

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2025

H.B. 554
Mar 27, 2025
HOUSE PRINCIPAL CLERK

H

D

HOUSE BILL DRH10248-SVxf-3B

Short Title: Rev Laws Tech Chngs/BBA Chngs/P2P Tax Parity. (Public)

Sponsors: Representative Howard.

Referred to:

1 A BILL TO BE ENTITLED
2 AN ACT TO MAKE VARIOUS TECHNICAL, CLARIFYING, AND ADMINISTRATIVE
3 CHANGES TO THE REVENUE LAWS; TO CONFORM TO THE FEDERAL SYSTEM
4 FOR AUDITING PARTNERSHIPS BY IMPOSING TAX AT THE PARTNERSHIP
5 LEVEL FOR FEDERAL CHANGES AND BY AUTHORIZING REFUNDS FOR
6 FEDERAL CHANGES; AND TO PROVIDE TAX PARITY FOR SHORT-TERM CAR
7 RENTALS BY EXPANDING ALTERNATE HIGHWAY USE TAX TO INCLUDE
8 PEER-TO-PEER RENTALS.

9 The General Assembly of North Carolina enacts:

10
11 **PART I. PERSONAL INCOME TAX CHANGES**

12 **SECTION 1.1.(a)** G.S. 105-153.5 reads as rewritten:

13 **"§ 105-153.5. Modifications to adjusted gross income.**

14 ...

15 (b) Other Deductions. – In calculating North Carolina taxable income, a taxpayer may
16 deduct from the taxpayer's adjusted gross income any of the following items that are included in
17 the taxpayer's adjusted gross income:

18 ...

19 (17) The amount by which the aggregate amount of losses or deductions of an S
20 Corporation taken into account by a shareholder under G.S. 105-131.1(b) do
21 not exceed the combined adjusted bases, determined in accordance with
22 G.S. 105-131.3, of the shareholder in the stock and indebtedness of the S
23 Corporation.

24 (c) Additions. – In calculating North Carolina taxable income, a taxpayer must add to the
25 taxpayer's adjusted gross income any of the following items that are not included in the taxpayer's
26 adjusted gross income:

27 ...

28 (8) The amount by which the aggregate amount of losses or deductions of an S
29 Corporation taken into account by a shareholder under G.S. 105-131.1(b)
30 exceed the combined adjusted bases, determined in accordance with
31 G.S. 105-131.3, of the shareholder in the stock and indebtedness of the S
32 Corporation.

33"

34 **SECTION 1.1.(b)** This section is effective for taxable years beginning on or after
35 January 1, 2025.

36 **SECTION 1.2.(a)** G.S. 105-153.5A reads as rewritten:



* D R H 1 0 2 4 8 - S V X F - 3 B *

1 **"§ 105-153.5A. Net operating loss provisions.**

2 ...
3 (g) Limitation. – The provisions of this section apply only to individuals, estates, and
4 trusts."

5 **SECTION 1.2.(b)** G.S. 105-153.5A(a) reads as rewritten:

6 "(a) State Net Operating Loss. – A taxpayer's State net operating loss for a taxable year is
7 the amount by which business deductions for the year exceed gross income for the year as
8 determined under the Code adjusted as provided in G.S. 105-153.5 and G.S. 105-153.6. The
9 amount of a taxpayer's State net operating loss must also be determined in accordance with the
10 following modifications:

- 11 (1) No State net operating loss deduction shall be allowed.
- 12 (2) The amount deductible on account of losses from sales or exchanges of capital
13 assets shall not exceed the amount includable on account of gains from sales
14 or exchanges of capital assets.
- 15 (3) The exclusion provided by Code section 1202 shall not be allowed.
- 16 (4) No deduction shall be allowed under G.S. 105-153.5(a1) for the child
17 deduction.
- 18 (5) The deductions which are not attributable to a taxpayer's trade or business
19 shall be allowed only to the extent of the amount of the gross income not
20 derived from such trade or business.
- 21 (6) Any deduction under Code section 199A shall not be allowed.
- 22 (7) The amount of the taxpayer's excess business loss, as defined under the
23 provisions of section 461(l) of the Code, shall be fully allowed as a State net
24 operating loss."

25 **SECTION 1.2.(c)** Subsection (a) of this section is effective when the Part becomes
26 law and applies retroactively to taxable years beginning on or after January 1, 2022. Subsection
27 (b) of this section is effective for taxable years beginning on or after January 1, 2025. The
28 remainder of this section is effective when the Part becomes law.

29 **SECTION 1.3.(a)** G.S. 105-160.2 reads as rewritten:

30 **"§ 105-160.2. Imposition of tax.**

31 (a) Scope. – The tax imposed by this Part applies to the taxable income of estates and
32 trusts as determined under the provisions of the Code except as otherwise provided in this Part.
33 The taxable income of an estate or trust is the same as taxable income for such an estate or trust
34 under the provisions of the Code, adjusted as provided in G.S. 105-153.5 and ~~G.S. 105-153.6;~~
35 ~~except that the adjustments provided in G.S. 105-153.5 and G.S. 105-153.6 are apportioned~~
36 ~~between the estate or trust and the beneficiaries based on the distributions made during the~~
37 ~~taxable year. G.S. 105-153.6.~~

38 (b) Tax Base. – The tax is computed on the amount of the taxable income of the estate or
39 trust that is for the benefit of a resident of this State, or for the benefit of a nonresident to the
40 extent that the income (i) is derived from North Carolina sources and is attributable to the
41 ownership of any interest in real or tangible personal property in this State or (ii) is derived from
42 a business, trade, profession, or occupation carried on in this State. For purposes of the preceding
43 sentence, taxable income and gross income is computed subject to the adjustments provided in
44 G.S. 105-153.5 and ~~G.S. 105-153.6.~~ G.S. 105-153.6 and is apportioned and allocated to this State
45 under G.S. 105-130.4.

46 (c) Tax Rate. – The tax on the amount computed above is at the rate levied in
47 G.S. 105-153.7. The fiduciary responsible for administering the estate or trust shall pay the tax
48 computed under the provisions of this Part.

49 (d) Adjustments. – For the purposes of this section, the adjustments provided in
50 G.S. 105-153.5 and G.S. 105-153.6 are apportioned between the estate or trust and the
51 beneficiaries based on the distributions made during the taxable year."

1 **SECTION 1.3.(b)** This section is effective for taxable years beginning on or after
2 January 1, 2025.

3 **SECTION 1.4.** G.S. 105-153.3(15) reads as rewritten:

4 "(15) Resident. – Either of the individuals listed below. A resident who removes
5 from the State during a taxable year is considered a resident until the resident
6 has both established a definite domicile elsewhere and abandoned any
7 domicile in this State. The fact of marriage does not raise any presumption as
8 to domicile or residence. A resident individual is either of the following:

9 a. An individual who is domiciled in this State at any time during the
10 taxable year or who resides in this State during the taxable year for
11 other than a temporary or transitory purpose. ~~In the absence of~~
12 ~~convincing proof to the contrary, an individual who is present within~~
13 ~~the State for more than 183 days during the taxable year is presumed~~
14 ~~to be a resident, but the~~

15 b. An individual who maintains a place of abode within the State and
16 spends more than 183 days, including partial days, of the taxable year
17 within the State. The absence of an individual from the State for more
18 than 183 days raises no presumption that the individual is not a
19 resident. A resident who removes from the State during a taxable year
20 is considered a resident until he has both established a definite
21 domicile elsewhere and abandoned any domicile in this State. The fact
22 of marriage does not raise any presumption as to domicile or
23 residence."

24 **SECTION 1.5.** G.S. 105-163.6 reads as rewritten:

25 "**§ 105-163.6. When employer must file returns and pay withheld taxes.**

26 ...

27 (c) Monthly. – An employer who withholds an average of at least two hundred fifty
28 dollars (\$250.00) but less than two thousand dollars (\$2,000) of State income taxes from wages
29 each month must file a return and pay the withheld taxes on a monthly basis. A return for the
30 months of January through November is due by the 15th day of the month following the end of
31 the month covered by the return. A return for the month of December is due the following January
32 31.

