

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2019

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SENATE BILL 622*
Finance Committee Substitute Adopted 5/14/19
Rules and Operations of the Senate Committee Substitute Adopted 5/15/19
Fourth Edition Engrossed 5/20/19

Short Title: Tax Reduction Act of 2019.

(Public)

Sponsors:

Referred to:

April 4, 2019

1 A BILL TO BE ENTITLED
2 AN ACT TO INCREASE THE STANDARD DEDUCTION, TO SIMPLIFY THE
3 FRANCHISE TAX BASE, TO LOWER THE FRANCHISE TAX RATE, TO REQUIRE
4 MARKETPLACE FACILITATORS TO COLLECT AND REMIT SALES AND USE TAX
5 ON MARKETPLACE FACILITATED SALES, AND TO MAKE OTHER TAX LAW
6 CHANGES.

7 The General Assembly of North Carolina enacts:

8
9 **PART I. PERSONAL INCOME TAX CHANGES**

10 **SECTION 1.1.(a)** G.S. 105-153.5(a)(1) reads as rewritten:

11 "(1) Standard deduction amount. – The standard deduction amount is zero for a
12 person who is not eligible for a standard deduction under section 63 of the
13 Code. For all other taxpayers, the standard deduction amount is equal to the
14 amount listed in the table below based on the taxpayer's filing status:

Filing Status	Standard Deduction
Married, filing jointly/surviving spouse	\$20,000 <u>\$20,750</u>
Head of Household	15,000 <u>15,563</u>
Single	10,000 <u>10,375</u>
Married, filing separately	10,000 <u>10,375."</u>

20 **SECTION 1.1.(b)** This section is effective for taxable years beginning on or after
21 January 1, 2021.

22 **SECTION 1.2.(a)** G.S. 105-153.5(a)(2)a. reads as rewritten:

23 "a. Charitable Contribution. – The amount allowed as a deduction for
24 charitable contributions under section 170 of the Code for that taxable
25 year. For taxable years ~~beginning on or after 2014,~~ 2014 through 2018,
26 a taxpayer who elected to take the income exclusion under section
27 408(d)(8) of the Code for a qualified charitable distribution from an
28 individual retirement plan by a person who has attained the age of 70
29 1/2 may deduct the amount that would have been allowed as a
30 charitable deduction under section 170 of the Code had the taxpayer
31 not elected to take the income exclusion."

32 **SECTION 1.2.(b)** G.S. 105-153.5(c2)(3) reads as rewritten:

33 "(3) For taxable years ~~beginning on or after 2014,~~ 2014 through 2018, the taxpayer
34 must add the amount excluded from the taxpayer's gross income for a qualified



1 charitable distribution from an individual retirement plan by a person who has
 2 attained age 70 1/2 under section 408(d)(8) of the Code. The purpose of this
 3 subdivision is to decouple from the income exclusion available under federal
 4 tax law."

5 **SECTION 1.2.(c)** This section is effective when it becomes law.
 6

7 **PART II. FRANCHISE TAX CHANGES**

8 **SECTION 2.1.(a)** G.S. 105-120.2(b) and (c) read as rewritten:

9 "(b) Tax Rate. – Every corporation taxed under this section shall annually pay to the
 10 Secretary of Revenue, at the time the return is due, the greater of the following:

11 (1) A franchise or privilege tax at the rate of ~~one dollar and fifty cents (\$1.50) set~~
 12 in G.S. 105-122(d2) per one thousand dollars (\$1,000) of the amount
 13 determined under subsection (a) of this section, but in section. In no case shall
 14 the tax be more than one hundred fifty thousand dollars (\$150,000) nor less
 15 than two hundred dollars (\$200.00).

16 (2) If the tax calculated under this subdivision exceeds the tax calculated under
 17 subdivision (1) of this subsection, then the tax is levied at the rate of ~~one dollar~~
 18 ~~and fifty cents (\$1.50) set in G.S. 105-122(d2) per one thousand dollars~~
 19 (\$1,000) on the greater of the following: the total actual investment in tangible
 20 property in this State of such corporation as computed under G.S. 105-122(d).

21 a. ~~Fifty five percent (55%) of the appraised value as determined for ad~~
 22 ~~valorem taxation of all the real and tangible personal property in this~~
 23 ~~State of each such corporation plus the total appraised value of~~
 24 ~~intangible property returned for taxation of intangible personal~~
 25 ~~property as computed under G.S. 105-122(d).~~

26 b. ~~The total actual investment in tangible property in this State of such~~
 27 ~~corporation as computed under G.S. 105-122(d).~~

28 (c) For purposes of this section, a "holding company" is a corporation that satisfies at
 29 least one of the following conditions:

30 (1) It has no assets other than ownership interests in corporations in which it
 31 owns, directly or indirectly, more than fifty percent (50%) of the outstanding
 32 voting stock or voting capital interests.

33 (2) It receives during its taxable year more than eighty percent (80%) of its gross
 34 income from corporations in which it owns directly or indirectly more than
 35 fifty percent (50%) of the outstanding voting stock, voting capital interests, or
 36 ownership interests.

37 (3) It owns patents, copyrights, trademarks, secret processes, and similar
 38 intangible assets that represent more than eighty percent (80%) of its total
 39 assets, or receives royalties and license fees that represent more than eighty
 40 percent (80%) of its gross income, and it is owned, directly or indirectly, one
 41 hundred percent (100%) by a corporation that meets all of the following
 42 conditions:

43 a. Is engaged in manufacturing, as defined by NAICS.

44 b. Generates revenues in excess of five billion dollars (\$5,000,000,000)
 45 from goods that it manufactures.

46 c. Includes in its books and records, kept in accordance with generally
 47 accepted accounting principles, an investment that is based on the net
 48 worth of its subsidiary that owns the patents, copyrights, trademarks,
 49 secret processes, and similar intangible assets."

50 **SECTION 2.1.(b)** G.S. 105-122(d)(2) is repealed.

51 **SECTION 2.1.(c)** G.S. 105-122(d2) reads as rewritten:

1 "(d2) Tax Rate. – For an electric power company or a company that is a member of a
2 qualified group, the tax rate is one dollar and fifty cents (\$1.50) per one thousand dollars (\$1,000)
3 of the company's tax base as determined under subsection (d) of this section. For purposes of this
4 subsection, the term "electric power company" has the same meaning as defined in
5 G.S. 105-130.4(s3) and the term "qualified group" means an affiliated group that has one or more
6 members that is an electric power company.

7 ~~For a C Corporation,~~ For all other C Corporations, as defined in G.S. 105-130.2, ~~the~~ the tax
8 rate is ~~one dollar and fifty cents (\$1.50)~~ one dollar and thirty cents (\$1.30) per one thousand
9 dollars (\$1,000) of the corporation's tax base as determined under subsection (d) of this section.
10 For an S Corporation, as defined in G.S. 105-130.2, the tax rate is two hundred dollars (\$200.00)
11 for the first one million dollars (\$1,000,000) of the corporation's tax base as determined under
12 subsection (d) of this section and ~~one dollar and fifty cents (\$1.50)~~ one dollar and thirty cents
13 (\$1.30) per one thousand dollars (\$1,000) of its tax base that exceeds one million dollars
14 (\$1,000,000).

15 In no event may the tax imposed by this section be less than two hundred dollars (\$200.00)."

16 **SECTION 2.1.(d)** This section is effective for taxable years beginning on or after
17 January 1, 2020, and applicable to the calculation of franchise tax reported on the 2019 and later
18 corporate income tax returns.

19 **SECTION 2.2.(a)** G.S. 105-122(d2), as amended by Section 2.1(c) of this Part, reads
20 as rewritten:

21 "(d2) Tax Rate. – For an electric power company or a company that is a member of a
22 qualified group, the tax rate is one dollar and fifty cents (\$1.50) per one thousand dollars (\$1,000)
23 of the company's tax base as determined under subsection (d) of this section. For purposes of this
24 subsection, the term "electric power company" has the same meaning as defined in
25 G.S. 105-130.4(s3) and the term "qualified group" means an affiliated group that has one or more
26 members that is an electric power company.

27 For all other C Corporations, as defined in G.S. 105-130.2, the tax rate is ~~one dollar and thirty~~
28 ~~cents (\$1.30)~~ one dollar (\$1.00) per one thousand dollars (\$1,000) of the corporation's tax base
29 as determined under subsection (d) of this section. For an S Corporation, as defined in
30 G.S. 105-130.2, the tax rate is two hundred dollars (\$200.00) for the first one million dollars
31 (\$1,000,000) of the corporation's tax base as determined under subsection (d) of this section and
32 ~~one dollar and thirty cents (\$1.30)~~ one dollar (\$1.00) per one thousand dollars (\$1,000) of its tax
33 base that exceeds one million dollars (\$1,000,000).

34 In no event may the tax imposed by this section be less than two hundred dollars (\$200.00)."

35 **SECTION 2.2.(b)** This section is effective for taxable years beginning on or after
36 January 1, 2021, and applicable to the calculation of franchise tax reported on the 2020 and later
37 corporate income tax returns.

38 **SECTION 2.3.(a)** G.S. 105-122(d2), as amended by Sections 2.1(c) and 2.2(a) of
39 this Part, reads as rewritten:

40 "~~(d2) Tax Rate. – For an electric power company or a company that is a member of a~~
41 ~~qualified group, the tax rate is one dollar and fifty cents (\$1.50) per one thousand dollars (\$1,000)~~
42 ~~of the company's tax base as determined under subsection (d) of this section. For purposes of this~~
43 ~~subsection, the term "electric power company" has the same meaning as defined in G.S. 105-~~
44 ~~130.4(s3) and the term "qualified group" means an affiliated group that has one or more members~~
45 ~~that is an electric power company.~~

46 ~~For all other C Corporations,~~ For a C Corporation, as defined in G.S. 105-130.2, the tax rate
47 is one dollar (\$1.00) per one thousand dollars (\$1,000) of the corporation's tax base as determined
48 under subsection (d) of this section. For an S Corporation, as defined in G.S. 105-130.2, the tax
49 rate is two hundred dollars (\$200.00) for the first one million dollars (\$1,000,000) of the
50 corporation's tax base as determined under subsection (d) of this section and one dollar (\$1.00)
51 per one thousand dollars (\$1,000) of its tax base that exceeds one million dollars (\$1,000,000).

1 In no event may the tax imposed by this section be less than two hundred dollars (\$200.00)."
 2 **SECTION 2.3.(b)** This section is effective for taxable years beginning on or after
 3 January 1, 2027, and applicable to the calculation of franchise tax reported on the 2026 and later
 4 corporate income tax returns.

5
 6 **PART III. USE MARKET-BASED SOURCING FOR MULTISTATE INCOME TAX**
 7 **APPORTIONMENT**

8 **SECTION 3.1.** G.S. 105-130.4 reads as rewritten:

9 **"§ 105-130.4. Allocation and apportionment of income for corporations.**

10 ...

11 (l) ~~(4)~~Sales Factor. – The sales factor is a fraction, the numerator of which is the total
 12 sales of the corporation in this State during the income year, and the denominator of which is the
 13 total sales of the corporation everywhere during the income year. Notwithstanding any other
 14 provision under this Part, the receipts from any casual sale of property shall be excluded from
 15 both the numerator and the denominator of the sales factor. Where a corporation is not taxable in
 16 another state on its apportionable income but is taxable in another state only because of
 17 nonapportionable income, all sales shall be treated as having been made in this State.

18 Receipts are in this State if the taxpayer's market for the receipts is in this State. If the market
 19 for a receipt cannot be determined, the state or states of assignment shall be reasonably
 20 approximated. In a case in which a taxpayer cannot ascertain the state or states to which receipts
 21 of a sale are to be assigned through the use of a method of reasonable approximation, the receipts
 22 must be excluded from the denominator of a taxpayer's sales factor. Except as otherwise provided
 23 by this section, a taxpayer's market for receipts is in this State as provided below:

24 (1) In the case of sale, rental, lease, or license of real property, if and to the extent
 25 the property is located in this State.

