

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2019

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SENATE BILL DRS55047-SVf-10B\*

Short Title: Alt. Hwy Use Tax Vehicle Subscriptions. (Public)

Sponsors: Senators Krawiec, Rabon, and Lowe (Primary Sponsors).

Referred to:

1 A BILL TO BE ENTITLED  
2 AN ACT TO REDUCE THE ALTERNATE HIGHWAY USE TAX ON VEHICLE  
3 SUBSCRIPTIONS.

4 The General Assembly of North Carolina enacts:

5 SECTION 1. G.S. 105-187.1 reads as rewritten:

6 "§ 105-187.1. Definitions.

7 The following definitions and the definitions in G.S. 105-164.3 apply to this Article:

8 ...

9 (3) Long-term lease or rental. – A lease or rental made under a written agreement  
10 to lease or rent ~~property~~ a single motor vehicle to the same person for a period  
11 of at least 365 continuous days.

12 ...

13 (3c) Limited possession commitment. – Long-term lease or rental, short-term lease  
14 or rental, and vehicle subscriptions.

15 ...

16 (6) Retailer. – A retailer as defined in G.S. 105-164.3 who is engaged in the  
17 business of selling, leasing, ~~or renting~~ renting, or offering vehicle  
18 subscriptions for motor vehicles.

19 (7) Short-term lease or rental. – A lease or rental of a motor vehicle or motor  
20 vehicles, including a vehicle sharing service, that is not a long-term lease or  
21 ~~rental~~ rental or a vehicle subscription.

22 (8) Vehicle sharing service. – A service for which a person pays a membership  
23 fee for the right to use a motor vehicle or motor vehicles upon payment of an  
24 additional time-based or mileage-based fee.

25 (9) Vehicle subscription. – A written agreement that grants a person the right to  
26 use and exchange motor vehicles owned, directly or indirectly, by the person  
27 offering the agreement upon payment of a subscription fee, but it does not  
28 include a vehicle sharing service. The subscription fee must provide a person  
29 exclusive use of an agreed upon number of motor vehicles at any given time  
30 during the full term of the subscription."

31 SECTION 2. G.S. 105-187.5 reads as rewritten:

32 "§ 105-187.5. ~~Alternate tax for those who rent or lease motor vehicles.~~ a limited possession  
33 commitment.

34 (a) Election. – A retailer may elect not to pay the tax imposed by this Article at the rate  
35 set in G.S. 105-187.3 when applying for a certificate of title for a motor vehicle purchased by the  
36 retailer for ~~lease or rental~~ a limited possession commitment. A retailer who makes this election



1 shall pay a tax on the gross receipts of the ~~lease or rental~~ limited possession commitment of the  
 2 vehicle. The portion of a ~~lease or rental~~ limited possession commitment billing or payment that  
 3 represents any amount applicable to the sales price of a service contract as defined in  
 4 G.S. 105-164.3 should not be included in the gross receipts subject to the tax imposed by this  
 5 Article. The charge must be separately stated on documentation given to the purchaser at the time  
 6 the ~~lease or rental~~ limited possession commitment agreement goes into effect, or on the monthly  
 7 billing statement or other documentation given to the purchaser. When a ~~lease or rental~~ limited  
 8 possession commitment contract is sold to another retailer, the seller of the ~~lease or rental~~ limited  
 9 possession commitment contract should provide to the purchaser of the ~~lease or rental~~ limited  
 10 possession commitment contract the documentation showing that the service contract and  
 11 applicable sales taxes were separately stated at the time the ~~lease or rental~~ limited possession  
 12 commitment went into effect and the new retailer must retain the information to support an  
 13 allocation for tax computed on the gross receipts subject to highway use tax. Like the tax imposed  
 14 by G.S. 105-187.3, this alternate tax is a tax on the privilege of using the highways of this State.  
 15 The tax is imposed on a retailer, but is to be added to the ~~lease or rental~~ price-limited possession  
 16 commitment of a motor vehicle and thereby be paid by the person who leases or rents the vehicle.

17 (b) Rate. – The applicable tax rate ~~rates~~ on the gross receipts from ~~the short term lease or~~  
 18 ~~rental of a motor vehicle is eight percent (8%) and the tax rate on the gross receipts from the~~  
 19 ~~long term lease or rental of a motor vehicle is three percent (3%).~~ a limited possession  
 20 commitment are as listed in this subsection. Gross receipts does not include the amount of any  
 21 allowance given for a motor vehicle taken in trade as a partial payment on the ~~lease or rental~~  
 22 limited possession commitment price. The maximum tax in G.S. 105-187.3(a1) on certain motor  
 23 vehicles applies to a continuous ~~lease or rental~~ limited possession commitment of such a motor  
 24 vehicle to the same person. The applicable tax rates are as follows:

<u>Type of Limited Possession Commitment</u>	<u>Tax Rate</u>
<u>Short-term lease or rental</u>	<u>8%</u>
<u>Vehicle subscription</u>	<u>5%</u>
<u>Long-term lease or rental</u>	<u>3%</u>

29 (c) Method. – A retailer who elects to pay tax on the gross receipts of the ~~lease or rental~~  
 30 limited possession commitment of a motor vehicle shall make this election when applying for a  
 31 certificate of title for the vehicle. To make the election, the retailer shall complete a form provided  
 32 by the Division giving information needed to collect the alternate tax based on gross receipts.  
 33 Once made, an election is irrevocable.

34 (d) Administration. – The Division shall notify the Secretary of Revenue of a retailer who  
 35 makes the election under this section. A retailer who makes this election shall report and remit  
 36 to the Secretary the tax on the gross receipts of the ~~lease or rental~~ limited possession commitment  
 37 of the motor vehicle. The Secretary shall administer the tax imposed by this section on gross  
 38 receipts in the same manner as the tax levied under G.S. 105-164.4(a)(2). The administrative  
 39 provisions and powers of the Secretary that apply to the tax levied under G.S. 105-164.4(a)(2)  
 40 apply to the tax imposed by this section. In addition, the Division may request the Secretary to  
 41 audit a retailer who elects to pay tax on gross receipts under this section. When the Secretary  
 42 conducts an audit at the request of the Division, the Division shall reimburse the Secretary for  
 43 the cost of the audit, as determined by the Secretary. In conducting an audit of a retailer under  
 44 this section, the Secretary may audit any sales of motor vehicles made by the retailer."

45 **SECTION 3.** G.S. 105-187.9 reads as rewritten:

46 "**§ 105-187.9. Disposition of tax proceeds.**

47 (a) Distribution. – Of the taxes collected under this Article at the rate of five percent (5%)  
 48 and eight percent (8%), the sum of ten million dollars (\$10,000,000) shall be credited annually  
 49 to the Highway Fund, and the remainder shall be credited to the General Fund. Taxes collected  
 50 under this Article at the rate of three percent (3%) shall be credited to the North Carolina Highway  
 51 Trust Fund.

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**SECTION 4.** G.S. 105-550(6) reads as rewritten:

"(6) Short-term lease or rental. – ~~A lease or rental that is not a long-term lease or rental.~~ Defined in G.S. 105-187.1."

**SECTION 5.** G.S. 153A-156 reads as rewritten:

**"§ 153A-156. Gross receipts tax on short-term leases or rentals.**

...

(e) The following definitions apply in this section:

(1) Short-term lease or rental. – ~~Defined in G.S. 105-187.1(4).~~ G.S. 105-187.1.

...."

**SECTION 6.** This act becomes effective October 1, 2019, and applies to vehicle subscription agreements entered into on or after that date.