

**GENERAL ASSEMBLY OF NORTH CAROLINA**  
**SESSION 2005**

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**SENATE BILL 1692**

Short Title: Sales Tax on R&D Equipment.

(Public)

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Sponsors: Senator Hoyle.

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Referred to: Finance.

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May 18, 2006

1 A BILL TO BE ENTITLED  
2 AN ACT TO REDUCE THE TAX ON SALES OF EQUIPMENT USED FOR  
3 RESEARCH AND DEVELOPMENT.

4 The General Assembly of North Carolina enacts:

5 **SECTION 1.** G.S. 105-164.3 is amended by adding a new subdivision to  
6 read:

7 "(33a) Research and development equipment. – Equipment used by a  
8 taxpayer to perform experimental or laboratory activity that has as its  
9 ultimate goal one or more of the following:

10 a. The development of new manufactured products.

11 b. The improvement of existing manufactured products.

12 c. The development of new uses for existing manufactured  
13 products.

14 d. The development or improvement of methods for producing  
15 manufactured products.

16 The term does not include equipment used for testing or inspection for  
17 quality control purposes, efficiency surveys, management studies,  
18 consumer surveys or other market research, advertising or promotional  
19 activities, or research in connection with literacy, historical, or similar  
20 projects."

21 **SECTION 2.** G.S. 105-164.13 is amended by adding a new subdivision to  
22 read:

23 "(54) Research and development equipment that is subject to tax under  
24 Article 5F of this Chapter."

25 **SECTION 3.** G.S. 105-187.51(a) is amended by adding a new subdivision to  
26 read:

27 "(4) A qualified taxpayer who purchases research and development  
28 equipment for storage, use, or consumption in this State. A qualified  
29 taxpayer is a taxpayer whose primary business is as a research and

1                    development company in the physical, engineering, and life sciences,  
2                    as defined by NAICS. The term 'NAICS' has the same meaning as  
3                    defined in G.S. 105-129.2."

4                    **SECTION 4.** This act becomes effective July 1, 2006.