26 (2) In the case of rental, lease, or license of tangible personal property, if and to
 27 the extent the property is located in this State.~~Sales of tangible personal~~
 28 ~~property are in this State if the property is received in this State by the~~
 29 ~~purchaser. In the case of delivery of goods by common carrier or by other~~
 30 ~~means of transportation, including transportation by the purchaser, the place~~
 31 ~~at which the goods are ultimately received after all transportation has been~~
 32 ~~completed shall be considered as the place at which the goods are received by~~
 33 ~~the purchaser. Direct delivery into this State by the taxpayer to a person or~~
 34 ~~firm designated by a purchaser from within or without the State shall~~
 35 ~~constitute delivery to the purchaser in this State.~~

36 (3) In the case of sale of tangible personal property, if and to the extent the
 37 property is received in this State by the purchaser. In the case of delivery of
 38 goods by common carrier or by other means of transportation, including
 39 transportation by the purchaser, the place at which the goods are ultimately
 40 received after all transportation has been completed is considered the place at
 41 which the goods are received by the purchaser. Direct delivery into this State
 42 by the taxpayer to a person or firm designated by a purchaser from within or
 43 without the State constitutes delivery to the purchaser in this State. ~~Other sales~~
 44 ~~are in this State if any of the following occur:~~

45 a. ~~The receipts are from real or tangible personal property located in this~~
 46 ~~State, and includes receipts from incidental services sold as part of, or~~
 47 ~~in connection with, the sale of tangible personal property in this State.~~

48 b. ~~The receipts are from intangible property and are received from~~
 49 ~~sources within this State.~~

50 e. ~~The receipts are from services and the income-producing activities are~~
 51 ~~in this State. For the purposes of this subdivision, an~~

1 ~~"income producing activity" means an activity directly performed by~~
2 ~~the taxpayer or its agents for the ultimate purpose of generating the~~
3 ~~sale of the service. Receipts from income producing activities~~
4 ~~performed within and without this State are attributed to this State in~~
5 ~~proportion to the income producing activities performed in this State~~
6 ~~to total income producing activities performed everywhere that~~
7 ~~generate the sale of service.~~

8 (4) In the case of sale of a service, if and to the extent the service is delivered to
9 a location in this State.

10 (5) In the case of intangible property that is rented, leased, or licensed, if and to
11 the extent the property is used in this State. Intangible property utilized in
12 marketing a good or service to a consumer is "used in this State" if that good
13 or service is purchased by a consumer who is in this State.

14 (6) In the case of intangible property that is sold, if and to the extent the property
15 is used in this State. A contract right, government license, or similar intangible
16 property that authorized the holder to conduct a business activity in a specific
17 geographic area is "used in this State" if the geographic area includes all or
18 part of this State. Receipts from a sale of intangible property that is contingent
19 on the productivity, use, or disposition of the intangible property shall be
20 treated as receipts from the rental, lease, or licensing of the intangible property
21 as provided under subdivision (5) of this subsection. All other receipts from a
22 sale of intangible property shall be excluded from the numerator and
23 denominator of the sales factor.

24 (1) Broadcasters. – A broadcaster's market for receipts is in this State as provided in
25 G.S. 105-130.4A. For purposes of this section, the term "broadcaster" has the same meaning as
26 defined in G.S. 105-130.4A.

27 (2) Banks. – A bank's market for receipts is in this State as provided in G.S. 105-130.4B.
28 For purposes of this section, the term "bank" has the same meaning as defined in
29 G.S. 105-130.4B.

30

31 (s2) Pipeline Company. – Receipts from the transportation or transmission of a
32 petroleum-based liquids pipeline or natural gas by a company subject to rate regulation by the
33 Federal Energy Regulatory Commission shall be apportioned by multiplying the income by a
34 fraction, the numerator of which is the number of barrel miles-traffic units in this State during
35 the tax year and the denominator of which is the total number of barrel miles-traffic units
36 everywhere during the tax year. For purposes of this section, the term "barrel mile" means one
37 barrel of liquid property transported one mile."traffic unit" means one or more of the following:

38 (1) Barrel mile. – One barrel of liquid property transported one mile.

39 (2) Cubic foot mile. – One cubic foot of gaseous property transported one mile.

40 (s3) Electric Power Company. – All apportionable income of an electric power company
41 shall be apportioned by a fraction, the numerator of which is the average value of the real and
42 tangible personal property owned or rented and used in this State by the electric power company
43 during the income year and the denominator of which is the average value of all the real and
44 tangible personal property owned or rented and used by the electric power company during the
45 income year. For purposes of this subsection, the term "electric power company" is a company,
46 including any of its wholly owned noncorporate limited liability companies, primarily engaged
47 in the business of supplying electricity for light, heat, current, or power to persons in this State
48 and that is subject to control of one or more of the following entities: the North Carolina Utilities
49 Commission or the Federal Energy Regulatory Commission.

50 For purposes of this subsection, the average value of real and tangible personal property
51 owned or rented by an electric power company is determined as follows:

- 1 (1) The average value of property shall be determined by averaging the values at
2 the beginning and end of the income year, but in all cases the Secretary may
3 require the averaging of monthly or other periodic values during the income
4 year if reasonably required to reflect properly the average value of the
5 corporation's property.
- 6 (2) An electric power company that ceases its operations in this State before the
7 end of its income year because of its intention to dissolve or to relinquish its
8 certificate of authority, or because of a merger, conversion, or consolidation,
9 or for any other reason whatsoever shall use the real estate and tangible
10 personal property values as of the first day of the income year and the last day
11 of its operations in this State in determining the average value of property, but
12 the Secretary may require averaging of monthly or other periodic values
13 during the income year if reasonably required to reflect properly the average
14 value of the electric power company's property.
- 15 (3) Property owned by an electric power company is valued at its original cost.
- 16 (4) Property rented by an electric power company is valued at eight times the net
17 annual rental rate.
- 18 (5) Net annual rental rate is the annual rental rate paid by an electric power
19 company less any annual rental rate received by the electric power company
20 from sub-rentals except that sub-rentals shall not be deducted when they
21 constitute apportionable income.
- 22 (6) Any property under construction and any property the income from which
23 constitutes nonapportionable income shall be excluded from the computation
24 of the average value of an electric power company's real and tangible personal
25 property.

26

27 (t3) State Net Loss Apportionment Election. – Notwithstanding subsection (l)(4) of this
28 section, a taxpayer with a State net loss balance as of the end of its 2019 taxable year may elect
29 to apportion receipts from services based on the percentage of its income-producing activities
30 performed in this State. The election must be made on the 2020 tax year return and must be in
31 the form prescribed by the Secretary and contain any supporting documentation the Secretary
32 may require. The election is binding and irrevocable until the earlier of the tax year in which (i)
33 the existing State net loss balance is fully utilized or (ii) all of the existing State net loss balance
34 has expired, as determined by applying the limitations set forth in G.S. 105-130.8A(b). A
35 taxpayer must apportion receipts from services in accordance with subsection (l)(4) of this
36 section for tax years beginning on and after the tax year that the existing State net loss is fully
37 utilized.

38 For purposes of this subsection, a taxpayer's State net loss balance is the total amount of State
39 net losses computed under G.S. 105-130.8A for taxable years beginning before January 1, 2020,
40 and available to carry forward to taxable years beginning on or after January 1, 2020. A State net
41 loss balance does not include a State net loss created in a taxable year beginning on or after
42 January 1, 2020. A State net loss created in a taxable year beginning on or after January 1, 2020,
43 must be determined using the apportionment rules in G.S. 105-130.4(l)."

44 **SECTION 3.2.** Part 1 of Article 4 of Chapter 105 of the General Statutes is amended
45 by adding a new section to read:

46 "**§ 105-130.4A. Market-based sourcing for broadcasters.**

47 (a) Definitions. – The definitions in G.S. 105-130.4 and the following definitions apply
48 to this section:

- 49 (1) Audience factor. – The factor determined by the ratio provided in this
50 subdivision. The ratio is as follows:

- 1 a. Television station. – The ratio that the viewing audience located in this
2 State for a television station bears to the total viewing audience for a
3 television station.
- 4 b. Radio station. – The ratio that the listening audience in this State for a
5 radio station bears to the total listening audience for a radio station.
- 6 c. Cable or satellite program and channel broadcasts. – The ratio that the
7 subscribers for a cable or satellite system located in this State bears to
8 the total subscribers of a cable or satellite system. If the number of
9 subscribers cannot be accurately determined from the books and
10 records maintained by the taxpayer, the ratio shall be determined on
11 the basis of the applicable year's subscription statistics located in
12 published surveys, provided the source selected is consistently used
13 from year to year for this purpose.
- 14 (2) Broadcast. – The transmission of audio or video programming, directly or
15 indirectly, to viewers and listeners by any other method of communication or
16 combination of methods.
- 17 (3) Broadcaster. – A person that provides audio or video programming to
18 customers in this State by digital or analog means in exchange for one or more
19 of the following: advertising receipts, subscriber fees, license, rent, or similar
20 fees. The term includes a television or radio station licensed by the Federal
21 Communications Commission, including network-owned or affiliated
22 stations, a television or radio broadcast network, a cable program network, a
23 distributor of audio or video programming, a cable system operator, and
24 satellite system operator.
- 25 (4) Gross receipts. – The same meaning as the term "sales" in G.S. 105-130.4.
- 26 (5) Release or in release. – The placing of film or radio programming into service.
27 A film or radio program is placed into service when it is first broadcast to the
28 primary audience for entertainment, educational, commercial, artistic, or other
29 purposes. Each episode of a television or radio series is placed in service when
30 it is first broadcast. A program is not placed in service merely because it is
31 completed and therefore in a condition or state of readiness and availability
32 for broadcast or merely because it is previewed to prospective sponsors or
33 purchasers.
- 34 (6) Rent. – License fees or other payments or consideration provided in exchange
35 for the broadcast or other use of television or radio programming.
- 36 (7) Subscriber. – The individual residence or other outlet that is the ultimate
37 recipient of the transmission of the audio or video programming.
- 38 (b) Reasonable Approximation. – If the audience factor for a receipt cannot be
39 determined, the state or states of assignment shall be reasonably approximated. If a taxpayer is
40 delivering advertising or licensed content directly or indirectly to a known list of subscribers, the
41 taxpayer shall reasonably approximate the receipts attributable to this State's market using a
42 percentage that reflects the ratio of North Carolina subscribers to the total number of subscribers.
43 If the taxpayer is delivering advertising or licensed content through an intermediary and does not
44 have access to the list of subscribers, the taxpayer shall reasonably approximate the receipts
45 attributable to this State's market using a percentage that reflects the ratio of the North Carolina
46 population to the total population in the specific geographic area where the advertisement or
47 licensed content is materially used. Unless the taxpayer provides substantial evidence to the
48 contrary, the area where the advertisement or licensed content is materially used does not include
49 areas outside the United States. If the taxpayer is able to show with substantial evidence that the
50 advertisement or licensed content is materially used in a city within a foreign country, then the
51 population of that city may be included in the population ratio calculation. If the taxpayer is able

1 to show with substantial evidence that the advertisement or license content is materially used
2 throughout a foreign county, then the population of that foreign country may be included in the
3 population ratio calculation. In a case where the specified rules of reasonable approximation fail
4 to reasonably approximate the percentage of receipts attributable to this State's market, the
5 Department may authorize an alternate approach that reflects an attempt to obtain the most
6 accurate assignment of receipts.

