

**GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2015**

**H**

**D**

**HOUSE BILL 1030  
PROPOSED COMMITTEE SUBSTITUTE H1030-PCS10532-MCxr-26**

Short Title: 2016 Appropriations Act.

(Public)

Sponsors:

Referred to:

May 5, 2016

A BILL TO BE ENTITLED

AN ACT TO MODIFY THE CURRENT OPERATIONS AND CAPITAL IMPROVEMENTS  
APPROPRIATIONS ACT OF 2015 AND TO MAKE OTHER CHANGES IN THE BUDGET  
OPERATIONS OF THE STATE.

The General Assembly of North Carolina enacts:

**INSURANCE REGULATORY CHARGE**

**SECTION 23.1.** The percentage rate to be used in calculating the insurance regulatory charge under G.S. 58-6-25 is six and one-half percent (6.5%) for the 2017 calendar year.

**INCREASE ZERO TAX BRACKET**

**SECTION 38.1.(a)** Effective for taxable years beginning on or after January 1, 2017, G.S. 105-153.5(a)(1) reads as rewritten:

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

<b>Filing Status</b>	<b>Standard Deduction</b>
Married, filing jointly	<del>\$15,500</del> <u>\$16,000</u>
Head of Household	<del>12,400</del> <u>12,800</u>
Single	<del>7,750</del> <u>8,000</u>
Married, filing separately	<del>7,750</del> <u>8,000.</u> "

**SECTION 38.1.(b)** Effective for taxable years beginning on or after January 1, 2018, G.S. 105-153.5(a)(1), as amended by subsection (a) of this section, reads as rewritten:

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

<b>Filing Status</b>	<b>Standard Deduction</b>
Married, filing jointly	<del>\$16,000</del> <u>\$16,500</u>
Head of Household	<del>12,800</del> <u>13,200</u>
Single	<del>8,000</del> <u>8,250</u>
Married, filing separately	<del>8,000</del> <u>8,250.</u> "

**SECTION 38.1.(c)** Effective for taxable years beginning on or after January 1, 2019, G.S. 105-153.5(a)(1), as amended by subsection (b) of this section, reads as rewritten:



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

Filing Status	Standard Deduction
Married, filing jointly	\$16,500\$17,000
Head of Household	13,20013,600
Single	8,2508,500
Married, filing separately	8,2508,500."

**SECTION 38.1.(d)** Effective for taxable years beginning on or after January 1, 2020, G.S. 105-153.5(a)(1), as amended by subsection (c) of this section, reads as rewritten:

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

Filing Status	Standard Deduction
Married, filing jointly	\$17,000\$17,500
Head of Household	13,60014,000
Single	8,5008,750
Married, filing separately	8,5008,750."

**SECTION 38.1.(e)** Except as otherwise provided, this section is effective when it becomes law.

**REDUCE TAXATION OF MILL MACHINERY**

**SECTION 38.2.1.(a)** G.S. 105-187.51B reads as rewritten:

"§ 105-187.51B. Tax imposed on machinery, equipment, and other tangible personal property purchased by certain recyclers, research and development companies, industrial machinery refurbishing companies, and companies located at ports facilities.companies.

(a) Tax. – A privilege tax is imposed on the following:

(5) A company located at a ports facility for waterborne commerce that purchases specialized equipment to be used at the facility to unload or process bulk cargo to make it suitable for delivery to and use by manufacturing facilities.any of the following:

- a. Machinery and equipment that is used at the facility to unload or to facilitate the unloading or processing of bulk cargo to make it suitable for delivery to and use by manufacturing facilities.
- b. Parts, accessories, or attachments used to maintain, repair, replace, upgrade, improve, or otherwise modify such machinery and equipment.

(b) Rate. – The tax is one percent (1%) of the sales price of the equipment or other tangible personal property. The maximum tax is eighty dollars (\$80.00) per article."

**SECTION 38.2.1.(b)** G.S. 105-187.51B(a), as amended by subsection (a) of this section, is amended by adding the following new subdivision:

"(6) A company primarily engaged at the establishment in either (i) recycling if the company is a secondary metals recycler, as defined in G.S. 66-420, or (ii) processing tangible personal property for the purpose of extracting precious metals, as defined in G.S. 66-406, to determine the value for potential purchase for the purchase of equipment, or an attachment or repair part for equipment, that meets all of the requirements listed in this subdivision. This subdivision does not apply to equipment, including a motor vehicle, or an attachment or

1 repair part for equipment, used to transport converted products from the  
2 establishment. The requirements are as follows:

3 a. The equipment is capitalized by the company for tax purposes under the  
4 Code.

5 b. The equipment is primarily for use in a process by which ferrous metals,  
6 nonferrous metals, or precious metals are gathered or obtained and  
7 converted into products consisting of prepared grades and that have an  
8 existing or potential economic value by methods including the  
9 processing, sorting, cutting, classifying, cleaning, baling, wrapping,  
10 shredding, shearing, or changing of the physical form or chemical  
11 content of the metals, but not including the exclusive use of hand tools."

12 **SECTION 38.2.1.(c)** Subsection (a) of this section is effective when it becomes law,  
13 applies retroactively to purchases made on or after July 1, 2013. Subsection (b) of this section is  
14 effective when it becomes law, applies retroactively to purchases made on or after July 1, 2010.  
15 Notwithstanding G.S. 105-241.6, a taxpayer that paid sales and use tax on items that are taxable  
16 under G.S. 105-187.51B, as amended by this section, may apply to the Department of Revenue for  
17 a refund of the excess tax paid to the extent the refund is the result of the change in the law  
18 enacted by this section. Except as otherwise provided, this section is effective when it becomes  
19 law.

