

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2023

FILED SENATE  
Apr 4, 2023  
S.B. 581  
PRINCIPAL CLERK

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SENATE BILL DRS55049-SVf-6A

Short Title: County and City Sales Tax Exemption.

(Public)

Sponsors: Senators McInnis, Lazzara, and Sawyer (Primary Sponsors).

Referred to:

A BILL TO BE ENTITLED

AN ACT TO REPLACE THE ANNUAL SALES AND USE TAX REFUND FOR COUNTIES  
AND CITIES WITH A SALES AND USE TAX EXEMPTION.

The General Assembly of North Carolina enacts:

**SECTION 1.** G.S. 105-164.14(c) reads as rewritten:

"(c) Certain Governmental Entities. – A governmental entity listed in this subsection is allowed an annual refund of sales and use taxes paid by it under this Article on direct purchases of items. Sales and use tax liability indirectly incurred by a governmental entity on building materials, supplies, fixtures, and equipment that become a part of or annexed to any building or structure that is owned or leased by the governmental entity and is being erected, altered, or repaired for use by the governmental entity is considered a sales or use tax liability incurred on direct purchases by the governmental entity for the purpose of this subsection. The refund allowed under this subsection does not apply to purchases of electricity, telecommunications service, ancillary service, piped natural gas, video programming, or a prepaid meal plan. A request for a refund must be in writing and must include any information and documentation required by the Secretary. A request for a refund is due within six months after the end of the governmental entity's fiscal year.

This subsection applies only to the following governmental entities:

- (1) ~~A county.~~
- (2) ~~A city as defined in G.S. 160A-1.~~
- ...."

**SECTION 2.** G.S. 105-164.13 reads as rewritten:

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

The sale at retail and the use, storage, or consumption in this State of the following items are specifically exempted from the tax imposed by this Article:

(52a) Items subject to sales and use tax under G.S. 105-164.4, other than electricity, telecommunications service, and ancillary service as defined in G.S. 105-164.3, if all of the following conditions are met:

- a. The items are purchased by a county or a city, as defined in G.S. 160A-1, for its own use and in accordance with G.S. 105-164.29A, or are purchased by a contractor or subcontractor if the purchase is for use in the performance of a contract with the county or city. A contractor or subcontractor that purchases an item allowed an exemption under this subdivision must provide an



1 exemption certificate to the retailer that includes the name of the  
 2 county or city and the county's or city's exemption number.

3 b. The items are purchased pursuant to a valid purchase order issued by  
 4 the county or city that contains the exemption number of the county or  
 5 city and a description of the property purchased, or the items  
 6 purchased are paid for with a county- or city-issued check, electronic  
 7 deposit, credit card, procurement card, or credit account of the county  
 8 or city.

9 c. For all purchases other than by a county- or city-issued purchase order,  
 10 the county or city must provide to or have on file with the retailer the  
 11 county's or city's exemption number.

12 ...."

13 **SECTION 3.** G.S. 105-164.29A reads as rewritten:

14 "**§ 105-164.29A. State government Governmental entity exemption process.**

15 (a) Application. – To be eligible for the exemption provided in ~~G.S. 105-164.13(52),~~  
 16 ~~G.S. 105-164.13(52) or (52a),~~ a ~~State agency~~ the governmental entity must obtain from the  
 17 Department a sales tax exemption number. The application for exemption must be in the form  
 18 required by the Secretary, be signed by the ~~State agency's~~ governmental entity's head, and contain  
 19 any information required by the Secretary. The Secretary must assign a sales tax exemption  
 20 number to a ~~State agency~~ governmental entity that submits a proper application. This section  
 21 does not apply to any of the following State agencies:

22 (1) An occupational licensing board, as defined in G.S. 93B-1.

23 (2) An entity listed in G.S. 105-164.14(c).

24 (b) Liability. – A ~~State agency~~ governmental entity that does not use the items purchased  
 25 with its exemption number must pay the tax that should have been paid on the items purchased,  
 26 plus interest calculated from the date the tax would otherwise have been paid."

27 **SECTION 4.** This act becomes effective October 1, 2023, and applies to sales  
 28 occurring on or after that date. Nothing in this act shall be construed to prevent a county or city  
 29 from requesting a refund for sales and use taxes in accordance with G.S. 105-164.14(c) for  
 30 purchases made prior to July 1, 2023. This act does not affect the rights or liabilities of the State,  
 31 a taxpayer, or another person arising under a statute amended by this act before the effective date  
 32 of its amendment, nor does it affect the right to any refund or credit of a tax that accrued under  
 33 the amended statute before the effective date of its amendment.