33 (d) Semiweekly. – An employer who withholds an average of at least two thousand
34 dollars (\$2,000) of State income taxes from wages each month ~~shall~~ must file a return ~~by the date~~
35 ~~set under the Code for filing a return for federal employment taxes attributable to the same wages~~
36 ~~and shall on a quarterly basis. A quarterly return covers a calendar quarter and is due by the last~~
37 ~~day of the month following the end of the quarter. The employer also must pay the withheld State~~
38 ~~income taxes by the date set under the Code for depositing or paying federal employment taxes~~
39 ~~attributable to the same wages. The date set by the Code for depositing or paying federal~~
40 ~~employment taxes shall be determined without regard to § 6302(g) of the Code.~~

41 ~~An extension of time granted to file a return for federal employment taxes attributable to~~
42 ~~wages is an automatic extension of time for filing a return for State income taxes withheld from~~
43 ~~the same wages, and an extension of time granted to pay federal employment taxes attributable~~
44 ~~to wages is an automatic extension of time for paying State income taxes withheld from the same~~
45 ~~wages. An employer who pays withheld State income taxes under this subsection is not subject~~
46 ~~to interest on or penalties for a shortfall in the amount due if the employer would not be subject~~
47 ~~to a failure to deposit penalty had the shortfall occurred in a deposit of federal employment taxes~~
48 ~~attributable to the same wages and the employer pays the shortfall by the date the employer would~~
49 ~~have to deposit a shortfall in the federal employment taxes.~~ forth below:

50 (1) If an employer's payday falls on a Wednesday, Thursday, or Friday, the
51 withheld taxes must be paid on or before the following Wednesday.

- 1 (2) If an employer's payday falls on a Saturday, Sunday, Monday, or Tuesday, the
2 withheld taxes must be paid on or before the following Friday.
3 (3) If any of the three weekdays following the close of a semiweekly period is a
4 legal holiday, the employer has an additional day for each day that is a legal
5 holiday by which to pay the withheld taxes.

6 ...
7 (f) The Secretary may close a taxpayer's withholding account if the taxpayer files no
8 withholding returns or files returns showing no withholding of State income taxes for a period of
9 18 months."

10 **SECTION 1.6.** Except as otherwise provided, this Part is effective when this act
11 becomes law.

13 **PART II. CONFORM TO FEDERAL SYSTEM FOR AUDITING PARTNERSHIPS**

14 **SECTION 2.(a)** Part 2 of Article 4 of Chapter 105 of the General Statutes is amended
15 by adding a new section to read:

16 **"§ 105-154.2. Federal partnership adjustments.**

17 (a) Definitions. – The following definitions apply in this Part:

- 18 (1) Administrative adjustment request. – An administrative adjustment request
19 filed by a partnership under section 6227 of the Code.
20 (2) Audited partnership. – A partnership subject to a partnership level audit
21 resulting in a federal partnership adjustment.
22 (3) Corporate partner. – A partner that is subject to tax under Part 1 of this Article.
23 (4) Direct partner. – A partner that holds a direct interest in a partnership subject
24 to a federal partnership adjustment.
25 (5) Exempt partner. – A partner that is not subject to State income tax under this
26 Article that holds a direct interest in a partnership subject to a federal
27 partnership adjustment.
28 (6) Federal partnership adjustment. – A change or correction arising from a
29 partnership level audit or an administrative adjustment request that affects the
30 calculation of a taxpayer's State tax.
31 (7) Federal partnership representative. – The person the partnership designates for
32 the taxable year as the partnership's representative, or the person the Internal
33 Revenue Service has appointed to act as the federal partnership representative,
34 pursuant to section 6223(a) of the Code.
35 (8) Final federal partnership adjustment. – A federal partnership adjustment that
36 is final. A federal partnership adjustment is final when the federal partnership
37 adjustment is not subject to administrative or judicial review. If the federal
38 partnership adjustment results from filing an administrative adjustment
39 request, the federal partnership adjustment is final when the administrative
40 adjustment request is filed. Additionally, a federal partnership adjustment
41 relating to a partnership level audit is deemed final in the following
42 circumstances:
43 a. The taxpayer has received a partnership level audit from the Internal
44 Revenue Service for the tax period and the taxpayer does not timely
45 file an administrative appeal with the Internal Revenue Service.
46 b. The taxpayer consented to any of the partnership level audit findings
47 for the tax period and through a final decision or other written
48 agreement with the Internal Revenue Service all rights of appeal have
49 been waived or exhausted.
50 (9) Indirect partner. – A beneficiary of an estate or trust or an owner in a
51 partnership or pass-through entity, where the estate, partnership, pass-through

- 1 entity, or trust holds, either itself or through another indirect partner, a direct
2 interest, in a partnership or pass-through entity subject to a final federal
3 partnership adjustment.
- 4 (10) Partnership level audit. – An audit of a partnership by the Internal Revenue
5 Service pursuant to Subchapter C of Title 26, Subtitle F, Chapter 63 of the
6 Code, as enacted by the Bipartisan Budget Act of 2015, Public Law 114-74,
7 which results in federal partnership adjustments.
- 8 (11) Reviewed year. – The taxable year of a partnership that is subject to a
9 partnership level audit from which federal partnership adjustments arise.
- 10 (12) State partnership representative. – The federal partnership representative
11 unless the partnership designates another person as its State partnership
12 representative. The Secretary is authorized to establish procedures for
13 designating a person, other than the federal partnership representative, to be a
14 State partnership representative.
- 15 (13) Tiered partner. – An estate, partnership, S Corporation, or trust that is a partner
16 in a partnership subject to a federal partnership adjustment.
- 17 (b) General Rule. – Except in the case of a final federal partnership adjustment that is
18 required to be reported to the Secretary using the procedures in subsection (c) of this section, a
19 partner must report and pay any State income tax due in accordance with the provisions of
20 G.S. 105-130.20 or G.S. 105-159.
- 21 (c) Reporting a Final Federal Partnership Adjustment. – Except for the distributive share
22 of adjustments that have been reported as required by subsection (b) of this section and an audited
23 partnership that has made a timely election under subsection (d) of this section, a partnership and
24 a partner must report a final federal partnership adjustment as follows:
- 25 (1) No later than 90 days after the final federal partnership adjustment, a
26 partnership doing business in this State must do both of the following:
- 27 a. File an income tax return reflecting the partnership's final federal
28 partnership adjustments, as modified by G.S. 105-153.5 and
29 G.S. 105-153.6, and any other information required by the Secretary,
30 and pay the additional amount due under G.S. 105-154(d) and
31 G.S. 105-154.1.
- 32 b. Notify each of its direct partners of the direct partner's distributive
33 share of the final federal partnership adjustments, including any
34 information necessary for the direct partner to properly file a State
35 income tax return. The information must be in the form prescribed by
36 the Secretary.
- 37 (2) No later than six months after the final federal partnership adjustment, each
38 direct partner subject to tax under this Article must file a State income tax
39 return reporting the direct partner's distributive share of the adjustments
40 reported to the direct partner under sub-subdivision b. of subdivision (1) of
41 this subsection, as modified by G.S. 105-153.5 and G.S. 105-153.6, and any
42 other information required by the Secretary, and pay any additional amount of
43 tax due as if the final federal partnership adjustments had been properly
44 reported.
- 45 (d) Election for Partnership to Pay; Exceptions. – Except as otherwise provided in
46 subdivision (2) of this subsection, an audited partnership may elect to report a final federal
47 partnership adjustment arising from a partnership level audit in the manner prescribed by the
48 Secretary. An election made under this subsection is irrevocable and cannot be made if the
49 required income tax return is not filed within the period required by this subsection. The
50 following provisions apply to an audited partnership that makes an election under this subsection:

- 1 (1) Reporting and payment of tax. – The reporting and payment requirements are
2 as follows:
- 3 a. No later than six months after the final federal partnership adjustment,
4 the audited partnership must file an income tax return reflecting the
5 partnership's final federal partnership adjustment, as modified by
6 G.S. 105-153.5 and G.S. 105-153.6, and provide any other
7 information required by the Secretary.
- 8 b. No later than six months after the final federal partnership adjustment,
9 the audited partnership must pay the amount determined under this
10 subdivision. If properly reported and paid by the audited partnership,
11 the amount shall be treated as paid in lieu of taxes owed by the direct
12 and indirect partners, to the extent applicable, on the same final federal
13 adjustment. The direct partners or indirect partners may not take a
14 deduction or credit for this amount on the State income tax return or
15 claim a refund of the amount paid on the State income tax return. The
16 amount in lieu of taxes is calculated as follows:
- 17 1. Exclude from the final federal adjustment the distributive share
18 of all adjustments reported to an exempt partner not subject to
19 tax under this Article.
- 20 2. For the total distributive shares of the final federal adjustment,
21 as modified by G.S. 105-153.5 and G.S. 105-153.6, reported to
22 direct corporate partners subject to tax under this Article,
23 apportion and allocate the adjustments as provided under
24 G.S. 105-130.4 and multiply the resulting amount by the tax
25 rate under G.S. 105-130.3.
- 26 3. For the total distributive shares of the final federal adjustment,
27 as modified by G.S. 105-153.5 and G.S. 105-153.6, reported to
28 nonresident individual direct partners and estate and trust
29 direct partners subject to tax under this Article, apportion and
30 allocate such adjustments as provided under G.S. 105-130.4
31 and multiply the resulting amount by the tax rate under
32 G.S. 105-153.7.
- 33 4. For the total distributive shares of the final federal adjustment,
34 as modified by G.S. 105-153.5 and G.S. 105-153.6, reported to
35 resident direct partners subject to tax under this Article,
36 multiply that amount by the tax rate under G.S. 105-153.7. For
37 purposes of this sub-sub-subdivision, an audited partnership
38 may deduct from each resident direct partner's distributive
39 share the amount of the resident direct partner's share of
40 distributive income not attributable to the State from the
41 partnership to the extent the resident direct partner's share of
42 distributive income not attributable to the State was included
43 in the partnership's taxable income in another state or the
44 District of Columbia and was subject to an entity-level tax
45 levied on the aggregate distributive share of the partnership's
46 income allocable to one or more of its partners. A partnership
47 is taxable in another state or the District of Columbia if the
48 partnership's business activity in that state or the District of
49 Columbia subjects the partnership to a net income tax or a tax
50 measured by net income.

