

**GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2025**

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HOUSE BILL 1032

Short Title: Repeal Two Percent Local Grocery Tax. (Public)

Sponsors: Representatives Chesser, Paré, Reeder, and Schietzelt (Primary Sponsors).
For a complete list of sponsors, refer to the North Carolina General Assembly web site.

Referred to: Commerce and Economic Development, if favorable, Finance, if favorable, Rules,
Calendar, and Operations of the House

April 22, 2026

A BILL TO BE ENTITLED
AN ACT TO EXEMPT GROCERIES FROM THE LOCAL SALES TAX.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 105-465 reads as rewritten:

"§ 105-465. County election as to adoption of local sales and use tax.

...
The county board of elections shall prepare ballots for the special election. The question presented on the ballot shall be "FOR one percent (1%) local sales and use tax on items subject to States sales and use tax at the general State ~~rate and on food~~"-rate" or "AGAINST one percent (1%) local sales and use tax on items subject to State sales and use tax at the general State ~~rate and on food~~"-rate."

SECTION 2. G.S. 105-467 reads as rewritten:

"§ 105-467. Scope of sales tax.

(a) Sales Tax. – The sales tax that may be imposed under this Article is limited to a tax at the rate of one percent (1%) of the following:

- (1) A retailer's net taxable sales and gross receipts that are subject to the general rate of sales tax imposed by the State under G.S. 105-164.4 except the tax does not apply to the sales price of an item taxable under G.S. 105-164.4(a)(1a).
- (2) through (4) Repealed by Session Laws 2011-330, s. 45, effective June 27, 2011.
- ~~(5) The sales price of food that is not otherwise exempt from tax pursuant to G.S. 105-164.13 but is exempt from the State sales and use tax pursuant to G.S. 105-164.13B.~~
- ~~(5a) The sales price of a bundled transaction that includes food subject to tax under subdivision (5) of this subsection, if the price of the food exceeds ten percent (10%) of the price of the bundle. A retailer must determine the price of food in a bundled transaction in accordance with G.S. 105-164.4D.~~
- (5b) Repealed by Session Laws 2013-3.4(c), effective July 1, 2014, and applicable to purchases made on or after that date.
- (6), (7) Repealed by Session Laws 2011-330, s. 45, effective June 27, 2011.
- (8) The presumed sales price of an item of tangible personal property under G.S. 105-164.12B.



(b) Exemptions and Refunds. – The State exemptions and exclusions contained in Article 5 of Subchapter I of this Chapter, ~~except for the exemption for food in G.S. 105-164.13B, Chapter~~ apply to the local sales and use tax authorized to be levied and imposed under this Article. The State refund provisions contained in G.S. 105-164.14 and G.S. 105-164.14A apply to the local sales and use tax authorized to be levied and imposed under this Article. A refund of an excessive or erroneous State sales tax collection allowed under G.S. 105-164.11 and a refund of State sales tax paid on a rescinded sale or cancelled service contract under G.S. 105-164.11A apply to the local sales and use tax authorized to be levied and imposed under this Article. The aggregate annual local refund amount allowed an entity under G.S. 105-164.14(b) for the State's fiscal year may not exceed thirteen million three hundred thousand dollars (\$13,300,000).

...."

SECTION 3. G.S. 105-469 reads as rewritten:

"§ 105-469. Secretary to collect and administer local sales and use tax.