7 (c) Market for Receipts. – The receipts factor of a broadcaster is a fraction, the numerator
8 of which is the sum of the broadcaster's gross receipts from sources within the State and the
9 denominator of which is the sum of the broadcaster's gross receipts from transactions and activity
10 in the regular course of its trade or business everywhere. Advertising gross receipts and license
11 fees for audio or video programming in release are attributable to this State in accordance with
12 the audience factor in this State. Gross receipts from subscriber fees, rents, sales, or similar
13 charges from audio or video programming in release are attributable to this State based on the
14 amount of subscriber or other fees paid by customers in this State. A sale of audio or video
15 programming on tangible media is sourced to this State as sales of tangible personal property."

16 **SECTION 3.3.** Part 1 of Article 4 of Chapter 105 of the General Statutes is amended
17 by adding a new section to read:

18 "**§ 105-130.4B. Market-based sourcing for banks.**

19 (a) Definitions. – The definitions in G.S. 105-130.4 apply to this section and the
20 following definitions apply to this section:

- 21 (1) Bank. – Defined in G.S. 105-130.7B.
- 22 (2) Billing address. – The location indicated in the books and records of the
23 taxpayer on the first day of the taxable year, or on the date in the taxable year
24 when the customer relationship began, as the address where any notice,
25 statement, or billing relating to the customer's account is mailed.
- 26 (3) Borrower, cardholder, or payor located in this State. – A borrower, credit
27 cardholder, or payor whose billing address is in this State.
- 28 (4) Card issuer's reimbursement fee. – The fee a taxpayer receives from a
29 merchant's bank because one of the persons to whom the taxpayer has issued
30 a credit, debit, or similar type of card has charged merchandise or services to
31 the card.
- 32 (5) Credit card. – A card, or other means of providing information, that entitles
33 the holder to charge the cost of purchases, or a cash advance against a line of
34 credit.
- 35 (6) Debit card. – A card, or other means of providing information, that enables
36 the holder to charge the cost of purchases, or a cash withdrawal, against the
37 holder's bank account or a remaining balance on the card.
- 38 (7) Loan. – Any extension of credit resulting from direct negotiations between the
39 taxpayer and its customer, and/or the purchase, in whole or in part, of such an
40 extension of credit from another. The term includes participations,
41 syndications, and leases treated as loans for federal income tax purposes.
- 42 (8) Loan secured by real property. – A loan or other obligation of which fifty
43 percent (50%) or more of the aggregate value of the collateral used to secure
44 the loan or other obligation, when valued at fair market value as of the time
45 the original loan or obligation was incurred, was real property.
- 46 (9) Merchant discount. – The fee, or negotiated discount, charged to a merchant
47 by the taxpayer for the privilege of participating in a program whereby a
48 credit, debit, or similar type of card is accepted in payment for merchandise
49 or services sold to the cardholder, net of any cardholder chargeback and
50 unreduced by any interchange transaction or issuer reimbursement fee paid to
51 another for charges or purchased made by its cardholder.

1 (10) Participation. – An extension of credit in which an undivided ownership
2 interest is held on a prorate basis in a single loan or pool of loans and related
3 collateral. In a loan participation, the credit originator initially makes the loan
4 and then subsequently resells all or a portion of it to other lenders. The
5 participation may or may not be known to the borrower.

6 (11) Payor. – The person who is legally responsible for making payment to the
7 taxpayer.

8 (12) Real property owned. – Real property (i) on which the taxpayer may claim
9 depreciation for federal income tax purposes, or (ii) to which the taxpayer
10 holds legal title and on which no other person may claim depreciation for
11 federal income tax purposes or could claim depreciation if subject to federal
12 income tax. Real property does not include coin, currency, or property
13 acquired in lieu of or pursuant to a foreclosure.

14 (13) Syndication. – An extension of credit in which two or more persons fund and
15 each person is at risk only up to a specified percentage of the total extension
16 of credit or up to a specified dollar amount.

17 (14) Tangible personal property owned. – Tangible personal property (i) on which
18 the taxpayer may claim depreciation for federal income tax purposes or (ii) to
19 which the taxpayer holds legal title and on which no other person may claim
20 depreciation for federal income tax purposes could claim depreciation if
21 subject to federal income tax. Tangible personal property does not include
22 coin, currency, or property acquired in lieu of or pursuant to a foreclosure.

23 (15) Transportation property. – Vehicles and vessels capable of moving under their
24 own power as well as any equipment or containers attached to such property.
25 Examples of transportation property include aircraft, trains, water vessels,
26 motor vehicles, rolling stock, barges, and trailers.

27 (b) General Rule. – The receipts factor of a bank is a fraction, the numerator of which is
28 the total receipts of the taxpayer in this State during the income year, and the denominator of
29 which is the total receipts of the taxpayer everywhere during the income year. The method of
30 calculating receipts for purposes of the denominator is the same as the method used in
31 determining receipts for purposes of the numerator. The receipts factor includes only those
32 receipts described herein that are apportionable income for the taxable year. Notwithstanding any
33 other provision under this Part, the receipts from the following are excluded from both the
34 numerator and the denominator of the receipts factor:

35 (1) Receipts from a casual sale of property.

36 (2) Receipts exempt from taxation.

37 (3) The portion of receipts realized from the sale or maturity of securities or other
38 obligations that represents a return of principal.

39 (4) Receipts in the nature of dividends subtracted under G.S. 105-130.5(b)(3a)
40 and (3b) and dividends excluded for federal tax purposes.

41 (5) The portion of receipts from financial swaps and other similar financial
42 derivatives that represent the notional principal amount that generates the cash
43 flow traded in the swap agreement.

44 (c) Receipts from the Sale, Lease, or Rental of Real Property. – The numerator of the
45 receipts factor includes receipts from the sale, lease, or rental of real property owned by the
46 taxpayer if the property is located within this State or receipts from the sublease of real property
47 if the property is located within this State.

48 (d) Receipts from the Sale, Lease, or Rental of Tangible Personal Property. – The method
49 for calculating receipts from the sale, lease, or rental of tangible personal property is as follows:

50 (1) Tangible personal property. – Except as provided in subdivision (2) of this
51 subsection, the numerator of the receipts factor includes receipts from the sale,

1 lease, or rental of tangible personal property owned by the taxpayer if the
2 property is located within this State when it is first placed in service by the
3 lessee.

4 (2) Transportation property. – Receipts from the lease or rental of transportation
5 property owned by the taxpayer are included in the numerator of the receipts
6 factor to the extent that the property is used in this State. The extent an aircraft
7 will be deemed to be used in this State and the amount of receipts that is to be
8 included in the numerator of this State's receipts factor is determined by
9 multiplying all the receipts from the lease or rental of the aircraft by a fraction,
10 the numerator of which is the number of landings of the aircraft in this State
11 and the denominator of which is the total number of landings of the aircraft.
12 If the extent of the use of any transportation property within this State cannot
13 be determined, then the property will be deemed to be used wholly in the state
14 in which the property has its principal base of operations. A motor vehicle will
15 be deemed to be used wholly in the state in which it is registered.

16 (e) Interest, Fees, and Penalties from Loans Secured by Real Property. – The numerator
17 of the receipts factor includes interest, fees, and penalties from loans secured by real property if
18 the property is located within this State. If the property is located both within this State and one
19 or more other states, the receipts described in this subsection are included in the numerator of the
20 receipts factor if more than fifty percent (50%) of the fair market value of the real property is
21 located within this State. If more than fifty percent (50%) of the fair market value of the real
22 property is not located within any one state, then the receipts described in this subsection are
23 included in the numerator of the receipts factor if the borrower is located in this State. The
24 determination of whether the real property securing a loan is located within this State is made as
25 of the time the original agreement was made and any and all subsequent substitutions of collateral
26 are disregarded.

27 (f) Interest, Fees, and Penalties from Loans Not Secured by Real Property. – The
28 numerator of the receipts factor includes interest, fees, and penalties from loans not secured by
29 real property if the borrower is located in this State.

30 (g) Net Gains from the Sale of Loans. – The numerator of the receipts factor includes net
31 gains from the sale of loans. Net gains from the sale of loans include income recorded under the
32 coupon stripping rules of section 1286 of the Code. The amount of net gains from the sale of
33 loans that is included in the numerator is determined as follows:

34 (1) Secured by real property. – The amount of net gains, but not less than zero,
35 from the sale of loans secured by real property is determined by multiplying
36 the net gains by a fraction, the numerator of which is the amount included in
37 the numerator of the receipts factor pursuant to subsection (e) of this section,
38 and the denominator of which is the total amount of interest, fees, and
39 penalties from loans secured by real property.

40 (2) Not secured by real property. – The amount of net gains, but not less than zero,
41 from the sale of loans not secured by real property is determined by
42 multiplying the net gains by a fraction, the numerator of which is the amount
43 included in the numerator of the receipts factor pursuant to subsection (f) of
44 this section, and the denominator of which is the total amount of interest, fees,
45 and penalties from loans not secured by real property.

46 (h) Receipts from Interest, Fees, and Penalties from Cardholders. – The numerator of the
47 receipts factor includes interest, fees, and penalties charged to credit, debit, or similar
48 cardholders, including annual fees and overdraft fees, if the cardholder is located in this State.

49 (i) Receipts from ATM Fees. – The numerator of the receipts factor includes receipts
50 from fees from the use of an ATM owned or rented by the taxpayer, if the ATM is located in this
51 State. The receipts factor includes all ATM fees that are not forwarded directly to another bank.

1 Receipts from ATM fees that are not sourced under this subsection are sourced pursuant to
 2 subsection (l) of this section.

3 (j) Net Gains from the Sale of Credit Card Receivables. – The numerator of the receipts
 4 factor includes net gains, but not less than zero, from the sale of credit card receivables multiplied
 5 by a fraction, the numerator of which is the amount included in the numerator of the receipts
 6 factor pursuant to subsection (h) of this section, and the denominator of which is the taxpayer's
 7 total amount of interest, fees, and penalties charged to cardholders.

8 (k) Miscellaneous Receipts. – The numerator of the receipts factor includes all of the
 9 following:

10 (1) Card issuer's reimbursement fees. – Receipts from card issuer's reimbursement
 11 fees if the payor is located in this State.

12 (2) Receipts from merchant's discount. – Receipts from a merchant discount if the
 13 payor is located in this State.

14 (3) Loan servicing fees. – Receipts from loan servicing fees if the payor is located
 15 in this State.

16 (4) Receipts from services. – Receipts from services not otherwise apportioned
 17 under this section if the payor is located in this State.

18 (5) Receipts from investment assets and activity and trading assets and activity. –
 19 Receipts from one or more of the following:

20 a. Interest and dividends from investment assets and activities and
 21 trading assets and activities if the payor is located in this State.

22 b. Net gains and other income, but not less than zero, from investment
 23 assets and activities and trading assets and activities multiplied by a
 24 fraction, the numerator of which is the amount included in the
 25 numerator of the receipts factor pursuant to sub-subdivision a. of this
 26 subdivision, and the denominator of which is the taxpayer's total
 27 amount of interest and dividends from investment assets and activities
 28 and trading assets and activities.

29 (l) All Other Receipts. – All other receipts not specifically enumerated in this section are
 30 included in the numerator of the receipts factor if the payor is located in this State."

31 **SECTION 3.4.** G.S. 105-122(c1) reads as rewritten:

32 "(c1) Apportionment. – A corporation that is doing business in this State and in one or more
 33 other states must apportion its capital stock, surplus, and undivided profits to this State. A
 34 corporation must use the apportionment method set out in subdivision (1) of this subsection
 35 unless the Department has authorized it to use a different method under subdivision (2) of this
 36 subsection. A taxpayer that has made an election under G.S. 105-130.4(t3) must use the
 37 apportionment method set out in subdivision (1) of this subsection as if the election had not been
 38 made, unless the Department has authorized a different method under subdivision (2) of this
 39 subsection. The portion of a corporation's capital stock, surplus, and undivided profits determined
 40 by applying the appropriate apportionment method is considered the amount of capital stock,
 41 surplus, and undivided profits the corporation uses in its business in this State.