1 5. Add the amounts determined in sub-sub-subdivisions 1.
2 through 4. of this sub-subdivision.

3 (2) Exceptions. – A partnership may not elect to pay tax under this subsection if
4 any of the following apply:

5 a. The partnership made the election to be a taxed partnership under
6 G.S. 105-154.1(a) for the reviewed year.

7 b. The partnership's final federal partnership adjustment resulted from an
8 administrative adjustment request.

9 c. The partnership was not required to file an information return under
10 the provisions of G.S. 105-154(c) for the reviewed year because the
11 partnership was not doing business in this State for the reviewed year.

12 (e) Collection of Tax for Failure to Pay. – If an audited partnership makes an election
13 under subsection (d) of this section but does not pay the amount due, the Department may collect
14 the tax from the audited partnership pursuant to G.S. 105-241.22(1). The Secretary must issue a
15 notice of collection for the amount of the tax debt to the audited partnership. If the tax debt is not
16 paid to the Secretary within 60 days of the date the notice of collection is mailed to the audited
17 partnership, the Secretary may assess the partners of the audited partnership for the partners'
18 distributive share of the tax debt by sending the partners a notice of proposed assessment in
19 accordance with G.S. 105-241.9. For purposes of this subsection, the term "tax debt" has the
20 same meaning as defined in G.S. 105-243.1(a).

21 (f) Tiered Partners. – The direct and indirect partners of an audited partnership that are
22 tiered partners, and all of the owners or beneficiaries of those tiered partners that are subject to
23 tax under this Article, are subject to the reporting and payment requirements of subsection (c) of
24 this section, and the tiered partners are entitled to make the election provided in subsection (d)
25 of this section. The tiered partners or their owners must make required reports and payments no
26 later than 90 days after the time for filing and furnishing statements to tiered partners and their
27 owners or beneficiaries as established under section 6226 of the Code and the regulations
28 thereunder. The Secretary is authorized to establish procedures and interim time periods for the
29 reports and payments required by tiered partners and their owners or beneficiaries and for making
30 the election under this subsection.

31 (g) Failure of Audited Partnership or Tiered Partner to Report or Pay. – Nothing in this
32 section prevents the Secretary from proposing an assessment against a direct partner or indirect
33 partner pursuant to G.S. 105-241.9 for tax due, if a partnership or tiered partner fails to timely
34 make any report or payment required by this section for any reason.

35 (h) State Partnership Representative. – The partnership's direct partners and indirect
36 partners are bound by the actions of the State partnership representative. In addition, with respect
37 to any action required or permitted to be taken by a partnership under this section, the State
38 partnership representative has the sole authority to:

39 (1) Act on behalf of the partnership.

40 (2) Bring a contested case hearing in accordance with G.S. 105-241.15.

41 (3) Request a judicial review in accordance with G.S. 105-241.16.

42 (i) Assessments of Additional State Tax Arising from a Final Federal Partnership
43 Adjustment. – The Secretary must assess additional State tax arising from a final federal
44 partnership adjustment in accordance with G.S. 105-241.9."

45 **SECTION 2.(b)** G.S. 105-228.90(b) reads as rewritten:

46 "(b) Definitions. – The following definitions apply in this Article:

47 ...

48 (15) Federal determination. – A change or correction arising from an audit by the
49 Commissioner of Internal Revenue or an agreement of the U.S. competent
50 authority, and the change or correction has become ~~final~~-final, but does not
51 include a final federal partnership adjustment as defined in G.S. 105-154.2(a).

A federal determination is final when the determination is not subject to administrative or judicial review. Additionally, audit findings made by the Internal Revenue Service are deemed final in the following circumstances:

- a. The taxpayer has received audit findings from the Internal Revenue Service for the tax period and the taxpayer does not timely file an administrative appeal with the Internal Revenue Service.
- b. The taxpayer consented to any of the audit findings for the tax period through a form or other written agreement with the Internal Revenue Service.

(16) Final federal partnership adjustment. – As defined in G.S. 105-154.2(a)."

SECTION 2.(c) G.S. 105-153.5 reads as rewritten:

"§ 105-153.5. Modifications to adjusted gross income.

...
 (c2) Decoupling Adjustments. – In calculating North Carolina taxable income, a taxpayer must make the following adjustments to the taxpayer's adjusted gross income:

...
 (24) A taxpayer must add the amount by which the taxpayer's distributive share of partnership income, subject to the adjustments provided in this section and G.S. 105-153.6, is increased as a result of a final federal partnership adjustment, as defined in G.S. 105-154.2(a), reported to this State under G.S. 105-154.2(c)(2).

(25) A taxpayer may deduct the amount by which the taxpayer's distributive share of partnership income, as modified by this section and G.S. 105-153.6, is decreased as a result of a final federal partnership adjustment, as defined in G.S. 105-154.2(a), reported to this State under G.S. 105-154.2(c)(2).

...."

SECTION 2.(d) G.S. 105-130.5 reads as rewritten:

"§ 105-130.5. Adjustments to federal taxable income in determining State net income.

(a) The following additions to federal taxable income shall be made in determining State net income:

...
 (33) The amount by which the taxpayer's distributive share of partnership income, subject to the adjustments provided in this section and G.S. 105-130.5B, is increased as a result of a final federal partnership adjustment, as defined in G.S. 105-154.2(a), reported to this State under G.S. 105-154.2(c)(2).

(b) The following deductions from federal taxable income shall be made in determining State net income:

...
 (33) The amount by which the taxpayer's distributive share of partnership income, subject to the adjustments provided in this section and G.S. 105-130.5B, is decreased as a result of a final federal partnership adjustment, as defined in G.S. 105-154.2(a), reported to this State under G.S. 105-154.2(c)(2).

...."

SECTION 2.(e) G.S. 105-241.6 reads as rewritten:

"§ 105-241.6. Statute of limitations for refunds.

...
 (b) Exceptions. – The exceptions to the general statute of limitations for obtaining a refund of an overpayment are as follows:

...

(7) Final Federal Partnership Adjustment. – If a taxpayer files a return reflecting a final federal partnership adjustment and the return is filed within the time required by this Subchapter, the period for requesting a refund is one year after the return reflecting the final federal partnership adjustment is filed or three years after the original return was filed or due to be filed, whichever is later."

SECTION 2.(f) G.S. 105-241.8 reads as rewritten:

"§ 105-241.8. Statute of limitations for assessments.

(a) General. – The general statute of limitations for proposing an assessment applies unless a different period applies under subsection (b) of this section. The general statute of limitations for proposing an assessment is the later of the following:

- (1) Three years after the due date of the return.
- (2) Three years after the taxpayer filed the return.

(b) Exceptions. – The exceptions to the general statute of limitations for proposing an assessment are as follows:

...

(6) Final federal partnership adjustment. – If a taxpayer files a return reflecting a final federal partnership adjustment and the return is filed within the time required by this Subchapter, the period for proposing an assessment of any tax due is one year after the return is filed or three years after the original return was filed or due to be filed, whichever is later. If there is a final federal partnership adjustment and the taxpayer does not file the return within the required time, the period for proposing an assessment of any tax due is six years after the date the Secretary received the final report of the final federal partnership adjustment."

SECTION 2.(g) This Part is effective for taxable years beginning on or after January 1, 2025, and applies to federal partnership adjustments that become final on or after that date.

PART III. SALES TAX CHANGES

SECTION 3.1.(a) G.S. 105-164.8(b) reads as rewritten:

"(b) Remote Sales. – A retailer who makes a remote sale is engaged in business in this State and is subject to the tax levied under this Article if at least one of the following conditions is met:

...