20 **SECTION 38.2.2.(a)** Article 5F of Chapter 105 of the General Statutes and  
21 G.S. 105-164.13(5a) are repealed.

22 **SECTION 38.2.2.(b)** G.S. 105-164.4I(b) reads as rewritten:

23 "(b) Exemptions. – The tax imposed by this section does not apply to the sales price of or  
24 the gross receipts derived from a service contract applicable to any of the following items:

25 ...

26 ~~(4) An item subject to tax under Article 5F of Chapter 105 of the General Statutes.~~

27 ..."

28 **SECTION 38.2.2.(c)** G.S. 105-164.13 is amended by adding the following new  
29 subdivisions to read:

30 "**§ 105-164.13. Retail sales and use tax.**

31 ...

32 **(5e)** Sales of mill machinery or mill machinery parts or accessories to any of the  
33 following:

34 a. A manufacturing industry or plant. A manufacturing industry or plant  
35 does not include (i) a delicatessen, cafe, cafeteria, restaurant, or another  
36 similar retailer that is principally engaged in the retail sale of foods  
37 prepared by it for consumption on or off its premises; or (ii) a  
38 production company.

39 b. A contractor or subcontractor if the purchase is for use in the  
40 performance of a contract with a manufacturing industry or plant.

41 c. A subcontractor if the purchase is for use in the performance of a  
42 contract with a general contractor that has a contract with a  
43 manufacturing industry or plant.

44 **(5f)** Sales to a major recycling facility of any of the following tangible personal  
45 property for use in connection with the facility:

46 a. Cranes, structural steel crane support systems, and foundations related  
47 to the cranes and support systems.

48 b. Port and dock facilities.

49 c. Rail equipment.

50 d. Material handling equipment.

- 1           (5g) Sales of equipment, or an attachment or repair part for equipment, that meets all  
2           of the following requirements:  
3           a.     Is sold to a company primarily engaged at the establishment in research  
4           and development activities in the physical, engineering, and life  
5           sciences included in industry group 54171 of NAICS.  
6           b.     Is capitalized by the company for tax purposes under the Code.  
7           c.     Is used by the company at the establishment in the research and  
8           development of tangible personal property.  
9           (5h) Sales of equipment, or an attachment or repair part for equipment, that meets all  
10          of the following requirements:  
11          a.     Is sold to a company primarily engaged at the establishment in software  
12          publishing activities included in industry group 5112 of NAICS.  
13          b.     Is capitalized by the company for tax purposes under the Code.  
14          c.     Is used by the company at the establishment in the research and  
15          development of tangible personal property.  
16          (5i) Sales of equipment, or an attachment or repair part for equipment, that meets all  
17          of the following requirements:  
18          a.     Is sold to a company primarily engaged at the establishment in industrial  
19          machinery refurbishing activities included in industry group 811310 of  
20          NAICS.  
21          b.     Is capitalized by the company for tax purposes under the Code.  
22          c.     Is used by the company at the establishment in repairing or refurbishing  
23          tangible personal property.  
24          (5j) Sales of the following to a company located at a ports facility for waterborne  
25          commerce:  
26          a.     Machinery and equipment used at the facility to unload or to facilitate  
27          the unloading or processing of bulk cargo and to make it suitable for  
28          delivery to and use by manufacturing facilities.  
29          b.     Parts, accessories, or attachments used to maintain, repair, replace,  
30          upgrade, improve, or otherwise modify such machinery and equipment.  
31          (5k) Sales of equipment, or an attachment or repair part for equipment, that meets all  
32          of the following requirements:  
33          a.     Is sold to a company that is engaged in the fabrication of metal work  
34          and that has annual gross receipts, including the gross receipts of all  
35          related persons as defined in G.S. 105-163.010, from the fabrication of  
36          metal work of at least eight million dollars (\$8,000,000).  
37          b.     Is capitalized by the company for tax purposes under the Code.  
38          c.     Is used by the company at the establishment to create metal products for  
39          use by the company.  
40          (5l) Sales of equipment, or an attachment or repair part for equipment, that meets all  
41          of the requirements listed in this subdivision. This subdivision does not apply to  
42          sales of equipment, including a motor vehicle, or an attachment or repair part  
43          for equipment, that is used to transport converted products to or from the  
44          establishment. The requirements are:  
45          a.     The equipment is sold to a company primarily engaged at the  
46          establishment in either (i) recycling if the company is a secondary  
47          metals recycler, as defined in G.S. 66-420, or (ii) processing tangible  
48          personal property for the purpose of extracting precious metals, as  
49          defined in G.S. 66-406, to determine the value for potential purchase.  
50          b.     The equipment is capitalized by the company for tax purposes under the  
51          Code.

1                   c.     The equipment is primarily for use in a process by which ferrous metals,  
2                             nonferrous metals, or precious metals are gathered or obtained and  
3                             converted into products consisting of prepared grades and that have an  
4                             existing or potential economic value by methods including the  
5                             processing, sorting, cutting, classifying, cleaning, baling, wrapping,  
6                             shredding, shearing, or changing of the physical form or chemical  
7                             content of the metals, but not including the exclusive use of hand tools.

8                   (5m) Sales of repair or replacement parts for a ready-mix concrete mill, regardless of  
9                             whether the mill is freestanding or affixed to a motor vehicle, to a company that  
10                            primarily sells ready-mix concrete.

11                   ...

12                   (57a) Fuel, piped natural gas, and electricity sold to a secondary metals recycler for  
13                             use in recycling at its facility at which the primary activity is recycling.

14                   ...."

15                   **SECTION 38.2.2.(d)** This section becomes effective July 1, 2016, and applies to sales  
16 made on or after that date.

17  
18 **EFFECTIVE DATE**

19                   **SECTION 39.8.** Except as otherwise provided, this act becomes effective July 1,  
20 2016.