42 "...."

43 **SECTION 3.5.** The Utilities Commission shall adjust the rates for public utilities,
 44 excluding water public utilities with less than two hundred thousand dollars (\$200,000) in annual
 45 operating revenues, for the tax changes in Section 3.1 of this Part. Each utility shall calculate the
 46 cumulative net effect of the tax changes and file the calculations with proposed rate changes to
 47 reflect the net prospective tax changes in utility customer rates within 60 days of the enactment
 48 of this act. Any adjustments required to existing tax assets or liabilities reflected in the utility's
 49 books and records required by the tax changes shall be deferred and reflected in customer rates
 50 in either the utility's next rate case or earlier if deemed appropriate by the Commission.

1 **SECTION 3.6.** Under Section 38.4 of S.L. 2016-94, the Department of Revenue
 2 adopted and submitted to the Rules Review Commission rules regarding the implementation and
 3 administration of market-based sourcing principles based on legislation proposed in that section.
 4 The Department adopted the rules on January 4, 2017, and submitted the rules to the Rules
 5 Review Commission on January 18, 2017. The Rules Review Commission approved the rules
 6 and delivered to the Codifier of Rules on February 16, 2017. Pursuant to Section 38.4(b) of S.L.
 7 2016-94, the Codifier of Rules did not enter the rules into the Administrative Code. The Codifier
 8 of Rules is hereby directed by the General Assembly to enter the rules into the Administrative
 9 Code on the effective date of this act, and the rules apply to taxable years beginning on or after
 10 January 1, 2020.

11 **SECTION 3.7.** Sections 3.1 through 3.4 of this Part are effective for taxable years
 12 beginning on or after January 1, 2020. The remainder of this Part is effective when it becomes
 13 law.

15 **PART IV. MARKETPLACE FACILITATORS TO COLLECT SALES TAX**

16 **SECTION 4.1.(a)** G.S. 105-164.3 reads as rewritten:

17 **"§ 105-164.3. Definitions.**

18 The following definitions apply in this Article:

19 ...

20 (20a) Marketplace. – A physical or electronic place, forum, platform, application,
 21 or other method by which a marketplace seller sells or offers to sell items, the
 22 delivery of or first use of which is sourced to this State.

23 (20b) Marketplace facilitated sale. – The sale of an item by a marketplace facilitator
 24 on behalf of a marketplace seller that occurs through a marketplace.

25 (20c) Marketplace facilitator. – A person that, directly or indirectly and whether
 26 through one or more affiliates, does both of the following:

27 a. Lists or otherwise makes available for sale a marketplace seller's items
 28 through a marketplace owned or operated by the marketplace
 29 facilitator.

30 b. Does one or more of the following:

31 1. Collects the sales price or purchase price of a marketplace
 32 seller's items or otherwise processes payment.

33 2. Makes payment processing services available to purchasers for
 34 the sale of a marketplace seller's items.

35 (20d) Marketplace seller. – A person that sells or offers to sell items through a
 36 marketplace regardless of any of the following:

37 a. Whether the person has a physical presence in this State.

38 b. Whether the person is registered as a retailer in this State.

39 c. Whether the person would have been required to collect and remit
 40 sales and use tax had the sales not been made through a marketplace.

41 d. Whether the person would not have been required to collect and remit
 42 sales and use tax had the sales not been made through a marketplace.

43 "

44 **SECTION 4.1.(b)** G.S. 105-164.8(b) reads as rewritten:

45 (b) Remote Sales. – A retailer who makes a remote sale is engaged in business in this
 46 State and is subject to the tax levied under this Article if at least one of the following conditions
 47 is met:

48 ...

49 (3) The retailer solicits or transacts business in this State by employees,
 50 independent contractors, agents, or other representatives, whether the remote
 51 sales ~~thus~~ subject to taxation by this State result from or are related in any

1 other way to the solicitation or transaction of business. A retailer is presumed
2 to be soliciting or transacting business by an independent contractor, agent, or
3 other representative if the retailer enters into an agreement with a resident of
4 this State under which the ~~resident, person,~~ for a commission or other
5 consideration, directly or indirectly refers potential customers, whether by a
6 link on an Internet Web site or otherwise, to the retailer. This presumption
7 applies only if the cumulative gross receipts from sales by the retailer to
8 purchasers in this State who are referred to the retailer by all ~~residents persons~~
9 with this type of agreement with the retailer is in excess of ten thousand dollars
10 (\$10,000) during the preceding four quarterly periods. This presumption may
11 be rebutted by proof that the ~~resident person~~ with whom the retailer has an
12 agreement did not engage in any solicitation in the State on behalf of the seller
13 that would satisfy the nexus requirement of the United States Constitution
14 during the four quarterly periods in question.

15 ...

16 (9) ~~The retailer, with respect to retailer makes remote sales into North Carolina~~
17 sourced to this State, including sales as a marketplace seller, for the previous
18 or the current calendar year, had one or more year that meet either of the
19 following:

- 20 a. Gross sales in excess of one hundred thousand dollars (\$100,000).
21 b. Two hundred or more separate transactions.

22 (10) The retailer is a marketplace facilitator that makes sales, including all
23 marketplace facilitated sales for all marketplace sellers, sourced to this State
24 for the previous or the current calendar year that meet either of the following:

- 25 a. Gross sales in excess of one hundred thousand dollars (\$100,000).
26 b. Two hundred or more separate transactions."

27 **SECTION 4.1.(c)** Part 2 of Article 5 of Chapter 105 of the General Statutes is
28 amended by adding a new section to read:

29 **"§ 105-164.4J. Marketplace facilitated sales.**

30 (a) Scope. – This section applies to a marketplace facilitator that makes sales, including
31 all marketplace facilitated sales for all marketplace sellers, sourced to this State for the previous
32 or the current calendar year that meet either of the following:

- 33 (1) Gross sales in excess of one hundred thousand dollars (\$100,000).
34 (2) Two hundred or more separate transactions.

35 (b) Payment of Tax. – A marketplace facilitator that meets the threshold in subsection (a)
36 of this section is considered the retailer of each marketplace facilitated sale it makes and is liable
37 for collecting and remitting the sales and use tax on all such sales. A marketplace facilitator is
38 required to comply with the same requirements and procedures as all other retailers registered or
39 who are required to be registered to collect and remit sales and use tax in this State. A marketplace
40 facilitator is required to collect and remit sales tax as required by this section regardless of
41 whether a marketplace seller for whom it makes a marketplace facilitated sale meets any of the
42 following conditions:

- 43 (1) Has a physical presence in this State.
44 (2) Is required to be registered to collect and remit sales and use tax in this State.
45 (3) Would have been required to collect and remit sales and use tax in this State
46 had the sale not been made through a marketplace.
47 (4) Would not have been required to collect and remit sales and use tax in this
48 State had the sale not been made through a marketplace.

49 (c) Report. – A marketplace facilitator must provide or make available to each
50 marketplace seller the information listed in this subsection with respect to marketplace facilitated
51 sales that are made on behalf of the marketplace seller and that are sourced to this State. The

1 information may be provided in any format and shall be provided or made available no later than
 2 10 days after the end of each calendar month. The required information to be provided or made
 3 available to each marketplace seller is as follows:

4 (1) Gross sales.

5 (2) The number of separate transactions.

6 (d) Refund of Tax. – If a purchaser receives a refund on any portion of the sales price
 7 from a marketplace facilitator who collected and remitted the tax on the retail sale, the provisions
 8 of G.S. 105-164.11A(a) apply.

9 (e) Class Actions. – No class action may be brought against a marketplace facilitator in
 10 any court of this State on behalf of customers arising from or in any way related to an
 11 overpayment of sales or use tax collected on facilitated sales by a marketplace facilitator,
 12 regardless of whether that claim is characterized as a tax refund claim. Nothing in this subsection
 13 affects a customer's right to seek a refund as provided under G.S. 105-164.11.

14 (f) Agreements. – Nothing in this section shall be construed to interfere with the ability
 15 of a marketplace facilitator and a marketplace seller to enter into an agreement with each other
 16 regarding the fulfillment of the requirements of this Article, except that an agreement may not
 17 require a marketplace seller to collect and remit sales and use tax on marketplace facilitated sales.

18 (g) Use Tax Obligation. – Nothing in this section affects the obligation of any purchaser
 19 to remit use tax for any taxable transaction for which a marketplace facilitator does not collect
 20 and remit sales or use tax.

21 (h) Limitation. – This section does not apply to an accommodation facilitator, an
 22 admission facilitator, or a service contract facilitator whose collection and remittance
 23 requirements are set out in G.S. 105-164.4F, 105-164.4G, and 105-164.4I, respectively."

24 **SECTION 4.2.(a)** G.S. 105-164.3 reads as rewritten:

25 **"§ 105-164.3. Definitions.**

26 The following definitions apply in this Article:

27 (1) Accommodation. – A hotel room, a motel room, a residence, a cottage, or a
 28 similar lodging facility for occupancy by an individual.

29 (1a) Accommodation facilitator. – A person that contracts, either directly or
 30 indirectly, with a provider of an accommodation to perform, either directly or
 31 indirectly, one or more of the activities listed in this subdivision. The term
 32 includes a real estate broker as defined in G.S. 93A-2. The activities are:

33 a. Market the accommodation and accept payment or collect credit card
 34 or other payment information for the rental of the accommodation.

35 b. List the accommodation for rental on a forum, platform, or other
 36 application for a fee or other consideration.

37"

38 **SECTION 4.2.(b)** G.S. 105-164.4F reads as rewritten:

39 **"§ 105-164.4F. Accommodation rentals.**

40 (a) ~~Definition.—The following definitions apply in this section:~~

41 (1) ~~Accommodation.—A hotel room, a motel room, a residence, a cottage, or a~~
 42 ~~similar lodging facility for occupancy by an individual.~~

43 (2) ~~Facilitator.—A person who is not a rental agent and who contracts with a~~
 44 ~~provider of an accommodation to market the accommodation and to accept~~
 45 ~~payment from the consumer for the accommodation.~~

46 (3) ~~Rental agent.—The term includes a real estate broker, as defined in G.S.~~
 47 ~~93A-2.~~

48 (b) ~~Tax. – The gross receipts derived from the rental of an accommodation are taxed at~~
 49 ~~the general rate set in G.S. 105-164.4. Gross receipts derived from the rental of an~~
 50 ~~accommodation include the sales price of the rental of the accommodation. The sales price of the~~
 51 ~~rental of an accommodation is determined as if the rental were a rental of tangible personal~~

1 property. The sales price of the rental of an accommodation ~~marketed~~ made by a ~~an~~
2 accommodation facilitator includes any charges designated as facilitation fees and any other
3 charges or fees, by whatever name called, charged by the accommodation facilitator to the
4 purchaser of the accommodation that are necessary to complete the rental. The tax is due and
5 payable by the retailer in accordance with G.S. 105-164.16.

6 (b1) Retailer. – Except as otherwise provided in subsection (c) of this section, the retailer
7 of the rental of an accommodation is one or more of the persons listed below that collects the
8 payment, or a portion of the payment, for the rental of the accommodation. The retailer is liable
9 for reporting and remitting the tax due on the portion of the gross receipts derived from the rental
10 of the accommodation that the retailer collects. The retailer may be one or more of the following:

11 (1) The provider of the accommodation.

12 (2) An accommodation facilitator.