(9) The retailer makes gross sales in excess of one hundred thousand dollars (\$100,000) from remote sales sourced to this State, including sales as a marketplace seller, for the previous or the current calendar year. A retailer that solely meets this condition, or both this condition and the condition in subdivision (10) of this subsection, is engaged in business on the first day of the first calendar month occurring at least 60 days after the retailer's gross sales exceed the threshold.

(10) The retailer is a marketplace facilitator that makes gross sales in excess of one hundred thousand dollars (\$100,000), including all marketplace-facilitated sales for all marketplace sellers, from sales sourced to this State for the previous or the current calendar year. A retailer that solely meets this condition, or both this condition and the condition in subdivision (9) of this subsection, is engaged in business on the first day of the first calendar month occurring at least 60 days after the retailer's gross sales exceed the threshold."

SECTION 3.1.(b) This section is effective when it becomes law and applies to retailers that exceed the threshold on or after that date.

SECTION 3.2. G.S. 105-164.3(259) reads as rewritten:

1 "(259) Streamlined Agreement. – The Streamlined Sales and Use Tax Agreement as
2 amended as of ~~November 7, 2023~~October 9, 2024."

3 **SECTION 3.3.(a)** G.S. 105-187.90(9) reads as rewritten:

4 "(9) ~~Shared for hire ground transport~~ Shared-ride service. – A for-hire ground
5 transport service for which an individual has been matched with another
6 individual by a for-hire ground transport service provider."

7 **SECTION 3.3.(b)** G.S. 105-187.95 reads as rewritten:

8 "**§ 105-187.95. Use of tax proceeds.**

9 ~~Each quarter, the~~ The Secretary shall credit the net tax proceeds of the taxes collected under
10 this Article to the Highway Fund. The Secretary may retain the cost of administering this Article
11 as reimbursement to the Department."

12 **SECTION 3.3.(c)** This section becomes effective July 1, 2025.

13 **SECTION 3.4.** Except as otherwise provided, this Part is effective when this act
14 becomes law.

15 16 **PART IV. EXCISE TAX CHANGES**

17 **SECTION 4.1.** G.S. 105-113.39A(a2) reads as rewritten:

18 "(a2) Vapor Products License. – A wholesale dealer or a retail dealer must obtain a vapor
19 products license for all of the following locations:

- 20 (1) Each location where a wholesale dealer makes vapor products.
- 21 (2) Each location where a wholesale dealer or a retail dealer receives or stores
22 non-tax-paid vapor products.
- 23 (3) Each location from where a retail dealer that is a delivery seller ~~or a remote~~
24 ~~seller~~ receives or stores non-tax-paid vapor products for delivery sales if the
25 location is a location other than the location described in subdivision (2) of
26 this subsection."

27 **SECTION 4.2.** G.S. 105-113.83A(a) reads as rewritten:

28 "(a) Registration Required. – A person who holds a wine shipper permit issued under
29 G.S. 18B-1001.1 or one or more of the following ABC permits issued under Article 11 of Chapter
30 18B of the General Statutes must register with the Secretary:

- 31 (1) Unfortified winery.
- 32 (2) Fortified winery.
- 33 (3) Brewery.
- 34 (4) Distillery.
- 35 (5) Wine importer.
- 36 (6) Wine wholesaler.
- 37 (7) Malt beverages importer.
- 38 (8) Malt beverages wholesaler.
- 39 (9) Nonresident malt beverage vendor.
- 40 (10) Nonresident wine vendor.
- 41 (11) Wine Producer.
- 42 ~~(12) Nonresident spirituous liquor vendor."~~

43 **SECTION 4.3.(a)** G.S. 105-449.42 reads as rewritten:

44 "**§ 105-449.42. Payment of tax.**

45 The tax levied by this Article is due when a quarterly return is due under G.S. 105-449.45.
46 The amount of tax due is calculated on the amount of motor fuel or alternative fuel used by the
47 motor carrier in its operations within this State during the quarter covered by the return. If a
48 motor carrier is exempt from filing a return under G.S. 105-449.45(b)(2), the tax levied by this
49 Article is due ~~when the tax becomes collectible under G.S. 105-241.22~~ by the last day of the
50 month following the quarter in which the motor fuel or alternative fuel was used by the motor
51 carrier."

1 **SECTION 4.3.(b)** This section becomes effective July 1, 2025, and applies to taxes
2 due on or after that date.

3 **SECTION 4.4.(a)** G.S. 105-449.60 reads as rewritten:

4 "**§ 105-449.60. Definitions.**

5 The following definitions apply in this Article:

6 ...

7 (43a) Renewable diesel. – A motor fuel chemically equivalent to petroleum diesel
8 that is manufactured from organic feedstocks using a hydrogenation process.
9 Renewable diesel meets ASTM D975 specifications for diesel fuel.

10 "

11 **SECTION 4.4.(b)** G.S. 105-449.60(12) reads as rewritten:

12 "(12) Diesel fuel. – Any liquid, other than gasoline, that is suitable for use as a fuel
13 in a diesel-powered highway vehicle. The term includes biodiesel, fuel oil,
14 heating oil, high-sulfur dyed diesel fuel, ~~and kerosene.~~ kerosene, and
15 renewable diesel. The term does not include jet fuel."

16 **SECTION 4.5.(a)** G.S. 105-449.60(46) reads as rewritten:

17 "(46) Supplier. – Any of the following:

- 18 a. A position holder or a person who receives motor fuel pursuant to a
19 two-party exchange.
20 b. A fuel alcohol provider.
21 c. A biodiesel provider.
22 d. Repealed by Session Laws 2017-39, s. 12, effective June 21, 2017.
23 e. A purchaser of tax-paid motor fuel who introduces the respective
24 tax-paid motor fuel into the terminal transfer system at a location other
25 than an IRS-registered terminal.
26 f. A person who owns tax-paid motor fuel at the time it is placed in the
27 terminal transfer system at a location other than an IRS-registered
28 terminal."

29 **SECTION 4.5.(b)** G.S. 105-449.97(e) reads as rewritten:

30 "(e) Credit for Motor Fuel in ~~Terminal.~~ Terminal Transfer System. – When filing a return,
31 a licensed supplier ~~who is the position holder~~ may take a credit for tax-paid motor fuel in the
32 terminal ~~system.~~ transfer system if any of the following apply:

33 (1) The supplier is a position holder.

34 (2) The supplier is the original purchaser of tax-paid motor fuel that is placed in
35 the terminal transfer system at a location other than an IRS-registered
36 terminal.

37 (3) The supplier owns tax-paid motor fuel at the time it is placed in the terminal
38 transfer system at a location other than an IRS-registered terminal."

39 **SECTION 4.5.(c)** This section is effective July 1, 2025.

40 **SECTION 4.6.(a)** G.S. 105-449.69 reads as rewritten:

41 "**§ 105-449.69. How to apply for a license.**

42 ...

43 (e) Export Activity. – An applicant for a license as an exporter or as a distributor must
44 list on the application each state to which the applicant intends to export motor fuel received in
45 this State by means of a transfer that is outside the terminal transfer system and, if required by a
46 state listed, must be licensed or registered for motor fuel tax purposes in that state. If a state listed
47 requires the applicant to be licensed or registered, the applicant must give the applicant's license
48 or registration number in that state. If the Secretary determines that an exporter is no longer
49 operating in this State, and the exporter has failed to comply with G.S. 105-449.75, the Secretary
50 may cancel the exporter license and send notice of the cancellation in accordance with
51 G.S. 105-449.76(b1)."

1 **SECTION 4.6.(b)** G.S. 105-449.76(a) reads as rewritten:

2 "(a) Cancellation. – The Secretary may cancel a license issued under this Article upon the
3 written request of the ~~licensee~~-licensee or as permitted under G.S. 105-449.69(e). The licensee's
4 request must include a proposed effective date of cancellation and must return the license to the
5 Secretary on or before the proposed effective date. If the licensee's request does not include a
6 proposed effective date of cancellation, the license is cancelled 15 days after the Department
7 receives the written request. If the license is unable to be returned, the licensee must include a
8 written statement of the reasons, satisfactory to the Secretary, why the license cannot be returned.
9 The Secretary shall notify the licensee when the license is cancelled."

10 **SECTION 4.7.** G.S. 105-449.87(a)(3) reads as rewritten:

11 "(3) Motor fuel that is used to operate a highway vehicle after an application for a
12 refund of tax paid on the motor fuel is made or allowed under ~~G.S.~~
13 ~~105-449.107(a)~~-G.S. 105-449.106(d) on the basis that the motor fuel was used
14 for an off-highway purpose."

