

# Finance

See full summary documents for additional detail

## **H399 - Extend Tax Credits/Other Finance Changes. (SL 2019-237)**

S.L. 2019-237 makes the following finance law changes:

- Allows an income exclusion for distributions from IRAs to charities by taxpayers age 70½ or older, effective for taxable years beginning on or after January 1, 2019.
- Allows an income tax deduction for amounts received as a JDIG, JMAC, or OneNC grant, effective for taxable years beginning on or after January 1, 2020.
- Extends the following sunsets for four years, from January 1, 2020, until January 1, 2024:
  - Historic Rehabilitation Tax Credit.
  - Sales tax exemption and refund for professional motorsports racing teams or related members of a team.
  - Sales tax exemption for aviation gasoline and jet fuel sold to an interstate air business.
- Extends the Mill Rehabilitation Tax Credit for an eligible railroad station that meets certain conditions.
- Extends the Dry-Cleaning Solvent Cleanup program, and the revenues used to fund the program, for 10 years.
- Sets the insurance regulatory charge at 6.5% for the 2020 calendar year.

S.L. 2019-237 appropriates the following amounts to the Department of Revenue from the Collections Assistance Fee Special Fund:

- \$12.5 million for critical costs associated with tax systems operations and maintenance upgrades for the 2019-20 fiscal year.
- \$4.4 million to contract with a vendor to perform identity theft and tax fraud analysis using the Government Data Analytics Center (GDAC) for the 2019-20 and the 2020-21 fiscal years.

This act has various effective dates. Please see the full summary for more detail.

## **H492 - Simplify Builder Inventory Exclusion. (SL 2019-123)**

S.L. 2019-123 allows a builder to file a one-time application for the builder inventory property tax exclusion, effective for property tax years beginning July 1, 2019.

## **H537 - Alt. Hwy Use Tax Vehicle Subscriptions. (SL 2019-69)**

S.L. 2019-69 defines "vehicle subscription" for purposes of the application of the alternate highway use tax and sets the tax rate at 5%, which is applied to the gross receipts derived from vehicle subscriptions. Under prior law, these subscriptions were considered short-term rentals by way of an interpretation of the Department of Revenue, which are subject to a rate of 8%.

This act became effective October 1, 2019, and applies to vehicle subscription agreements entered on or after that date.

## **S56 - Revenue Laws Technical Changes. (SL 2019-6)**

S.L. 2019-6 makes various technical changes to the State's revenue laws as recommended by the Department of Revenue including:

- Updates the reference to the version of the federal Internal Revenue Code (IRC) used to compute North Carolina tax items from February 9, 2018, to January 1, 2019.
- Requires a seller who, in the previous or current calendar year, made gross sales of more than \$100,000 sourced to North Carolina or who made 200 or more separate sales transactions sourced to this State to collect and remit North Carolina sales and use tax.

The act became effective March 20, 2019; however, many sections were already effective under the Department's administrative rules.

## **S95 - Veterans Memorial Funds/Do Not Revert. (SL 2019-75)**

S.L. 2019-75 does the following:

- Provides that funds appropriated for the construction of public facilities at the North Carolina Veterans Memorial Pavilion do not revert to the General Fund until June 30, 2020.
- Extends until June 30, 2021, the time in which funds allocated for water lines for Rockingham and Guilford counties, and certain municipalities within those counties, may be used before reverting to the General Fund, and expands the use of those funds to include sewer and wastewater projects.
- Allocates funds that were directed to be used to provide a grant to the Resource Institute, Inc. for hurricane mitigation projects on Topsail Island directly to the Towns of North Topsail Beach, Surf City, and Topsail Beach for hurricane recovery projects.
- Provides that funds allocated for planning and permitting of a satellite aquarium area shall instead be used to address storm damage at the Core Sound Waterfowl Museum and Heritage Center and to add the home of civil rights leader Golden Frinks to the Historic Edenton State Historic Site.
- Clarifies the purpose of water and wastewater infrastructure funding to the Town of Mount Airy.

This act became effective June 30, 2019.

## **S190 - Expand Special Assessments for Dam Repair. (SL 2019-190)**

S.L. 2019-190 extends the sunset on counties' authority to impose special assessments for dam repair from July 1, 2019 to July 1, 2022, and expands the authority to repair privately-owned dams used for recreational and flood control purposes with a lake between 1,100 and 1,300 acres. The Woodlake dam in Moore County has a lake within this range.

S.L. 2019-151 made the sunset extension effective July 1, 2019. The remainder of this act became effective August 1, 2019.

## **S498 - Facilitate Response to Disasters. (SL 2019-187)**

S.L. 2019-187 helps facilitate and expedite recovery after a natural disaster in two ways:

- Provides that nonresident businesses and nonresident employees that are requested to come into the State by a critical infrastructure company are not doing business in this State for the disaster-related work performed during the disaster response period; therefore are exempt from registration requirements and various State tax filing and payment requirements.
- Allows the Secretary of Revenue to issue a temporary license to an importer, exporter, distributor, or transporter of motor fuel in response to a disaster declaration without requiring that person to post a bond or obtain a certificate of authority to operate in this State from the Secretary of State.