13 (c) Certain Accommodation Facilitator Transactions. – ~~A facilitator must report to the~~
14 ~~retailer with whom it has a contract the sales price a consumer pays to the facilitator for an~~
15 ~~accommodation rental marketed by the facilitator. A retailer must notify a facilitator when an~~
16 ~~accommodation rental marketed by the facilitator is completed, and the~~ This subsection applies
17 only to an accommodation facilitator that is operated by or on behalf of a hotel or a hotel
18 corporation, that facilitates the rental of hotel accommodations solely for the hotel or the hotel
19 corporation's owned or managed hotels and franchisees, and that collects payment, or a portion
20 of the payment, for the rental of an accommodation. An accommodation facilitator subject to this
21 subsection is not considered the retailer of the rental of the accommodation. The accommodation
22 facilitator must send the retailer the portion of the sales price the facilitator owes the retailer and
23 the tax due on the sales price-price, or the portion of the sales price, the accommodation facilitator
24 collected no later than 10 days after the end of each calendar month. A-An accommodation
25 facilitator that does not send the retailer the tax due on the sales price-price, or the portion of the
26 sales price the accommodation facilitator collected, is liable for the amount of tax the
27 accommodation facilitator fails to send. A-An accommodation facilitator is not liable for tax sent
28 to a retailer but not remitted by the retailer to the Secretary. Tax payments received by a retailer
29 from a-an accommodation facilitator are held in trust by the retailer for remittance to the
30 Secretary. A retailer that receives a tax payment from a-an accommodation facilitator must remit
31 the amount received to the Secretary. A retailer is not liable for tax due but not received from a
32 an accommodation facilitator. The requirements imposed by this section on a retailer and a
33 facilitator are considered terms of the contract between the retailer and the facilitator.

34 (c1) Accommodation Facilitator Report. – An accommodation facilitator must file with
35 the Secretary an annual report by March 31 of each year for the prior calendar year for
36 accommodation rentals it makes. The annual report must be provided in electronic format and
37 include the property owner's name, the property owner's mailing address, the physical location
38 of the accommodation, and gross receipts information for the rentals.

39 (d) Rental Agent. – ~~A person who, by written contract, agrees to be the rental agent for~~
40 ~~the provider of an accommodation is considered a retailer under this Article and is liable for the~~
41 ~~tax imposed by this section. The liability of a rental agent for the tax imposed by this section~~
42 ~~relieves the provider of the accommodation from liability.~~

43 (e) Exemptions. – The tax imposed by this section does not apply to the following:

44 (1) A private residence, cottage, or similar accommodation that is rented for fewer
45 than 15 days in a calendar year other than a private residence, cottage, or
46 similar accommodation listed with a real estate broker or agent unless the
47 rental of the accommodation is made by an accommodation facilitator.

48 (2) An accommodation supplied to the same person for a period of 90 or more
49 continuous days.

- 1 (3) An accommodation arranged or provided to a person by a school, camp, or
2 similar entity where a tuition or fee is charged to the person for enrollment in
3 the school, camp, or similar entity."

4 **SECTION 4.2.(c)** G.S. 160A-215(c) reads as rewritten:

5 "(c) Collection. – A retailer who is required to remit to the Department of Revenue the
6 State sales tax imposed by G.S. 105-164.4(a)(3) on accommodations is required to remit a room
7 occupancy tax to the taxing city on and after the effective date of the levy of the room occupancy
8 tax. The room occupancy tax applies to the same gross receipts as the State sales tax on
9 accommodations and is calculated in the same manner as that tax. ~~A rental agent or a facilitator,~~
10 ~~as defined in G.S. 105-164.4F,~~ An accommodation facilitator, as defined in G.S. 105-164.3, has
11 the same responsibility and liability under the room occupancy tax as the ~~rental agent or~~
12 accommodation facilitator has under the State sales tax on accommodations.

13 If a taxable accommodation is furnished as part of a package, the bundled transaction
14 provisions in G.S. 105-164.4D apply in determining the sales price of the taxable
15 accommodation. If those provisions do not address the type of package offered, the person
16 offering the package may determine an allocated price for each item in the package based on a
17 reasonable allocation of revenue that is supported by the person's business records kept in the
18 ordinary course of business and calculate tax on the allocated price of the taxable
19 accommodation.

20 A retailer must separately state the room occupancy tax. Room occupancy taxes paid to a
21 retailer are held in trust for and on account of the taxing city.

22 The taxing city shall design and furnish to all appropriate businesses and persons in the city
23 the necessary forms for filing returns and instructions to ensure the full collection of the tax. An
24 operator of a business who collects a room occupancy tax may deduct from the amount remitted
25 to the taxing city a discount equal to the discount the State allows the retailer for State sales and
26 use tax."

27 **SECTION 4.2.(d)** G.S. 153A-155(c) reads as rewritten:

28 "(c) Collection. – A retailer who is required to remit to the Department of Revenue the
29 State sales tax imposed by G.S. 105-164.4(a)(3) on accommodations is required to remit a room
30 occupancy tax to the taxing county on and after the effective date of the levy of the room
31 occupancy tax. The room occupancy tax applies to the same gross receipts as the State sales tax
32 on accommodations and is calculated in the same manner as that tax. ~~A rental agent or a~~
33 ~~facilitator, as defined in G.S. 105-164.4F,~~ An accommodation facilitator, as defined in
34 G.S. 105-164.3, has the same responsibility and liability under the room occupancy tax as the
35 ~~rental agent or accommodation~~ facilitator has under the State sales tax on accommodations.

36 If a taxable accommodation is furnished as part of a package, the bundled transaction
37 provisions in G.S. 105-164.4D apply in determining the sales price of the taxable
38 accommodation. If those provisions do not address the type of package offered, the person
39 offering the package may determine an allocated price for each item in the package based on a
40 reasonable allocation of revenue that is supported by the person's business records kept in the
41 ordinary course of business and calculate tax on the allocated price of the taxable
42 accommodation.

43 A retailer must separately state the room occupancy tax. Room occupancy taxes paid to a
44 retailer are held in trust for and on account of the taxing county.

45 The taxing county shall design and furnish to all appropriate businesses and persons in the
46 county the necessary forms for filing returns and instructions to ensure the full collection of the
47 tax. A retailer who collects a room occupancy tax may deduct from the amount remitted to the
48 taxing county a discount equal to the discount the State allows the retailer for State sales and use
49 tax."

50 **SECTION 4.3.(a)** G.S. 105-164.3 reads as rewritten:

51 "**§ 105-164.3. Definitions.**

The following definitions apply in this Article:

...

(1b) Admission charge. – Gross receipts derived for the right to attend an entertainment activity. The term includes a charge for a single ticket, a multi-occasion ticket, a seasonal pass, and an annual pass; a membership fee that provides for admission; a cover charge; a surcharge; a convenience fee, a processing fee, a facility charge, a facilitation fee, or similar charge; or any other charges included in gross receipts derived from admission.

(1c) Admission facilitator. – A person who accepts payment of an admission charge to an entertainment activity and who is not the operator of the venue where the entertainment activity occurs.

...

(1f) Amenity. – A feature that increases the value or attractiveness of an entertainment activity that allows a person access to items that are not subject to tax under this Article and that are not available with the purchase of admission to the same event without the feature. The term includes parking privileges, special entrances, access to areas other than general admission, mascot visits, and merchandise discounts. The term does not include any charge for food, prepared food, and alcoholic beverages subject to tax under this Article.

...

(9a) Entertainment activity. – An activity listed in this subdivision:

- a. A live performance or other live event of any kind, the purpose of which is for entertainment.
- b. A movie, motion picture, or film.
- c. A museum, a cultural site, a garden, an exhibit, a show, or a similar attraction.
- d. A guided tour at any of the activities listed in sub-subdivision c. of this subdivision.

...."

SECTION 4.3.(b) G.S. 105-164.4G reads as rewritten:

"§ 105-164.4G. Entertainment activity.

(a) ~~Definition.—The following definitions apply in this section:~~

~~(1) Admission charge.—Gross receipts derived for the right to attend an entertainment activity. The term includes a charge for a single ticket, a multi-occasion ticket, a seasonal pass, and an annual pass; a membership fee that provides for admission; a cover charge; a surcharge; a convenience fee, a processing fee, a facility charge, a facilitation fee, or similar charge; or any other charges included in gross receipts derived from admission.~~

~~(2) Amenity.—A feature that increases the value or attractiveness of an entertainment activity that allows a person access to items that are not subject to tax under this Article and that are not available with the purchase of admission to the same event without the feature. The term includes parking privileges, special entrances, access to areas other than general admission, mascot visits, and merchandise discounts. The term does not include any charge for food, prepared food, and alcoholic beverages subject to tax under this Article.~~

~~(3) Entertainment activity.—An activity listed in this subdivision:~~

- a. ~~A live performance or other live event of any kind, the purpose of which is for entertainment.~~
- b. ~~A movie, motion picture, or film.~~

1 e. ~~A museum, a cultural site, a garden, an exhibit, a show, or a similar~~
 2 ~~attraction.~~
 3 d. ~~A guided tour at any of the activities listed in sub-subdivision c. of this~~
 4 ~~subdivision.~~
 5 (4) ~~Facilitator. — A person who accepts payment of an admission charge to an~~
 6 ~~entertainment activity and who is not the operator of the venue where the~~
 7 ~~entertainment activity occurs.~~
 8 (b) Tax. — The gross receipts derived from an admission charge to an entertainment
 9 activity are taxed at the general rate set in G.S. 105-164.4. The tax is due and payable by the
 10 retailer in accordance with G.S. 105-164.16. For purposes of the tax imposed by this section, the
 11 retailer is the applicable person listed below:
 12 (1) The operator of the venue where the entertainment activity occurs, unless the
 13 retailer and the admission facilitator have a contract between them allowing
 14 for dual remittance, as provided in subsection (d) of this section.
 15 (2) The person that provides the entertainment and that receives admission
 16 charges directly from a purchaser.
 17 (3) A person other than a person listed in subdivision (1) or (2) of this subsection
 18 that receives gross receipts derived from an admission charge sold at retail.
 19 (c) Admission Facilitator. — ~~A~~ An admission facilitator must report to the retailer with
 20 whom it has a contract the admission charge a consumer pays to the admission facilitator for an
 21 entertainment activity. The admission facilitator must send the retailer the portion of the gross
 22 receipts the admission facilitator owes the retailer and the tax due on the gross receipts derived
 23 from an admission charge no later than 10 days after the end of each calendar month. ~~A~~ An
 24 admission facilitator that does not send the retailer the tax due on the gross receipts derived from
 25 an admission charge is liable for the amount of tax the admission facilitator fails to send to the
 26 retailer. ~~A~~ An admission facilitator is not liable for tax sent to a retailer but not remitted by the
 27 retailer to the Secretary. Tax payments received by a retailer from ~~a~~ an admission facilitator are
 28 held in trust by the retailer for remittance to the Secretary. A retailer that receives a tax payment
 29 from ~~a~~ an admission facilitator must remit the amount received to the Secretary. A retailer is not
 30 liable for tax due but not received from ~~a~~ an admission facilitator. The requirements imposed by
 31 this subsection on a retailer and ~~a~~ an admission facilitator are considered terms of the contract
 32 between the retailer and the admission facilitator.
 33 (d) Dual Remittance. — The tax due on the gross receipts derived from an admission
 34 charge may be partially reported and remitted to the operator of the venue for remittance to the
 35 Department and partially reported and remitted by the admission facilitator directly to the
 36 Department. The portion of the tax not reported and remitted to the operator of the venue must
 37 be reported and remitted directly by the admission facilitator to the Department. ~~A~~ An admission
 38 facilitator that elects to remit tax under the dual remittance option is required to obtain a
 39 certificate of registration in accordance with G.S. 105-164.29. ~~A~~ An admission facilitator is
 40 subject to the provisions of Article 9 of this Chapter.