15 **SECTION 4.8.** G.S. 105-449.139 reads as rewritten:

16 "**§ 105-449.139. Miscellaneous provisions.**

17 (a) Records. – A person required to be licensed under this Article must keep a record of
18 all documents used to determine the information provided in a return filed under this Article. The
19 records must be kept for the applicable period of statute of limitations as set forth under Article
20 9 of this Chapter. If the records apply to a transaction not required to be reported in a return, the
21 records must be kept for three years from the date of the transaction. The Secretary or a person
22 designated by the Secretary shall have the right at any reasonable time to inspect the records.

23 (b) Violations. – The offenses listed in subdivisions (1) through (9) of G.S. 105-449.120
24 apply to this Article. In applying those offenses to this Article, references to "this Article" are to
25 be construed as references to Article 36D and references to "motor fuel" are to be construed as
26 references to alternative fuel.

27 (c) Lists. – The Secretary must make available a list of licensed alternative fuel providers
28 to each licensed bulk end-user and licensed retailer. The Secretary must also make available a
29 list of licensed bulk end-users and licensed retailers to each licensed alternative fuel provider. A
30 list must state the name, account number, and business address of each licensee on the list. The
31 Secretary must update the lists required under this section annually.

32 (d) Inspection. – The Secretary, or the Secretary's designee, shall have the right at any
33 reasonable time to inspect the records subject to audit under this section and may do any of the
34 following to determine tax liability under this Article:

35 (1) Audit a person who is required to have or elects to have a license under this
36 Article.

37 (2) Audit a retailer, bulk-end user, or a provider that is not licensed under this
38 Article.

39 (3) Examine a tank or other equipment used to make, store, or transport
40 alternative fuel."

41 **SECTION 4.9.** G.S. 150B-2(3) reads as rewritten:

42 "(3) License. – Any certificate, permit, or other evidence, by whatever name
43 called, of a right or privilege to engage in any activity, except licenses issued
44 under Chapter 20 and Subchapter I and Subchapter V of Chapter 105 of the
45 General Statutes, occupational licenses, and certifications of electronic poll
46 books, ballot duplication systems, or voting systems under G.S. 163-165.7."

47 **SECTION 4.10.** G.S. 18C-901(7) reads as rewritten:

48 "(7) Gross wagering revenue. – The total of amounts received by an interactive
49 sports wagering operator from sports wagers as authorized under this Article
50 less the amounts paid as winnings before any deductions for expenses, fees,
51 or taxes. Gross wagering revenue includes the cash value of any bonuses or

1 promotional credits when returned to an interactive sports wagering operator
2 in the form of a deposit or sports wager."

3 **SECTION 4.11.** Except as otherwise provided, this Part is effective when this act
4 becomes law.

5
6 **PART V. ADMINISTRATIVE AND OTHER CHANGES**

7 **SECTION 5.1.** G.S. 105-228.90 reads as rewritten:

8 "**§ 105-228.90. Scope and definitions.**

9 (a) Scope. – This Article applies to all of the following:

10 ...

11 (3) The primary forest product assessment levied under Article ~~81~~84 of Chapter
12 106 of the General Statutes.

13 ...

14 (b) Definitions. – The following definitions apply in this Article:

15 ...

16 (7) Code. – The Internal Revenue Code as enacted as of ~~January 1, 2023,~~ January
17 1, 2025, including any provisions enacted as of that date that become effective
18 either before or after that date.

19 ...

20 (23) Person. – An individual, a fiduciary, a firm, an association, a partnership, a
21 limited liability company, a corporation, a unit of government, or another
22 group acting as a unit. The term includes an officer or employee of a
23 corporation, a member, a manager, or an employee of a limited liability
24 company, and a member or employee of a partnership who, as officer,
25 employee, member, or manager, is under a duty to perform an act in meeting
26 the requirements of Subchapter I, V, or VIII of this Chapter, of G.S. 55-16-22,
27 of Article ~~81~~84 of Chapter 106 of the General Statutes, or of Article 3 of
28 Chapter 119 of the General Statutes.

29 ...

30 (27) Tax. – A tax levied under Subchapter I, V, or VIII of this Chapter, the primary
31 forest product assessment levied under Article ~~81~~84 of Chapter 106 of the
32 General Statutes, or an inspection tax levied under Article 3 of Chapter 119 of
33 the General Statutes. Unless the context clearly requires otherwise, the term
34 "tax" includes penalties and interest as well as the principal amount.

35 (29) Taxpayer. – A person subject to the tax or reporting requirements of
36 Subchapter I, V, or VIII of this Chapter, of Article ~~81~~84 of Chapter 106 of
37 the General Statutes, or of Article 3 of Chapter 119 of the General Statutes.

38"

39 **SECTION 5.2.** G.S. 105-236(a) reads as rewritten:

40 "(a) Penalties. – The following civil penalties and criminal offenses apply:

41 ...

42 (1b) Making Payment in Wrong Form. – For making a payment of tax in a form
43 other than the form required by the Secretary pursuant to G.S. 105-241(a), the
44 Secretary shall assess a penalty equal to five percent (5%) of the amount of
45 the tax, subject to a minimum of one dollar (\$1.00) and a maximum of one
46 thousand dollars (\$1,000). ~~This penalty may be waived by the Secretary in~~
47 ~~accordance with G.S. 105-237.~~

48 ...

49 (10a) Filing a Frivolous Return. – If a taxpayer files a frivolous return under Part 2
50 of Article 4 of this Chapter, the Secretary shall assess a penalty in the amount

1 of up to ~~five hundred dollars (\$500.00)~~ two thousand dollars (\$2,000). A
 2 frivolous return is a return that meets both of the following requirements:
 3 a. It fails to provide sufficient information to permit a determination that
 4 the return is correct or contains information which positively indicates
 5 the return is incorrect, and
 6 b. It evidences an intention to delay, impede or negate the revenue laws
 7 of this State or purports to adopt a position that is lacking in
 8 seriousness.

9"

10 **SECTION 5.3.** G.S. 105-249.2 reads as rewritten:

11 "**§ 105-249.2. ~~Due date extended and penalties waived~~ Relief for certain military personnel**
 12 **or persons affected by a presidentially declared disaster.**

13 (a) Combat. – The Secretary may not assess interest or a penalty against a taxpayer for
 14 any period that is disregarded under section 7508 of the Code in determining the taxpayer's
 15 liability for a federal tax. A taxpayer is granted an extension of time to file a return or take another
 16 action concerning a State tax for any period during which the Secretary may not assess interest
 17 or a penalty under this section.

18 (b) Disaster. – The penalties in G.S. 105-236(a)(2), (3), (4), and (10)c. may not be
 19 assessed for any period in which the time for filing a federal return or report or for paying a
 20 federal tax is ~~extended~~ disregarded under section 7508A of the Code because of a presidentially
 21 declared disaster. The ~~extension of time granted~~ period of time disregarded by the Internal
 22 Revenue Service under section 7508A of the Code only applies to the corresponding State tax
 23 return or payment. For State returns and payments without a corresponding federal return and
 24 payment, the ~~extension granted~~ period of time disregarded for individual income tax returns and
 25 payments by the Internal Revenue Service under section 7508A of the Code applies. For the
 26 purpose of this section, "presidentially declared disaster" has the same meaning as in section
 27 1033(h)(3) of the Code."

28 **SECTION 5.4.(a)** G.S. 1-339.1(a) reads as rewritten:

29 "(a) A judicial sale is a sale of property made pursuant to an order of a judge or clerk in
 30 an action or proceeding in the superior or district court, including a sale pursuant to an order
 31 made in an action in court to foreclose a mortgage or deed of trust, but is not

32 ...

33 (5) A tax foreclosure sale, but for the purposes of federal law, nothing herein shall
 34 be construed to mean that a tax foreclosure sale under G.S. 105-374 is a
 35 non-judicial sale, or

36"

37 **SECTION 5.4.(b)** G.S. 160A-233(c) reads as rewritten:

38 "(c) Assessment liens may be foreclosed under any procedure prescribed by law for the
 39 foreclosure of property tax liens, except that lien sales and lien sale certificates shall not be
 40 required, and foreclosure may be begun at any time after 30 days after the due date. The city shall
 41 not be entitled to a deficiency judgment in an action to foreclose an assessment lien. The lien of
 42 special assessments shall be inferior to all prior and subsequent liens for ~~State, local, and federal~~
 43 State and local taxes, and superior to all other liens."

44 **SECTION 5.4.(c)** G.S. 153A-200(c) reads as rewritten:

45 "(c) A county may foreclose assessment liens under any procedure provided by law for
 46 the foreclosure of property tax liens, except that (i) lien sales and lien sale certificates are not
 47 required and (ii) foreclosure may be begun at any time after 30 days after the due date. The county
 48 is not entitled to a deficiency judgment in an action to foreclose an assessment lien. The lien of
 49 special assessments is inferior to all prior and subsequent liens for ~~State, local, and federal~~ State
 50 and local taxes, and superior to all other liens."