(a) The Secretary shall collect and administer a tax levied by a county pursuant to this Article. ~~As directed by G.S. 105-164.13B, taxes levied by a county on food are administered as if they were levied by the State under Article 5 of this Chapter. The references in this section to Article 39 of this Chapter and Chapter 1096 of the 1967 Session Laws and Articles 40 and 42 of this Chapter do not include the adjustments made pursuant to G.S. 105-524. The Secretary must, on a monthly basis, distribute local taxes levied on food to the taxing counties as follows:~~

- (1) ~~The Secretary must allocate one-half of the net proceeds on a per capita basis according to the most recent annual population estimates certified to the Secretary by the State Budget Officer. The Secretary must then adjust the amount allocated to each county as provided in G.S. 105-486(b). The Secretary must include one-half of the amount allocated under this subdivision in the distribution made under Article 40 of this Chapter and must include the remaining one-half in the distribution made under Article 42 of this Chapter.~~
- (2) ~~The Secretary must allocate the remaining net proceeds proportionately to each taxing county based upon the amount of sales tax on food collected in the taxing county in the 1997-1998 fiscal year under Article 39 of this Chapter or under Chapter 1096 of the 1967 Session Laws relative to the total amount of sales tax on food collected in all taxing counties in the 1997-1998 fiscal year under Article 39 of this Chapter and under Chapter 1096 of the 1967 Session Laws. The Secretary must include the amount allocated under this subdivision in the distribution made under Article 39 of this Chapter.~~

(b) The Secretary shall require retailers who collect use tax on sales to North Carolina residents to ascertain the county of residence of each buyer and provide that information to the Secretary along with any other information necessary for the Secretary to allocate the use tax proceeds to the correct taxing county."

SECTION 4. G.S. 105-506.2 reads as rewritten:

"§ 105-506.2. Exemption of food.

A tax levied under this Article does not apply to the sales price of food that is exempt from tax pursuant to ~~G.S. 105-164.13B or to the sales price of a bundled transaction taxable pursuant to G.S. 105-467(a)(5a).~~ G.S. 105-164.13B."

SECTION 5. G.S. 105-538 reads as rewritten:

"§ 105-538. Administration of taxes.

...

Except as provided in this Article, the adoption, levy, collection, administration, and repeal of these additional taxes must be in accordance with Article 39 of this Chapter. G.S. 105-468.1 is an administrative provision that applies to this Article. A tax levied under this Article does not apply to the sales price of food that is exempt from tax pursuant to ~~G.S. 105-164.13B or to the sales price of a bundled transaction taxable pursuant to G.S. 105-467(a)(5a).~~ G.S. 105-164.13B.

1 The Secretary shall not divide the amount allocated to a county between the county and the
2 municipalities within the county."

3 **SECTION 6.** Section 9 of Chapter 1096 of the 1967 Session Laws, as amended by
4 Section 2 of Chapter 12 of the 1979 Session Laws, Section 3 of Chapter 4 of the 1981 Session
5 Laws, Section 13(e) of S.L. 2001-427, Section 45.11(c) of S.L. 2003-284, Section 27(b) of S.L.
6 2003-416, and Section 19 of S.L. 2009-445, reads as rewritten:

7 "Sec. 9. Distribution. The Secretary of Revenue must divide the net proceeds of the tax
8 collected under this division ~~on items other than food~~ to Mecklenburg County and its
9 municipalities in accordance with the ad valorem distribution method described in
10 G.S. 105-472(b)(2). ~~The Secretary of Revenue must distribute the taxes levied by Mecklenburg~~
11 ~~County on food to Mecklenburg County and the municipalities within Mecklenburg County in~~
12 ~~accordance with G.S. 105-469(a). This amount shall be divided between the county and its~~
13 ~~municipalities in accordance with the ad valorem distribution method described in~~
14 ~~G.S. 105-472(b)(2).~~

15 The Secretary of Revenue must reduce the amount distributable to Mecklenburg County
16 under this section by the amount set in G.S. 105-522. This reduction does not affect the amount
17 allocated to municipalities under this section.

18 If any provision of this Act or the application thereof to any person or circumstance is held
19 invalid, such invalidity shall not affect other provisions or applications of the Act which can be
20 given effect without the invalid provision or application, and to this end the provisions of this
21 Act are declared to be severable."

22 **SECTION 7.** G.S. 105-164.13B(b) is repealed.

23 **SECTION 8.** This act becomes effective October 1, 2026, and applies to sales made
24 on or after that date.