41"
 42 **SECTION 4.4.(a)** G.S. 105-164.3 reads as rewritten:

43 **"§ 105-164.3. Definitions.**
 44 The following definitions apply in this Article:

45 ...
 46 (38c) Service contract facilitator. — A person who contracts with the obligor of a
 47 service contract to market the service contract and accepts payment from the
 48 purchaser for the service contract.
 49"

50 **SECTION 4.4.(b)** G.S. 105-164.4I reads as rewritten:
 51 **"§ 105-164.4I. Service contracts.**

1 (a) Tax. – The sales price of or the gross receipts derived from a service contract or the
 2 renewal of a service contract sold at retail is subject to the general rate of tax set in G.S. 105-164.4
 3 and is sourced in accordance with the sourcing principles in G.S. 105-164.4B. The retailer of a
 4 service contract is required to collect the tax due at the time of the retail sale of the contract and
 5 is liable for payment of the tax. The tax is due and payable in accordance with G.S. 105-164.16.

6 The retailer of a service contract is the applicable person listed below:

- 7 (1) When a service contract is sold at retail to a purchaser by the obligor under
 8 the contract, the obligor is the retailer.
- 9 (2) When a service contract is sold at retail to a purchaser by a service contract
 10 facilitator on behalf of the obligor under the contract, the service contract
 11 facilitator is the retailer unless the provisions of subdivision (3) of this
 12 subsection apply.
- 13 (3) When a service contract is sold at retail to a purchaser by a service contract
 14 facilitator on behalf of the obligor under the contract and there is an agreement
 15 between the service contract facilitator and the obligor that states the obligor
 16 will be liable for the payment of the tax, the obligor is the retailer. The service
 17 contract facilitator must send the retailer the tax due on the sales price of or
 18 gross receipts derived from the service contract no later than 10 days after the
 19 end of each calendar month. A service contract facilitator that does not send
 20 the retailer the tax due on the sales price or gross receipts is liable for the
 21 amount of tax the service contract facilitator fails to send. A service contract
 22 facilitator is not liable for tax sent to a retailer but not remitted by the retailer
 23 to the Secretary. Tax payments received by a retailer from a service contract
 24 facilitator are held in trust by the retailer for remittance to the Secretary. A
 25 retailer that receives a tax payment from a service contract facilitator must
 26 remit the amount received to the Secretary. A retailer is not liable for tax due
 27 but not received from a service contract facilitator. The requirements imposed
 28 by this subdivision on a retailer and a service contract facilitator are
 29 considered terms of the agreement between the retailer and the service
 30 contract facilitator.

31 ...

32 (e) ~~Definition. — For purposes of this section, the term "facilitator" means a person who~~
 33 ~~contracts with the obligor of the service contract to market the service contract and accepts~~
 34 ~~payment from the purchaser for the service contract."~~

35 **SECTION 4.5.(a)** G.S. 105-164.22 reads as rewritten:

36 **"§ 105-164.22. Record-keeping Recordkeeping requirements, inspection authority, and**
 37 **effect of failure to keep records.**

38 (a) Recordkeeping Generally. – Retailers, wholesale merchants, facilitators, real property
 39 contractors, and consumers must keep records that establish their tax liability under this Article.
 40 The Secretary or a person designated by the Secretary may inspect these records at any reasonable
 41 time during the day.

42 (b) Retailers. – A retailer's records must include records of the retailer's gross income,
 43 gross sales, net taxable sales, ~~and~~ all items purchased for ~~resale~~-resale, ~~and any reports or records~~
 44 related to transactions with a facilitator with whom it has a contract as provided in this Article.
 45 Failure of a retailer to keep records that establish ~~that~~ a sale is exempt under this Article subjects
 46 the retailer to liability for tax on the sale.

47 (c) Wholesale Merchants. – A wholesale merchant's records must include a bill of sale
 48 for each customer that contains the name and address of the purchaser, the date of the purchase,
 49 the item purchased, and the sales price at which the wholesale merchant sold of the item. A
 50 wholesale merchant must also keep records that establish a sale is exempt from tax and any
 51 reports or records related to transactions with a facilitator with whom it has a contract as provided

1 in this Article. Failure of a wholesale merchant to keep ~~these records for the sale of an item that~~
 2 establish a sale is exempt from tax under this Article subjects the wholesale merchant to liability
 3 for tax at the rate that applies to the retail sale of the item.

4 (d) Facilitators. – A facilitator's records must include records of the facilitator's gross
 5 income, gross sales, net taxable sales, all items purchased for resale, any reports or records related
 6 to transactions with a retailer with whom it has a contract as provided in this Article, and any
 7 other records that establish its tax liability. Failure of a facilitator to keep records that establish a
 8 sale is exempt from tax under this Article subjects the facilitator to liability for tax on the sale.

9 (e) Real Property Contractors. – A real property contractor's records must include
 10 substantiation that a transaction is a real property contract or a mixed transaction contract
 11 pursuant to G.S. 105-164.4H(a1). Failure of a real property contractor to keep records that
 12 establish a real property contract under this Article subjects the real property contractor to
 13 liability for tax on the sale.

14 (f) Consumers. – A consumer's records must include an invoice or other statement of the
 15 purchase price of an item the consumer purchased from inside or outside the ~~State.~~ State and any
 16 sales and use tax paid thereon. Failure of the consumer to keep these records subjects the
 17 consumer to liability for tax on the purchase price of the item, as determined by the Secretary."

18 **SECTION 4.5.(b)** G.S. 105-164.3, as amended by Section 1 of this Part, reads as
 19 rewritten:

20 "**§ 105-164.3. Definitions.**

21 The following definitions apply in this Article:

22 ...

23 ~~(1d)~~(1d) Advertising and promotional direct mail. – Printed material that meets the
 24 definition of "direct mail" and the primary purpose of which is to attract public
 25 attention to ~~a product, an item,~~ person, business, or organization, or to attempt
 26 to sell, popularize, or secure financial support for ~~a product, an item,~~ person,
 27 business, or organization. ~~As used in this subdivision, "product" means~~
 28 tangible personal property, digital property, or a service.

29 (1e) Affiliate. – Defined in G.S. 105-130.2.

30 ...

31 ~~(1a)~~(1g) Analytical services. – Testing laboratories that are included in national
 32 industry 541380 of NAICS or medical laboratories that are included in
 33 national industry 621511 of NAICS.

34 ~~(1b)~~(1h) Ancillary service. – A service associated with or incidental to the
 35 provision of a telecommunications service. The term includes detailed
 36 communications billing, directory assistance, vertical service, and voice mail
 37 service. A vertical service is a service, such as call forwarding, caller ID,
 38 three-way calling, and conference bridging, that allows a customer to identify
 39 a caller or manage multiple calls and call connections.

40 ~~(1f)~~(1i) Audio work. – A series of musical, spoken, or other sounds, including a
 41 ringtone.

42 ~~(1g)~~(1j) Audiovisual work. – A series of related images and any sounds
 43 accompanying the images that impart an impression of motion when shown
 44 in succession.

45 ~~(1h)~~(1k) Aviation gasoline. – Defined in G.S. 105-449.60.

46 ~~(1i)~~(1l) Bundled transaction. – A retail sale of two or more distinct and identifiable
 47 products, items, at least one of which is taxable and one of which is exempt,
 48 nontaxable, for one nonitemized price. The term does not apply to real
 49 property ~~and~~ or services to real property. ~~Products-Items~~ are not sold for one
 50 nonitemized price if an invoice or another sales document made available to

- 1 the purchaser separately identifies the price of each ~~product-item~~. A bundled
 2 transaction does not include the retail sale of any of the following:
- 3 a. ~~A product~~ An item and any packaging ~~item~~ that accompanies the
 4 ~~product-item~~ and is exempt under G.S. 105-164.13(23).
 - 5 b. A sale of two or more ~~products-items~~ whose combined price varies, or
 6 is negotiable, depending on the ~~products-items~~ the purchaser selects.
 - 7 c. A sale of a ~~product~~ an item accompanied by a transfer of another
 8 ~~product-item~~ with no additional consideration.
 - 9 d. ~~A product~~ An item and the delivery or installation of the ~~product-item~~.
 - 10 e. ~~A product~~ An item and any service necessary to complete the sale.
- 11 ~~(1k)~~(1m) Business. – An activity a person engages in or causes another to engage in
 12 with the object of gain, profit, benefit, or advantage, either direct or indirect.
 13 The term does not include an occasional and isolated sale or transaction by a
 14 person who does not claim to be engaged in business.
- 15 ~~(1m)~~(1n) Cable service. – The one-way transmission to subscribers of video
 16 programming or other programming service and any subscriber interaction
 17 required to select or use the service.
- 18 ...
- 19 (2c) Capital improvement. – One or more of the following:
- 20 ...
- 21 k. An addition or alteration to real property that is permanently affixed
 22 or installed to real property and is not an activity listed in subdivision
 23 ~~(33d)~~(33m) of this section as repair, maintenance, and installation
 24 services.
- 25 ...
- 26 (9) Engaged in business. – Any of the following:
- 27 a. Maintaining, occupying, or using permanently or temporarily, directly
 28 or indirectly, or through a subsidiary or agent, by whatever name
 29 called, any office, place of distribution, sales or sample room,
 30 warehouse or storage place, or other place of business ~~for selling or~~
 31 ~~delivering tangible personal property, digital property, or a service for~~
 32 ~~storage, use, or consumption~~ in this State, or permanently or
 33 temporarily, directly or through a subsidiary, having any
 34 representative, agent, sales representative, marketplace facilitator
 35 subject to the requirements of G.S. 105-164.4J, or solicitor operating
 36 or transacting business by mobile phone application or other
 37 applications in this State in the selling or delivering. State. The fact
 38 that any corporate retailer, agent, or subsidiary engaged in business in
 39 this State may not be legally domesticated or qualified to do business
 40 in this State is immaterial.
- 41 ...
- 42 e. Making marketplace facilitated sales subject to the requirements of
 43 G.S. 105-164.4J.
- 44 ...
- 45 (9e) Facilitator. – An accommodation facilitator, an admission facilitator, or a
 46 service contract facilitator.
- 47 ...
- 48 ~~(20b)~~(20e) Mixed transaction contract. – A contract that includes both a real property
 49 contract for a capital improvement and repair, maintenance, and installation
 50 services for real property that are not related to the capital improvement.
- 51 ...

(33j) Remote sale. – A sale of ~~tangible personal property or digital property~~ an item ordered by mail, by telephone, via the Internet, mobile phone application, or by another similar method, to a purchaser who is in this State at the time the order is remitted, from method by a retailer who receives the order in another state and delivers the property item or makes it accessible to a person in this State or causes it the item to be delivered or made accessible to a person in this State. State or performs a service sourced to this State. It is presumed that a resident of this State who ~~remits~~ makes an order was in this State at the time the order was ~~remitted~~ made.

...

~~(33l)~~(33m) Repair, maintenance, and installation services. – The term includes the activities listed in this subdivision and applies to tangible personal property, motor ~~vehicle, vehicles,~~ certain digital property, and real property. The term does not include ~~services~~ a service used to fulfill a real property contract taxed in accordance with ~~G.S. 105-164.4H~~:G.S. 105-164.4H. The included activities are:

...

