the Code
38 of a debt that becomes worthless, or under section 165(g) of the
39 Code of a loss from a security that becomes worthless.
- 40 b. The effect of the deductibility of a debt or loss described in
41 subpart a. of this subdivision on the application of a carryover to
42 the taxpayer.

1 (3) Capital Loss and Net Operating Loss Carrybacks. – Section
2 6511(d)(2) of the Code applies to an overpayment of the tax levied
3 in ~~Division II or III~~ Part 2 or 3 of Article 4 of this Chapter to the
4 extent the overpayment is attributable to a capital loss carryback
5 under section 1212(c) of the Code or to a net operating loss
6 carryback under section 172 of the Code.

7 (4) Federal Determination. – When a taxpayer files with the Secretary a
8 return that reflects a federal determination and the return is filed
9 within the required time, the period in which a refund must be
10 demanded or discovered is one year after the return reflecting the
11 federal determination is filed or three years after the original return
12 was filed or due to be filed, whichever is later."

13 Section 111. G.S. 105-309(d) reads as rewritten:

14 "(d) Personal property shall be listed to indicate the township and municipality, if
15 any, in which it is taxable and shall be itemized by the taxpayer in such detail as may be
16 prescribed by an abstract form approved by the Department of Revenue. Personal
17 property shall also be listed to indicate which property, if any, is subject to a tax credit
18 under ~~Division IV of Article 4 of this Chapter~~. G.S. 105-151.21.

19 (1) If the assessor considers it necessary to obtain a complete listing of
20 personal property, ~~he~~ the assessor may require a taxpayer to submit
21 additional information, inventories, or itemized lists of personal
22 property.

23 (2) At the request of the assessor, the taxpayer shall furnish any
24 information ~~he may have~~ the taxpayer has with respect to the true
25 value of the personal property ~~he~~ the taxpayer is required to list."

26 Section 112. G.S. 105-366(b)(5) reads as rewritten:

27 "(5) The stock of goods or fixtures of a wholesale ~~or retail merchant~~ (as
28 defined in Schedule E of the Revenue Act) ~~merchant or retailer, as~~
29 defined in G.S. 105-164.3, in the hands of a purchaser or transferee
30 thereof, or any other personal property of the purchaser or transferee
31 of ~~such~~ the property, if the taxes on the goods or fixtures remain
32 unpaid 30 days after the date of the sale or ~~transfer, but in such a case~~
33 ~~the transfer~~. In the case of other personal property of the purchaser
34 or transferee, the levy or attachment must be made within six months
35 of the sale or transfer."

36 Section 113. G.S. 105-366(d) reads as rewritten:

37 "(d) Remedies against Sellers and Purchasers of Stocks of Goods or Fixtures of
38 ~~Wholesale or Retail Merchants~~. Merchants or Retailers. –

39 (1) Any wholesale ~~or retail merchant~~ (as defined in Schedule E of the
40 Revenue Act) ~~merchant or retailer, as defined in G.S. 105-164.3, who
41 sells or transfers the major part of ~~his~~ its stock of goods, materials,
42 supplies, or fixtures, other than in the ordinary course of ~~business~~ or~~

1 ~~who goes out of business, shall:~~ business, or who goes out of business,
2 must take the following actions:

3 a. At least 48 hours prior to the date of the pending sale,
4 transfer, or termination of business, give notice ~~thereof~~ to the
5 assessors and tax collectors of the taxing units in which ~~his~~ the
6 business is ~~located~~; and located.

7 b. Within 30 days of the sale, transfer, or termination of
8 business, pay all taxes due or to become due on the transferred
9 property on the first day of September of the current calendar
10 year.

11 (2) Any person to whom the major part of the stock of goods,
12 materials, supplies, or fixtures of a wholesale ~~or retail merchant~~ (as
13 ~~defined in Schedule E of the Revenue Act)~~ merchant or retailer is sold
14 or transferred, other than in the ordinary course of business, or who
15 becomes the successor in business of a wholesale ~~or retail merchant~~
16 merchant or retailer shall withhold from the purchase money paid to
17 the merchant an amount sufficient to pay the taxes due or to become
18 due on the transferred property on the first day of September of the
19 current calendar year until the former owner or seller produces either
20 a receipt from the tax collector showing that the taxes have been
21 paid or a certificate that no taxes are due. If the purchaser or
22 successor in business fails to withhold a sufficient amount of the
23 purchase money to pay the taxes as required by this subsection ~~(d)~~
24 and the taxes remain unpaid after the 30-day period allowed, ~~he shall~~
25 ~~be the purchaser or successor is~~ personally liable for the amount of
26 the taxes ~~unpaid, and his unpaid.~~ This liability may be enforced by
27 means of a civil action brought in the name of the taxing unit against
28 ~~him~~ the purchaser or successor in an appropriate trial division of the
29 General Court of Justice in the county in which the taxing unit is
30 located.

31 (3) Whenever any wholesale ~~or retail merchant~~ (as defined in
32 ~~Schedule E of the Revenue Act)~~ merchant or retailer sells or transfers
33 the major part of ~~his~~ its stock of goods, materials, supplies, or
34 fixtures, other than in the ordinary course of business, or goes out of
35 ~~business,~~ business and the taxes due or to become due on the
36 transferred property on the first day of September of the current
37 calendar year are unpaid, the tax collector, to enforce collection of
38 the unpaid taxes, ~~may:~~ may do any of the following:

39 a. Levy on or attach any personal property of the ~~seller;~~ or
40 seller.

41 b. If the taxes remain unpaid 30 days after the date of the
42 transfer or termination of business, levy on or attach any of the
43 property transferred in the hands of the transferee or successor

1 in business, or any other personal property of the transferee or
2 successor in business, but in either case the levy or attachment
3 must be made within six months of the transfer or termination
4 of business.

5 (4) In using the remedies provided in this ~~subsection (d),~~
6 subsection, the amount of taxes not yet determined shall be
7 computed in accordance with G.S. 105-359, and any applicable
8 discount shall be allowed."
9

10 **PART III. EFFECTIVE DATE.**

11 Section 114. Except as otherwise provided in this act, this act is effective
12 when it becomes law.