1 **SECTION 5.4.(d)** Subsections (b) and (c) of this section become effective October
2 1, 2025. The remainder of this section is effective when it becomes law.

3 **SECTION 5.5.(a)** G.S. 14-313(h) reads as rewritten:

4 "(h) Fines and Civil Penalties. – The following penalties shall apply to violations of the
5 certification requirements for consumable products and vapor products required by Part 3 of
6 Article 4 of Chapter 143B of the General Statutes:

7 (1) Retailer, distributor, or wholesaler fines. – A retailer, distributor, or
8 wholesaler who offers for sale a consumable product or vapor product
9 intended for ultimate retail sale in this State that is not included in the directory
10 is subject to a warning with a mandatory reinspection of the retailer within 30
11 days of the violation of Part 3 of Article 4 of Chapter 143B of the General
12 Statutes. ~~The following applies:~~ The following provisions apply:

- 13 a. For a second violation of this type within a 12-month period, the fine
14 shall be at least five hundred dollars (\$500.00) but not more than seven
15 hundred fifty dollars (\$750.00) and, if licensed, the licensee's license
16 shall be suspended for 30 days.
- 17 b. For a third or subsequent violation of this type within a 12-month
18 period, the fine shall be at least one thousand dollars (\$1,000) but not
19 more than one thousand five hundred dollars (\$1,500) and, if licensed,
20 the licensee's license shall be revoked.
- 21 c. Upon a second or subsequent violation of this type, consumable
22 products or vapor products that are not on the directory as required by
23 G.S. 143B-245.12, and are possessed by a retailer, distributor, or
24 wholesaler, shall be subject to seizure, forfeiture, and destruction. The
25 cost of such seizure, forfeiture, and destruction shall be borne by the
26 person from whom the products are confiscated, except that no
27 products may be seized from a consumer who has made a bona fide
28 purchase of such product. ~~The Secretary~~ ALE Division may store and
29 dispose of the seized products as appropriate, in accordance with
30 federal, State, and local laws pertaining to storage and disposal of such
31 products.

32 "

33 **SECTION 5.5.(b)** G.S. 143B-245.10 reads as rewritten:

34 "**§ 143B-245.10. Definitions.**

35 The following definitions apply throughout this Part:

36 (1) ALE Division. – As defined in G.S. 18B-101.

37 (1a) Alternative nicotine product. – As defined in G.S. 14-313(a)(1).

38 (2) Consumable product. – As defined in G.S. 14-313(a)(1a).

39 (3) Distribute. – As defined in G.S. 14-313(a)(1b).

40 (4) FDA. – As defined in G.S. 14-313(a)(1c).

41 (5) Secretary. – The Secretary of the Department of Revenue.

42 (6) Timely Filed Premarket Tobacco Product Application. – As defined in
43 G.S. 14-313(a)(3c).

44 (7) Tobacco product. – As defined in G.S. 14-313(a)(4).

45 (8) Vapor product. – As defined in G.S. 14-313(a)(5)."

46 **SECTION 5.5.(c)** G.S. 143B-245.15 reads as rewritten:

47 "**§ 143B-245.15. Compliance.**

48 (a) Unannounced Compliance Check. – Each retailer, distributor, and wholesaler that
49 sells or distributes consumable products or vapor products in this State shall be subject to
50 unannounced compliance checks by the ~~Secretary or its designee, which may include State and~~
51 ~~local law enforcement officials,~~ ALE Division for purposes of enforcing this Part. Unannounced

1 follow-up compliance checks of all noncompliant retailers, distributors, and wholesalers shall be
 2 conducted within 30 days after any violation of this Part. ~~{The following applies:}~~The following
 3 provisions apply with respect to this section:

- 4 (1) Any person who observes a violation described in G.S. 143B-245.13 may alert
 5 the ~~Secretary~~ALE Division of such ~~the~~ violation, and the ~~Secretary~~ALE
 6 Division shall cause an unannounced compliance check to occur with respect
 7 to the person alleged to be in violation.
- 8 (2) The ~~Secretary~~ALE Division shall publish the results of all compliance checks
 9 at least annually and shall make the results available to the public on request.
- 10 (3) The ALE Division shall report to the Secretary any violation of this Chapter
 11 for which civil penalties are authorized and regardless of whether criminal
 12 charges have been filed.
- 13 (4) Any products identified for sale that are not on the registry in compliance with
 14 the provisions of this Chapter may be subject to seizure, forfeiture, and
 15 destruction in accordance with G.S. 14-313(h)(1)c.

16"

17 **SECTION 5.5.(d)** G.S. 143B-245.16 reads as rewritten:

18 "**§ 143B-245.16. Rules; use of fees; report.**

19 (a) Rules. – The Secretary shall adopt rules for the implementation and enforcement of
 20 this Part.

21 (b) Use of ~~Fees and Penalties.~~Fees. – The fees received under this Part and ~~the penalties~~
 22 collected under G.S. 14-313(h) by the Department of Revenue shall be used by the Department
 23 of Revenue exclusively for processing the ~~certifications,~~certifications and operating and
 24 maintaining the ~~directory, and enforcement~~directory of this Part.

25 (b1) Use of Penalties. – The penalties collected under G.S. 14-313(h) shall be remitted to
 26 the Civil Penalty and Forfeiture Fund in accordance with G.S. 115C-457.2.

27 (c) Report. – Beginning on January 31, 2026, and annually thereafter, the Secretary shall
 28 provide a report to the legislature regarding the status of the directory, manufacturers and
 29 products included in the directory, revenue and expenditures related to administration of this
 30 section ~~[Article], and enforcement activities undertaken pursuant to this section [Article],~~
 31 ~~including the number of stores that have been inspected and the results from such~~
 32 ~~inspections.~~Article."

33 **SECTION 5.5.(e)** G.S. 143B-218 reads as rewritten:

34 "**§ 143B-218. Department of Revenue – duties.**

35 It ~~shall be~~is the duty of the Department to collect and account for the State's tax funds, to
 36 insure uniformity of administration of the tax laws and regulations, to conduct research on
 37 revenue matters, ~~and~~ to exercise general and specific supervision over the valuation and taxation
 38 of property throughout the ~~State.~~State, and to perform other non-tax-related functions as enacted
 39 by the General Assembly."

40 **SECTION 5.5.(f)** G.S. 143B-219 reads as rewritten:

41 "**§ 143B-219. Department of Revenue – functions.**

42 (a) The functions of the Department of Revenue shall comprise, except as otherwise
 43 expressly provided by the Executive Organization Act of 1973 or by the Constitution of North
 44 Carolina, all executive functions of the State in relation to revenue collection, tax research, tax
 45 settlement, and property tax supervision including those prescribed powers, ~~duties~~duties, and
 46 functions enumerated in Article 16 of Chapter 143A of the General ~~Statutes of this State.~~Statutes.
 47 The Department of Revenue may also perform other non-tax-related functions as enacted by the
 48 General Assembly.

49 (b) All functions, powers, duties, and obligations heretofore vested in any agency
 50 enumerated in Article 16 of Chapter 143A of the General Statutes are hereby transferred to and
 51 vested in the Department of Revenue, except as otherwise provided by the Executive

1 Organization Act of 1973. They shall include, by way of extension and not of limitation, the
2 functions of:

- 3 (1) The ~~Commissioner~~ Secretary and Department of ~~Revenue~~, Revenue.
4 (2) The Department of Tax ~~Research~~, and Research.
5 (3) ~~The State Board of Assessment."~~

6 **SECTION 5.6.** Except as otherwise provided, this Part is effective when this act
7 becomes law.

8
9 **PART VI. PROPERTY TAX CHANGES**

10 **SECTION 6.(a)** G.S. 105-278.2 reads as rewritten:

11 **"§ 105-278.2. Burial property.**

12 (a) Commercial Property. – Real property set apart for human burial purposes that is
13 owned and held for purposes of (i) sale or rental or (ii) sale of burial rights therein is exempt from
14 taxation. A single application is required under G.S. 105-282.1 for property exempt under this
15 subsection.

16 (b) Other Property. – Real property set apart for human burial purposes not owned and
17 held for a purpose listed in subsection (a) of this section is exempt from taxation. No application
18 is required under G.S. 105-282.1 for property exempt under this subsection. A local government
19 cannot deny the exemption provided under this subsection to a taxpayer that lacks a survey or
20 plat detailing the exempt property.

21 (c) Terms. – For purposes of this section, the term "real property" includes land, tombs,
22 vaults, monuments, and mausoleums, and the term "burial" includes entombment."