(35) Retailer. – Any of the following persons:

- a. A person engaged in business of making sales at retail, offering to make sales at retail, or soliciting sales at retail of ~~tangible personal property, digital property for storage, use, or consumption in this State, or services items~~ sourced to this State. When the Secretary finds it necessary for the efficient administration of this Article to regard any sales representatives, solicitors, representatives, consignees, peddlers, or truckers as agents of the dealers, distributors, consignors, supervisors, employers, or persons under whom they operate or from whom they obtain the items sold by them regardless of whether they are making sales on their own behalf or on behalf of these dealers, distributors, consignors, supervisors, employers, or persons, the Secretary may so regard them and may regard the dealers, distributors, consignors, supervisors, employers, or persons as "retailers" for the purpose of this Article.
- b. A person, other than a real property contractor, engaged in business of delivering, erecting, installing, or applying tangible personal property or digital property for use in this State.
- c. A person engaged in business of making a remote sale, if one of the conditions listed in G.S. 105-164.8(b) is met.
- d. ~~A person, other than a facilitator,~~ person required to collect the State tax levied under this Article or the local taxes levied under Subchapter VIII of this Chapter and under Chapter 1096 of the 1967 Session Laws.
- e. A marketplace facilitator that is subject to the requirements of G.S. 105-164.4J or a facilitator that is required to collect and remit the tax under this Article.

...."

SECTION 4.6. There is no obligation to collect the sales and use tax required by this Part retroactively.

SECTION 4.7. If any provision of this Part, or the application of any provision to a person or circumstance, is held to be unconstitutional, then the remainder of this Part, and the application of the provisions to any person or circumstance, shall not be affected thereby.

SECTION 4.8. The Revisor of Statutes is authorized to renumber the subdivisions of G.S. 105-164.3 to ensure that the subdivisions are listed in alphabetical order and in a manner

1 that reduces the current use of alphanumeric designations, to make conforming changes, and to
2 reserve sufficient space to accommodate future additions to the statutory section.

3 **SECTION 4.9.** This Part becomes effective September 1, 2019, and applies to sales
4 occurring on or after that date.

5
6 **PART V. OTHER BUSINESS TAX CHANGES**

7 **SECTION 5.1.(a)** G.S. 105-130.5(b) reads as rewritten:

8 "(b) The following deductions from federal taxable income shall be made in determining
9 State net income:

10 ...

11 (31) To the extent included in federal taxable income, the amount received by a
12 taxpayer as an economic incentive pursuant to G.S. 143B-437.012 or Part 2G
13 or 2H of Article 10 of Chapter 143B of the General Statutes."

14 **SECTION 5.1.(b)** G.S. 105-153.5(b) reads as rewritten:

15 "(b) Other Deductions. – In calculating North Carolina taxable income, a taxpayer may
16 deduct from the taxpayer's adjusted gross income any of the following items that are included in
17 the taxpayer's adjusted gross income:

18 ...

19 (14) The amount received by a taxpayer as an economic incentive pursuant to
20 G.S. 143B-437.012 or Part 2G or 2H of Article 10 of Chapter 143B of the
21 General Statutes."

22 **SECTION 5.1.(c)** This section is effective for taxable years beginning on or after
23 January 1, 2019, and applies to amounts received by a taxpayer pursuant to an economic incentive
24 agreement entered into on or after that date.

25 **SECTION 5.2.** G.S. 105-129.110 reads as rewritten:

26 **"§ 105-129.110. Sunset.**

27 This Article expires for qualified rehabilitation expenditures and rehabilitation expenses
28 incurred on or after ~~January 1, 2020.~~ January 1, 2024. For qualified rehabilitation expenditures
29 and rehabilitation expenses incurred prior to ~~January 1, 2020,~~ January 1, 2024, this Article expires
30 for property not placed in service by ~~January 1, 2028.~~ January 1, 2032."

31 **SECTION 5.3.(a)** G.S. 105-164.13(11b) reads as rewritten:

32 "(11b) Sales of aviation gasoline and jet fuel to an interstate air business for use in a
33 commercial aircraft. For purposes of this subdivision, the term "commercial
34 aircraft" has the same meaning as defined in subdivision (45a) of this section.
35 This exemption also applies to aviation gasoline and jet fuel purchased for use
36 in a commercial aircraft in interstate or foreign commerce by a person whose
37 primary business is scheduled passenger air transportation. This subdivision
38 expires ~~January 1, 2020.~~ January 1, 2024."

39 **SECTION 5.3.(b)** G.S. 105-164.13(65) and (65a) read as rewritten:

40 "(65) This subdivision expires ~~January 1, 2020.~~ January 1, 2024. Sales of the
41 following to a professional motorsports racing team or a related member of a
42 team for use in competition in a sanctioned race series:

- 43 a. The sale, lease, or rental of an engine.
44 b. The sales price of or gross receipts derived from a service contract on,
45 or repair, maintenance, and installation services for, a transmission, an
46 engine, rear-end gears, and any other item that is purchased, leased, or
47 rented and that is exempt from tax under this subdivision or that is
48 allowed a sales tax refund under G.S. 105-164.14A(a)(5).
49 c. The gross receipts derived from an agreement to provide an engine to
50 a professional motorsports racing team or related member of a team
51 for use in competition in a sanctioned race series, where such

1 agreement does not meet the definition of a "service contract" as
 2 defined in G.S. 105-164.3 but may meet the definition of the term
 3 "lease or rental" as defined in G.S. 105-164.3.

- 4 (65a) An engine or a part to build or rebuild an engine for the purpose of providing
 5 an engine under an agreement to a professional motorsports racing team or a
 6 related member of a team for use in competition in a sanctioned race series.
 7 This subdivision expires ~~January 1, 2020~~ January 1, 2024."

8 **SECTION 5.3.(c)** G.S. 105-164.14A(a)(4) and (a)(5) read as rewritten:

- 9 "(4) Motorsports team or sanctioning body. – A professional motorsports racing
 10 team, a motorsports sanctioning body, or a related member of such a team or
 11 body is allowed a refund of the sales and use tax paid by it in this State on
 12 aviation gasoline or jet fuel that is used to travel to or from a motorsports event
 13 in this State, to travel to a motorsports event in another state from a location
 14 in this State, or to travel to this State from a motorsports event in another state.
 15 For purposes of this subdivision, a "motorsports event" includes a motorsports
 16 race, a motorsports sponsor event, and motorsports testing. This subdivision
 17 is repealed for purchases made on or after ~~January 1, 2020~~ January 1, 2024.
- 18 (5) Professional motorsports team. – A professional motorsports racing team or a
 19 related member of a team is allowed a refund of fifty percent (50%) of the
 20 sales and use tax paid by it in this State on tangible personal property, other
 21 than tires or accessories, that comprises any part of a professional motorsports
 22 vehicle. For purposes of this subdivision, "motorsports accessories" includes
 23 instrumentation, telemetry, consumables, and paint. This subdivision is
 24 repealed for purchases made on or after ~~January 1, 2020~~ January 1, 2024."

25 **SECTION 5.4.** Except as otherwise provided, this Part is effective when it becomes
 26 law.

27 **PART VI. FACILITATE CRITICAL INFRASTRUCTURE DISASTER RELIEF**

28 **SECTION 6.1.** Part 8 of Article 166A of the General Statutes is amended by adding
 29 a new section to read:

30 **"§ 166A-19.70A. Facilitate critical infrastructure disaster relief.**

31 (a) Purpose. – The State finds that it is appropriate to exclude nonresident businesses and
 32 nonresident employees who temporarily come to this State at the request of a critical
 33 infrastructure company solely to perform disaster-related work during a disaster response period
 34 from the following tax and regulatory requirements:

- 35 (1) Corporate and individual income tax, as provided under G.S. 105-130.1 and
 36 G.S. 105-153.2.
 37 (2) Franchise tax, as provided under G.S. 105-114.
 38 (3) Unemployment tax, as provided under G.S. 96-1(b)(12).
 39 (4) Certificate of Authority from the Secretary of State to transact business in
 40 this State, as provided under G.S. 55-15-01(d) and G.S. 57D-1-24(d).

41 (b) Definitions. – In addition to the definitions in G.S. 166A-19.3, the following
 42 definitions apply in this section:

- 43 (1) Corporation. – Defined in G.S. 105-130.2.
 44 (2) Critical infrastructure. – Property and equipment owned or used by a critical
 45 infrastructure company for utility or communications transmission services
 46 provided to the public in the State. Examples of critical infrastructure include
 47 communications networks, electric generation, transmission and distribution
 48 systems, natural gas transmission and distribution systems, water pipelines,
 49 and related support facilities. Related support facilities may include buildings,
 50 offices, lines, poles, pipes, structures, and equipment.
 51

- 1 (3) Critical infrastructure company. – One of the following:
2 a. A registered public communications provider.
3 b. A registered public utility.
4 (4) Disaster-related work. – Repairing, renovating, installing, building, or
5 performing services on critical infrastructure that has been damaged,
6 impaired, or destroyed as a result of a disaster or emergency in an area covered
7 by the disaster declaration.
8 (5) Disaster response period. – A period that begins ten days prior to the first day
9 of a disaster declaration and expires on the earlier of the following:
10 a. Sixty days following the expiration of the disaster declaration, as
11 provided under G.S. 166A-19.21(c).
12 b. One hundred eighty days following the issuance of the disaster
13 declaration.
14 (6) Employee. – Defined in G.S. 105-163.1.
15 (7) Nonresident business. – An entity that has not been required to file an income
16 or franchise tax return with the State for three years prior to the disaster
17 response period, other than those arising from the performance of
18 disaster-related work during a tax year prior to the enactment of this section,
19 and that meets one or more of the following conditions:
20 a. Is a nonresident entity.
21 b. Is a nonresident individual who owns an unincorporated business as a
22 sole proprietor.
23 (8) Nonresident employee. – A nonresident individual who is one of the
24 following:
25 a. An employee of a nonresident business.
26 b. An employee of a critical infrastructure company who is temporarily
27 in this State to perform disaster-related work during a disaster response
28 period.
29 (9) Nonresident entity. – Defined in G.S. 105-163.1.
30 (10) Nonresident individual. – Defined in G.S. 105-153.3.
31 (11) Registered public communications provider. – A corporation doing business
32 in this State prior to the disaster declaration that provides the transmission to
33 the public of one or more of the following:
34 a. Broadband.
35 b. Mobile telecommunications.
36 c. Telecommunications.
37 d. Wireless Internet access.
38 (12) Registered public utility. – A corporation doing business in this State prior to
39 the disaster declaration that is subject to the control of one or more of the
40 following entities:
41 a. North Carolina Utilities Commission.
42 b. North Carolina Rural Electrification Authority.
43 c. Federal Communications Commission.
44 d. Federal Energy Regulatory Commission.
45 (c) Critical Infrastructure Company Notification. – A critical infrastructure company
46 must provide notification to the Department of Revenue within 90 days of the expiration of the
47 disaster response period. The notification must be in the form and manner required by the
48 Department. The notification must include the following:
49 (1) A list of all nonresident businesses who performed disaster-related work in
50 this State during a disaster response period at the request of the critical
51 infrastructure company.

1 (2) A list of nonresident employees who performed disaster-related work in this
2 State for the critical infrastructure company during a disaster response period.
3 The notification must include the amount of compensation paid to the
4 nonresident employee performing disaster-related work in this State.

5 (d) Nonresident Business Notification. – A nonresident business must provide
6 notification to the Department of Revenue within 90 days of the date the nonresident business
7 concludes its disaster-related work in the State. The notification must be in the form and manner
8 required by the Department. The notification must include a list of nonresident employees who
9 performed disaster-related work in this State during a disaster response period, along with the
10 amount of compensation paid to the nonresident employee performing disaster-related work in
11 this State. Failure to submit a timely notification forfeits the relief provided by this section for
12 the nonresident business.