This act became effective on August 1, 2019.

## **S505 - Rural Job Retention Act. (SL 2019-14)**

S.L. 2019-14 allows the Department of Commerce to award an additional grant of \$15 million through the Job Maintenance and Capital Development Fund (JMAC), and it adds a new category of businesses eligible to receive a JMAC grant: a heritage manufacturing employer. Assuming Commerce awards an additional JMAC grant for \$15 million over ten years, it will increase General Fund expenditures by \$1.5 million per year for ten years, beginning in fiscal year 2021-22. The current recurring appropriation of \$7.5 million to the JMAC account is expected to be sufficient to pay the expected grant payments.

The act became effective July 1, 2019.

## **S523 - Rev. Laws Clarifying & Administrative Changes. (SL 2019-169)**

S.L. 2019-169 makes technical, clarifying, and administrative changes to the State's Revenue Laws, most of which were recommended by the Department of Revenue, including:

### With respect to sales tax,

- Broadens the scope of the sales tax on digital property by eliminating the requirement that an item have a taxable, tangible corollary in order to be taxable.
- Clarifies that counties must wait at least one year from the date of the last preceding election before holding another special election on the issue of levying the quarter-cent local option sales tax.
- Clarifies the taxation of repair, maintenance, and installation services provided by property managers pursuant to a property management contract.
- Creates a new category of limited service car washes and exempts them from sales tax.
- Exempts the sales of equipment, including attachments and repair parts, used in cutting, shaping, polishing and finishing slabs of natural and engineered stone sold to a company primarily engaged in the business of made-to-order countertops, walls, or tubs.
- Exempts certain incontinence supplies when those supplies are paid for by the State's Medicaid program.

### With respect to the tobacco excise tax,

- Requires tobacco product licensees to renew their excise tax license every three years at no cost. Currently, these licenses are not required to be renewed after the initial issuance.
- Regulates the Internet sale of tobacco products, except for cigars. Many of the requirements are already required under federal law with respect to cigarettes and smokeless tobacco products.

With respect to collection and other administrative matters.

- Imposes the collection assistance fee after 60 days. Currently, the fee is imposed after 90 days.
- Makes three groups of informational returns subject to penalties for failure to file and failure to file in the correct format: Article 2A Tobacco Products Tax; Article 2C Alcoholic Beverage License and Excise Taxes; and Article 4 Income Tax (includes informational returns from payers and partnerships).
- Broadens the innocent spouse relief provision to mirror the federal law and provide relief for both underpayments and understatements of tax.
- Restores the venue for criminal tax law violations to the office of the Secretary in Raleigh, which was the law prior to December 1, 2018.

S.L. 2019-169 became effective July 26, 2019; however, many sections have separate effective dates as detailed in the bill analysis.

**S529 - Fees/Returned Checks. (SL 2019-77)**

S.L. 2019-77 increases the maximum fee that a merchant can charge when a customer's check is returned from \$25 to \$35.

This act became effective October 1, 2019, and applies to checks dated on or after that date.

**S557 - Various Finance Law Changes. (SL 2019-246)**

S.L. 2019-246 makes the following finance law changes :

- Increases the standard deduction by 7.5%, from \$20,000 to \$21,500 for MFJ, effective for taxable years beginning on or after January 1, 2020.
- Expands the definition of "holding company" for franchise tax purposes, effective for taxable years beginning on or after January 1, 2020.
- Requires a multistate corporation to calculate its sales factor, for apportionment purposes, based on the percentage of income attributed to the consumption of products and services in the North Carolina marketplace, effective for taxable years beginning on or after January 1, 2020.
- Obligates a "marketplace facilitator" that meets the same threshold applicable to remote retailers to calculate, collect, and remit sales tax on a third-party seller's behalf, effective February 1, 2020.
- Directs the Revenue Laws Study Committee to review certain tax sunset provisions.
- Requires the Department of Revenue to update its electronic tax systems to store and recognize power of attorney registrations to ensure that notices are simultaneously sent to both the taxpayer and the person designated in the taxpayer's power of attorney.

### **S559 - Storm Securitization. (SL 2019-244)**

S.L. 2019-244 permits electric public utility companies to use bond financing for certain storm recovery costs. This financing mechanism would not create any indebtedness for the State or any of its political subdivisions.

This act became effective November 6, 2019.

### **S578 - Reduce Franchise Tax/Expand Film Grants. (Ratified)**

Senate Bill 578 would do the following:

- Reduce the franchise tax rate from \$1.50 to \$0.96 over a two-year span and remove one method of calculating a corporation's franchise tax base, beginning with the 2021 taxable year.
- Reduce the qualifying expense thresholds for awards from the Film and Entertainment Grant Fund (Fund) and increase from \$12 million to \$15 million the maximum grant amount for a single season of a television series.

This bill was vetoed by the Governor on November 8, 2019, has not been overridden by the General Assembly, and, therefore, has not become law.

### **S605 - Highway Storm Recovery Act. (SL 2019-15)**

S.L. 2019-15 transfers funds to the Department of Transportation to be used as a loan for cash flow needs as a result of disaster recovery.

This act became effective May 16, 2019.