23 **SECTION 6.(b)** Except as otherwise provided, this Part is effective when this act
24 becomes law.

25
26 **PART VII. PROVIDE TAX PARITY FOR SHORT-TERM CAR RENTALS TO**
27 **INCLUDE PEER-TO-PEER RENTALS**

28 **SECTION 7.1.(a)** G.S. 105-187.1(a) reads as rewritten:

29 "(a) The following definitions and the definitions in G.S. 105-164.3 apply to this Article:

30 ...

31 (3b) Peer-to-peer vehicle sharing provider. – As defined in G.S. 20-280.15.

32 ...

33 (6) Retailer. – A retailer as defined in G.S. 105-164.3 who is engaged in the
34 business of selling, leasing, renting, offering short-term leases or rentals,
35 long-term leases or rentals, or ~~offering~~ vehicle subscriptions for motor
36 vehicles.

37 (7) Short-term lease or rental. – A lease or rental of a motor vehicle or motor
38 ~~vehicles, vehicles by a person, including a vehicle sharing service, service or~~
39 a peer-to-peer vehicle sharing provider, that is not a long-term lease or rental
40 or a vehicle subscription.

41"

42 **SECTION 7.1.(b)** G.S. 105-187.3(a) reads as rewritten:

43 "(a) Tax Base. – ~~The Except as otherwise provided in G.S. 105-187.5,~~ the tax imposed by
44 this Article is applied to the sum of the retail value of a motor vehicle for which a certificate of
45 title is issued and any fee regulated by G.S. 20-101.1. The tax does not apply to the sales price
46 of a service contract, provided the charge is separately stated on the bill of sale or other similar
47 document given to the purchaser at the time of the sale."

48 **SECTION 7.1.(c)** G.S. 105-187.4(a) reads as rewritten:

49 "(a) Method. – ~~The Except as otherwise provided in G.S. 105-187.5,~~ the tax imposed by
50 this Article must be paid to the Commissioner when applying for a certificate of title for a motor

1 vehicle. The Commissioner may not issue a certificate of title for a vehicle until the tax imposed
 2 by this Article has been paid. The tax may be paid in cash or by check."

3 **SECTION 7.1.(d)** G.S. 105-187.5 reads as rewritten:

4 **"§ 105-187.5. ~~Alternate tax for~~ Tax on a limited possession commitment.**

5 (a) Applicability. – A retailer listed in this section shall pay a tax on the gross receipts of
 6 a limited possession commitment in accordance with this section. The tax is for the privilege of
 7 using the highways of this State and is imposed on a retailer but is to be added to a limited
 8 possession commitment and paid by the person who enters into a limited possession commitment
 9 with the retailer. The retailers are:

10 (1) A retailer that purchases a motor vehicle for use as a limited possession
 11 commitment and makes an election under this section.

12 (2) A peer-to-peer vehicle sharing provider.

13 (a1) Election. – A retailer that has purchased a motor vehicle for a limited possession
 14 commitment may elect not to pay to pay the tax imposed by this section instead of the tax imposed
 15 by this Article at the rate set in G.S. 105-187.3 when applying for a certificate of title for a motor
 16 vehicle purchased by the retailer for a limited possession commitment. A retailer who makes this
 17 election shall pay a tax on the gross receipts of the limited possession commitment of the vehicle-
 18 title. To make the election, the retailer shall complete a form provided by the Division providing
 19 the information needed to collect the alternate tax based on gross receipts. Once made, an election
 20 is irrevocable. The Division shall notify the Secretary of Revenue of a retailer who makes the
 21 election under this subsection.

22 (a2) Gross Receipts. – Gross receipts do not include the amount of any allowance given
 23 for a motor vehicle taken in trade as a partial payment on the limited possession commitment.
 24 The portion of a limited possession commitment billing or payment that represents any amount
 25 applicable to the sales price of a service contract as defined in G.S. 105-164.3 should not be
 26 included in the gross receipts subject to the tax imposed by this ~~Article-section~~. The charge must
 27 be separately stated on documentation given to the purchaser at the time the limited possession
 28 commitment goes into effect, or on the monthly billing statement or other documentation given
 29 to the purchaser. When a limited possession commitment is sold to another retailer, the seller of
 30 the limited possession commitment should provide to the purchaser of the limited possession
 31 commitment the documentation showing that the service contract and applicable sales taxes were
 32 separately stated at the time the limited possession commitment went into ~~effect-effect~~, and the
 33 new retailer must retain the information to support an allocation for tax computed on the gross
 34 receipts subject to highway use tax. ~~Like the tax imposed by G.S. 105-187.3, this alternate tax is~~
 35 ~~a tax on the privilege of using the highways of this State. The tax is imposed on a retailer, but is~~
 36 ~~to be added to the limited possession commitment of a motor vehicle and thereby be paid by the~~
 37 ~~person who enters into a limited possession commitment with a retailer.~~

38 (b) Rate. – The applicable tax rates on the gross receipts from a limited possession
 39 commitment are as listed in this subsection. ~~Gross receipts does not include the amount of any~~
 40 ~~allowance given for a motor vehicle taken in trade as a partial payment on the limited possession~~
 41 ~~commitment.~~The maximum tax in G.S. 105-187.3(a1) on certain motor vehicles applies to a
 42 continuous limited possession commitment of such a motor vehicle to the same person. The
 43 applicable tax rates are as follows:

44 Type of Limited Possession Commitment	Tax Rate
45 Short-term lease or rental	8%
46 Vehicle subscription	5%
47 Long-term lease or rental	3%

48 (c) Method. – ~~A retailer who elects to pay tax on the gross receipts of the limited~~
 49 ~~possession commitment of a motor vehicle shall make this election when applying for a~~
 50 ~~certificate of title for the vehicle. To make the election, the retailer shall complete a form provided~~

1 by the Division giving information needed to collect the alternate tax based on gross receipts.
2 Once made, an election is irrevocable.

3 (d) Administration. – ~~The Division shall notify the Secretary of Revenue of a retailer who~~
4 ~~makes the election under this section. A retailer who makes this election pays the tax under this~~
5 section shall report and remit to the Secretary the tax on the gross receipts of the limited
6 possession commitment of the motor vehicle. The Secretary shall administer the tax imposed by
7 this section on gross receipts in the same manner as the tax levied under G.S. 105-164.4(a)(2).
8 The administrative provisions and powers of the Secretary that apply to the tax levied under
9 G.S. 105-164.4(a)(2) apply to the tax imposed by this section. In addition, the Division may
10 request the Secretary to audit a retailer who elects to pay tax on gross receipts under this section.
11 When the Secretary conducts an audit at the request of the Division, the Division shall reimburse
12 the Secretary for the cost of the audit, as determined by the Secretary. In conducting an audit of
13 a retailer under this section, the Secretary may audit any sales of motor vehicles made by the
14 retailer."

15 **SECTION 7.2.(a)** G.S. 153A-156 reads as rewritten:

16 **"§ 153A-156. Gross receipts tax on short-term leases or rentals.**

17 (a) ~~As a substitute for and in replacement of the ad valorem tax, which is excluded by~~
18 ~~G.S. 105-275(42), a A county may levy a gross receipts tax on the gross receipts from the~~
19 ~~short-term lease or rental of vehicles at retail to the general public. The tax rate shall not exceed~~
20 ~~one and one-half percent (1.5%) of the gross receipts from such the short-term leases or rentals.~~

21 (b) If a county enacts ~~the substitute and replacement a~~ gross receipts tax pursuant to this
22 section, ~~any an~~ entity required to collect the tax shall include a provision in each retail short-term
23 lease or rental agreement noting that the percentage amount enacted by the county of the total
24 lease or rental price, excluding highway use tax, is being charged as a tax on gross receipts. For
25 purposes of this section, the transaction giving rise to the tax ~~shall be deemed to have occurred~~
26 occurs at the location of the entity from which ~~where~~ the customer takes delivery of the vehicle.
27 The tax shall be collected at the time of lease or rental and placed in a segregated account until
28 remitted to the county.

29 ...

30 (e) The following definitions in G.S. 105-187.1 apply in this ~~section~~ section.