13 (e) Limitation. – The intent of this section is to provide relief to nonresident businesses
14 and nonresident employees who would not otherwise be subject to this State's tax and regulatory
15 requirements if they had not performed disaster-related work during the disaster response period.
16 The relief provided under this section does not apply to any tax year that is part of the disaster
17 response period if the nonresident business or nonresident employee continues to perform
18 disaster-related work following the end of the disaster response period. The relief provided under
19 this section does not apply to a tax year that is part of the disaster response period if the
20 nonresident business or nonresident employee is required to file an income tax return for that tax
21 year with the Department of Revenue for reasons other than the performance of disaster-related
22 work."

23 **SECTION 6.2.(a)** G.S. 55-15-01 is amended by adding a new subsection to read:

24 "(d) The following foreign corporations are not required to obtain a certificate of authority
25 from the Secretary of State:

26 (1) A nonresident business solely performing disaster-related work in this State
27 during a disaster response period at the request of a critical infrastructure
28 company. The definitions and provisions of G.S. 166A-19.70A apply to this
29 subdivision.

30 (2) A person issued a temporary license by the Department of Revenue under
31 G.S. 105-449.69A to import, export, distribute, or transport motor fuel in this
32 State in response to a disaster declaration."

33 **SECTION 6.2.(b)** G.S. 57D-1-24 is amended by adding a new subsection to read:

34 "**§ 57D-1-24. Certificate of existence; certificate of authorization.**

35 ...

36 (d) A nonresident business solely performing disaster-related work in this State during a
37 disaster response period at the request of a critical infrastructure company is not required to
38 obtain a certificate of authority from the Secretary of State. The definitions and provisions of
39 G.S. 166A-19.70A apply to this subdivision."

40 **SECTION 6.3.** G.S. 96-1(b)(12) reads as rewritten:

41 "(b) Definitions. – The following definitions apply in this Chapter:

42 ...

43 (12) Employment. – Defined in section 3306 of the Code, with the following
44 additions and exclusions:

45 ...

46 b. Exclusions. – The term excludes all of the following:

47 ...

48 5. Service performed by a nonresident employee for a
49 nonresident business performing disaster-related work in this
50 State during a disaster response period at the request of a

critical infrastructure company. The definitions and provisions of G.S. 166A-19.70A apply to this exclusion."

SECTION 6.5. G.S. 105-114 is amended by adding a new subsection to read:

"(d) Critical Infrastructure Disaster Relief. – A nonresident business that solely performs disaster-related work in this State during a disaster response period at the request of a critical infrastructure company is not considered to be doing business in this State for purposes of this Article. The definitions and provisions in G.S. 166A-19.70A apply in this subsection."

SECTION 6.6.(a) G.S. 105-130.1 reads as rewritten:

"§ 105-130.1. Purpose.

(a) Purpose. – The general purpose of this Part is to impose a tax for the use of the State government upon the net income of every domestic corporation and of every foreign corporation doing business in this State.

The tax imposed upon the net income of corporations in this Part is in addition to all other taxes imposed under this Subchapter.

(b) Critical Infrastructure Disaster Relief. – A nonresident business that solely performs disaster-related work in this State during a disaster response period at the request of a critical infrastructure company is not considered to be doing business in this State for purposes of this Part. The definitions and provisions in G.S. 166A-19.70A apply in this subsection."

SECTION 6.6.(b) G.S. 105-130.5(a) is amended by adding a new subdivision to read:

"(a) The following additions to federal taxable income shall be made in determining State net income:

...

(30) Payments made to an affiliate or subsidiary that is not subject to tax under this Article pursuant to the exceptions for critical infrastructure disaster relief provided under G.S. 166A-19.70A, to the extent the payments are deducted in determining federal taxable income. The definitions and provisions of G.S. 166A-19.70A apply to this subdivision."

SECTION 6.7.(a) G.S. 105-131.7 is amended by adding a new subsection to read:

"§ 105-131.7. Returns; shareholder agreements; mandatory withholding.

...

(f) Critical Infrastructure Disaster Relief. – An S Corporation that is not doing business in this State because it is a nonresident business performing disaster-related work during a disaster response period at the request of a critical infrastructure company is not required to file a return with the Department. However, the corporation must furnish to each shareholder who would be entitled to share in the corporation income any information necessary for that person to properly file a State income tax return. The definitions and provisions in G.S. 166A-19.70A concerning disaster-related work apply to this subsection."

SECTION 6.7.(b) G.S. 105-154(c) reads as rewritten:

"§ 105-154. Information at the source returns.

...

(c) Information Returns of Partnerships. – A partnership doing business in this State and required to file a return under the Code shall file an information return with the Secretary. A partnership that the Secretary believes to be doing business in this State and to be required to file a return under the Code shall file an information return when requested to do so by the Secretary. The information return shall contain all information required by the Secretary. It shall state specifically the items of the partnership's gross income, the deductions allowed under the Code, each partner's distributive share of the partnership's income, and the adjustments required by this Part. A partner's distributive share of partnership net income includes any guaranteed payments made to the partner. The information return shall also include the name and address of each person who would be entitled to share in the partnership's net income, if distributable, and the

1 amount each person's distributive share would be. The information return shall be signed by one
2 of the partners under affirmation in the form required by the Secretary.

3 A partnership that files an information return under this subsection shall furnish to each
4 person who would be entitled to share in the partnership's net income, if distributable, any
5 information necessary for that person to properly file a State income tax return. The information
6 shall be in the form prescribed by the Secretary and must be furnished on or before the due date
7 of the information return.

8 A partnership that is not doing business in this State because it is a nonresident business
9 performing disaster-related work during a disaster response period at the request of a critical
10 infrastructure company is not required to file an information return with the Secretary. However,
11 the partnership must furnish to each person who would be entitled to share in the partnership's
12 net income, if distributable, any information necessary for that person to properly file a State
13 income tax return. The definitions and provisions in G.S. 166A-19.70A apply to this paragraph."

14 **SECTION 6.8.(a)** G.S. 105-153.2 reads as rewritten:

15 "**§ 105-153.2. Purpose.**

16 The general purpose of this Part is to impose a tax for the use of the State government upon
17 the taxable income collectible annually:

- 18 (1) Of every resident of this State.
- 19 (2) Of every nonresident individual deriving income from North Carolina sources
20 attributable to the ownership of any interest in real or tangible personal
21 property in this State, deriving income from a business, trade, profession, or
22 occupation carried on in this State, or deriving income from gambling
23 activities in this State. This subdivision does not apply to a nonresident
24 business or a nonresident employee who solely derives income from North
25 Carolina sources attributable to a business, trade, profession, or occupation
26 carried on in this State to perform disaster-related work during a disaster
27 response period at the request of a critical infrastructure company; the
28 definitions and provisions in G.S. 166A-19.70A apply to this subdivision."

29 **SECTION 6.8.(b)** G.S. 105-153.8(a) reads as rewritten:

30 "(a) Who Must File. – The following individuals must file with the Secretary an income
31 tax return under affirmation:

- 32 (1) Every resident who for the taxable year has gross income under the Code that
33 exceeds the standard deduction amount provided in G.S. 105-153.5(a)(1).
- 34 (2) Every nonresident individual who meets all of the following requirements:
 - 35 a. Receives during the taxable year gross income that is derived from
36 North Carolina sources and is attributable to the ownership of any
37 interest in real or tangible personal property in this State, is derived
38 from a business, trade, profession, or occupation carried on in this
39 State, or is derived from gambling activities in this State. This
40 sub-subdivision does not apply to a nonresident business or a
41 nonresident employee who solely derives income from North Carolina
42 sources attributable to a business, trade, profession, or occupation
43 carried on in this State to perform disaster-related work during a
44 disaster response period at the request of a critical infrastructure
45 company; the definitions and provisions in G.S. 166A-19.70A apply
46 to this sub-subdivision.
 - 47 b. Has gross income under the Code that exceeds the applicable standard
48 deduction amount provided in G.S. 105-153.5(a)(1).
- 49 (3) Any individual whom the Secretary believes to be liable for a tax under this
50 Part, when so notified by the Secretary and requested to file a return."

51 **SECTION 6.9.(a)** G.S. 105-163.1(13) reads as rewritten:

1 **"§ 105-163.1. Definitions.**

2 The following definitions apply in this Article:

3 ...

4 (13) Wages. – The term has the same meaning as in section 3401 of the ~~Code~~Code,
5 except the term does not include amounts paid to a nonresident employee for
6 a business, trade, profession, or occupation carried on in this State to perform
7 disaster-related work during a disaster response period at the request of a
8 critical infrastructure company. The definitions and provisions of
9 G.S. 166A-19.70A apply to this subdivision.

10"

11 **SECTION 6.9.(b)** G.S. 105-163.3(b) is amended by adding a new subdivision to
12 read:

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

14 ...

15 (5) Compensation paid by a nonresident business or a critical infrastructure
16 company to an ITIN contractor who is a nonresident individual for a business,
17 trade, profession, or occupation carried on in this State to perform
18 disaster-related work during a disaster response period at the request of a
19 critical infrastructure company. The definitions and provisions of
20 G.S. 166A-19.70A apply to this subdivision."

21 **SECTION 6.9.(c)** G.S. 105-163.7(b) reads as rewritten:

22 "(b) Informational Return to Secretary. – Every employer shall annually file an
23 informational return with the Secretary that contains the information given on each of the
24 employer's written statements to an employee. The Secretary may require additional information
25 to be included on the informational return, provided the Secretary has given a minimum of 90
26 days' notice of the additional information required. The informational return is due on or before
27 January 31 of the succeeding year and must be filed in an electronic format as prescribed by the
28 Secretary. If the employer terminates its business or permanently ceases paying wages during the
29 calendar year, the informational return must be filed within 30 days of the last payment of
30 remuneration. The informational return required by this subsection is in lieu of the report required
31 by G.S. 105-154.

32 An employer that is not doing business in this State because it is a nonresident business
33 performing disaster-related work during a disaster response period at the request of a critical
34 infrastructure company is not required to file an information return with the Secretary. However,
35 the employer must furnish to an employee, upon request, any information necessary for that
36 person to properly file a State income tax return. The definitions and provisions in
37 G.S. 166A-19.70A apply to this paragraph."

38 **SECTION 6.10.** Part 2 of Article 36B of Chapter 105 of the General Statutes is
39 amended by adding a new section to read:

40 **"§ 105-449.69A. Temporary license during disaster response period.**

41 (a) Temporary License. – The Secretary may grant a temporary license to an applicant to
42 import, export, distribute, or transport motor fuel in this State in response to a disaster declaration.
43 The term "disaster declaration" has the same meaning as defined in G.S. 166A-19.3. The
44 temporary license expires upon the expiration of the disaster declaration. A temporary license
45 issued under this section may not be renewed or a new temporary license granted if the licensee
46 failed to file the required returns or make payments of the required taxes.

47 (b) Requirements. – To obtain a temporary license, a person must file an application with
48 the Secretary on a form prescribed by the Secretary within seven calendar days from the date of
49 the disaster declaration. An application must include all of the following information:

50 (1) The legal name of the business and the trade name, if applicable, under which
51 the person will transact business within the State.

- 1 (2) The federal identification number of the business or, if such number is
- 2 unavailable, the Social Security number of the owner.
- 3 (3) The location, with a street number address, of the principal office or place of
- 4 business and the location where records will be made available for inspection.
- 5 (4) Any other information required by the Secretary.
- 6 (c) Exceptions. – The Secretary may issue a temporary license under this section as an
- 7 importer, exporter, distributor, or transporter without requiring the applicant to file with the
- 8 Secretary a bond or an irrevocable letter of credit, as otherwise required by G.S. 105-449.72, and
- 9 without requiring the applicant to be authorized to transact business in this State with the
- 10 Secretary of State."

11 **SECTION 6.11.** This Part is effective when it becomes law and applies to disaster
12 declarations on or after that date.

13
14 **PART VII. EFFECTIVE DATE**

15 **SECTION 7.** Except as otherwise provided, this act is effective when it becomes
16 law.