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

32 (2) ~~Vehicle.~~ Any of the following:

33 a. ~~A motor vehicle of the passenger type, including a passenger van,~~
34 ~~minivan, or sport utility vehicle.~~

35 b. ~~A motor vehicle of the cargo type, including cargo van, pickup truck,~~
36 ~~or truck with a gross vehicle weight of 26,000 pounds or less used~~
37 ~~predominantly in the transportation of property for other than~~
38 ~~commercial freight and that does not require the operator to possess a~~
39 ~~commercial drivers license.~~

40 c. ~~A trailer or semitrailer with a gross vehicle weight of 6,000 pounds or~~
41 ~~less.~~

42"

43 **SECTION 7.2.(b)** G.S. 160A-215.1 reads as rewritten:

44 **"§ 160A-215.1. Gross receipts tax on short-term leases or rentals.**

45 (a) ~~As a substitute for and in replacement of the ad valorem tax, which is excluded by~~
46 ~~G.S. 105-275(42), a A city may levy a gross receipts tax on the gross receipts from the short-term~~
47 ~~lease or rental of vehicles at retail to the general public. The tax rate shall not exceed one and~~
48 ~~one-half percent (1.5%) of the gross receipts from such the short-term leases or rentals.~~

49 (b) If a city enacts ~~the substitute and replacement a~~ gross receipts tax pursuant to this
50 section, ~~any an~~ entity required to collect the tax shall include a provision in each retail short-term
51 lease or rental agreement noting that the percentage amount enacted by the city of the total lease

1 or rental price, excluding highway use tax, is being charged as a tax on gross receipts. For
 2 purposes of this section, the transaction giving rise to the tax ~~shall be deemed to have occurred~~
 3 occurs at the location of the entity from which where the customer takes delivery of the vehicle.
 4 The tax shall be collected at the time of lease or rental and placed in a segregated account until
 5 remitted to the city.

6 ...
 7 (e) The following definitions in G.S. 105-187.1 apply in this section:section.

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

9 (2) ~~Vehicle. — Any of the following:~~

10 a. ~~A motor vehicle of the passenger type, including a passenger van,~~
 11 ~~minivan, or sport utility vehicle.~~

12 b. ~~A motor vehicle of the cargo type, including cargo van, pickup truck,~~
 13 ~~or truck with a gross vehicle weight rating of 26,000 pounds or less~~
 14 ~~used predominantly in the transportation of property for other than~~
 15 ~~commercial freight and that does not require the operator to possess a~~
 16 ~~commercial drivers license.~~

17 e. ~~A trailer or semitrailer with a gross vehicle weight of 6,000 pounds or~~
 18 ~~less.~~

19"

20 **SECTION 7.2.(c)** G.S. 105-550 reads as rewritten:

21 "**§ 105-550. Definitions.**

22 The definitions in ~~G.S. 105-164.3~~ G.S. 105-164.3, G.S. 105-187.1, and the following
 23 definitions apply in this Article:

24 (1) Authority. – A regional public transportation authority or a regional
 25 transportation authority created pursuant to Article 26 or Article 27 of Chapter
 26 160A of the General Statutes.

27 (2) ~~Long term lease or rental. — Defined in G.S. 105-187.1.~~

28 (3) Motorcycle. – Defined in G.S. 20-4.01.

29 (4) Repealed by Session Laws 1998-98, s. 33, effective August 14, 1998.

30 (5) Public transportation system. – Any combination of real and personal property
 31 established for purposes of public transportation. The systems may include
 32 one or more of the following: structures, improvements, buildings, equipment,
 33 vehicle parking or passenger transfer facilities, railroads and railroad
 34 rights-of-way, rights-of-way, bus services, shared-ride services,
 35 high-occupancy vehicle facilities, car-pool and vanpool programs, voucher
 36 programs, telecommunications and information systems, integrated fare
 37 systems, bus lanes, and busways. The term does not include, however, streets,
 38 roads, or highways except to the extent they are dedicated to public
 39 transportation vehicles or to the extent they are necessary for access to vehicle
 40 parking or passenger transfer facilities.

41 (6) ~~Short term lease or rental. — Defined in G.S. 105-187.1.~~

42 (7) U-drive-it vehicle. – Defined in G.S. 20-4.01."

43 **SECTION 7.2.(d)** G.S. 105-551 reads as rewritten:

44 "**§ 105-551. Tax on gross receipts authorized.**

45 (a) Tax. – The board of trustees of an Authority may levy a privilege tax on a retailer
 46 who is engaged in the business of leasing or renting U drive it vehicles or motorcycles described
 47 in this subsection based on the gross receipts derived by the retailer from the short-term lease or
 48 rental of these vehicles. The tax rate must be a percentage and may not exceed five percent (5%).
 49 ~~A tax levied under this section applies to short-term leases or rentals made by a retailer whose~~
 50 ~~place of business or inventory is located within the territorial jurisdiction of the Authority.~~ This
 51 tax is in addition to all other taxes. The retailers subject to this section are:

- 1 (1) A retailer engaged in the business of leasing or renting U-drive-it vehicles or
 2 motorcycles and whose place of business or inventory is located within the
 3 territorial jurisdiction of the Authority.
 4 (2) A peer-to-peer vehicle sharing provider if the customer takes delivery of the
 5 vehicle within the territorial jurisdiction of the Authority.

6 "

7 **SECTION 7.2.(e)** G.S. 105-552 reads as rewritten:

8 "**§ 105-552. Collection and administration of gross receipts tax.**

9 ...

10 (b) Collection. – A tax levied by an Authority under this Article shall be collected by the
 11 Authority but shall otherwise be administered in the same manner as the ~~optional~~ gross receipts
 12 tax levied ~~by under~~ G.S. 105-187.5. Like the ~~optional~~ gross receipts tax, a tax levied under this
 13 Article is to be added to the lease or rental price of ~~a U-drive-it vehicle or motorcycle~~ the vehicle
 14 and thereby be paid by the person to whom it is leased or rented.

15 A tax levied under this Article applies regardless of whether ~~the a~~ retailer who ~~leases or rents~~
 16 ~~the U-drive-it vehicle or motorcycle~~ has the option of paying the gross receipts tax under
 17 G.S. 105-187.5 has elected to pay the ~~optional~~ gross receipts tax on the lease or rental receipts
 18 from the vehicle. A tax levied under this Article must be paid to the Authority that levied the tax
 19 by the date ~~an optional~~ the gross receipts tax levied under G.S. 105-187.5 is payable or would be
 20 payable to the Secretary of Revenue ~~under G.S. 105-187.5~~ if the retailer who leases or rents the
 21 U-drive-it vehicle or motorcycle had elected to pay the optional gross receipts tax.

22 (c) Penalties and Remedies. – The penalties and remedies that apply to local sales and
 23 use taxes levied under Subchapter VIII of this Chapter apply to a tax levied under this Article.
 24 The board of trustees of an Authority may exercise any power the Secretary of Revenue or a
 25 board of county commissioners may exercise in collecting local sales and use taxes."

26 **SECTION 7.3.(a)** G.S. 20-280.15 reads as rewritten:

27 "**§ 20-280.15. Definitions.**

28 The following definitions apply in this Article:

- 29 (1) Airport operator. – As defined in G.S. 20-280.1.
 30 (2) ~~Peer-to-peer vehicle sharing. – The authorized use of a shared vehicle by an~~
 31 ~~individual other than the shared vehicle owner through a peer-to-peer vehicle~~
 32 ~~sharing program.~~
 33 (3) Peer-to-peer vehicle sharing program. – A business platform that connects
 34 ~~shared registered vehicle owners that have not made an election under~~
 35 G.S. 105-187.5 with drivers to enable the sharing of vehicles for financial
 36 consideration.
 37 (4) Shared vehicle. – A vehicle that is available for sharing through a peer-to-peer
 38 vehicle sharing program.
 39 (5) ~~Shared vehicle owner. – The registered owner of a shared vehicle that is made~~
 40 ~~available for sharing through a peer-to-peer vehicle sharing program.~~
 41 (6) ~~Vehicle~~ Peer-to-peer vehicle sharing provider. – The A person or entity that
 42 operates, facilitates, or administers the provision of personal vehicle sharing
 43 through a peer-to-peer vehicle sharing program."

44 **SECTION 7.3.(b)** G.S. 20-280.17 reads as rewritten:

45 "**§ 20-280.17. Airport operators.**

46 An airport operator may (i) charge peer-to-peer vehicle sharing ~~programs~~ providers a
 47 reasonable fee for the use of the airport's facility, (ii) require an identifying decal be displayed
 48 on all shared vehicles that operate on airport property, (iii) require the purchase and use of
 49 equipment or establish other appropriate mechanisms for monitoring and auditing compliance,
 50 including having a peer-to-peer vehicle sharing ~~program~~ provider provide data for purposes of

1 monitoring and auditing compliance, and (iv) designate a location where shared vehicles may
2 stage on the airport operator's facility."

3 **SECTION 7.4.** This Part becomes effective October 1, 2025, and applies to gross
4 receipts derived from rentals or leases billed on or after that date.

5

6 **PART VIII. EFFECTIVE DATE**

7 **SECTION 8.** Except as otherwise provided, this act is effective when it becomes
8 law.